



MANDALAY RESOURCES

MANDALAY RESOURCES CORPORATION ANNOUNCES FINANCIAL RESULTS FOR THE THIRD QUARTER OF 2020

TORONTO, ON, November 11, 2020 -- Mandalay Resources Corporation ("Mandalay" or the "Company") (TSX: MND, OTCQB: MNDJF) is pleased to announce its financial results for the quarter ended September 30, 2020.

The Company's unaudited condensed and consolidated interim financial results for the quarter ended September 30, 2020, together with its Management's Discussion and Analysis ("MD&A") for the corresponding period, can be accessed under the Company's profile on www.sedar.com and on the Company's website at www.mandalayresources.com. All currency references in this press release are in U.S. dollars except as otherwise indicated.

Third Quarter 2020 Highlights:

- Quarterly revenue of \$49.8 million, highest since Q2 2016;
- Adjusted EBITDA of \$26.7 million, the second highest in Company history;
- Free cash flow of \$17.0 million and net cash flows from operating activities of \$28.9 million; and
- Adjusted net income of \$9.8 million, or \$0.11 per share and consolidated net income of \$0.6 million, or \$0.01 per share.

Dominic Duffy, President and CEO of Mandalay, made the following comments:

"Mandalay Resources' performance in the third quarter of 2020 was outstanding. We generated our highest quarterly revenue since the second quarter of 2016 and our quarterly adjusted EBITDA was the second highest on record – results not seen since the fourth quarter of 2012. The Company's stellar financial performance was driven by another all-time record in quarterly adjusted EBITDA at Costerfield of \$18.8 million, surpassing the \$15.4 million record set last quarter. As a result, we generated a \$26.7 million in adjusted EBITDA on a consolidated basis during the quarter, bringing the year-to-date total to \$68.9 million – more than 400% higher than the \$14.9 million amount in the same period last year. Our consolidated cash costs for the quarter were \$826 per saleable gold equivalent ounce produced as compared to the \$1,186 in the same period last year."

Mr. Duffy continued, "The Company leveraged its third consecutive quarter of improved operational performance, coupled with high metal prices and consistent costs, to deliver strong free cash flow of \$17.0 million. We increased our cash balance since the previous quarter by 57%, ending the third quarter of 2020 with a cash balance of \$32.9 million, and are well-positioned to meet our target of becoming net debt neutral in 2021."

Mr. Duffy added, "At Costerfield, the third quarter of 2020 was another quarter of high-quality production, with average processed grades of 11.5 g/t gold and 4.1% antimony. Costerfield recorded quarterly revenue of \$27.9 million, a 22% improvement over last quarter, and an adjusted quarterly EBITDA margin of 67%. We anticipate further improvement during the fourth quarter and that Costerfield's 2021 production will exceed 2020."

Mr. Duffy continued, "Björkdal delivered another steady quarter of stable, profitable gold production with 11,044 ounces, which led to \$21.9 million in revenue and \$9.6 million in adjusted EBITDA. We expect Björkdal to improve operationally and financially in the coming quarters as we develop further into the higher-grade, lower levels of the Aurora zone."

Mr. Duffy concluded, "Over the past nine months, Mandalay has demonstrated that it has turned the corner, both operationally and financially. With our operational turnaround complete at Costerfield, and three straight quarters of improved financial performance and cash generation, I am pleased with the Company's current trajectory – we expect this trend to continue and are excited to finish 2020 strong."

Third Quarter 2020 Financial Summary

The following table summarizes the Company's financial results for the three months and nine months ended September 30, 2020 and 2019:

| | Three months ended Sept 30, 2020 | Three months ended Sept 30, 2019 | Nine months ended Sept 30, 2020⁽³⁾ | Nine months ended Sept 30, 2019 |
|---|---|---|--|--|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Revenue | 49,753 | 28,798 | 133,654 | 85,058 |
| Cost of sales | 21,418 | 21,610 | 59,984 | 65,755 |
| Adjusted EBITDA ⁽¹⁾ | 26,727 | 5,555 | 68,901 | 14,906 |
| Income from mine ops before depreciation, depletion | 28,335 | 7,188 | 73,670 | 19,303 |
| Adjusted net income (loss) ⁽¹⁾ | 9,823 | (961) | 22,639 | (5,346) |
| Consolidated net income (loss) | 635 | (1,403) | (5,413) | (12,487) |
| Capital expenditure | (12,083) | (10,094) | (32,684) | (27,744) |
| Total assets | 283,379 | 252,042 | 283,379 | 252,042 |
| Total liabilities | 173,281 | 139,494 | 173,281 | 139,494 |
| Adjusted net income (loss) per share ⁽¹⁾ | 0.11 | (0.01) | 0.25 | (0.07) |
| Consolidated net income (loss) per share ⁽²⁾ | 0.01 | (0.02) | (0.06) | (0.16) |

¹Adjusted EBITDA, adjusted net income (loss) and adjusted net income (loss) per share are non-IFRS measures, defined at the end of this press release "Non-IFRS Measures".

²As a result of share consolidation on July 2, 2019, the Company has restated its number of common shares and the income (loss) per share for all periods presented.

³Includes restated figures for the three months ended March 31, 2020 and June 30, 2020 related to a reduction of loss on financial instruments amounting to \$1.5 million.

In the third quarter of 2020, Mandalay generated consolidated revenue of \$49.8 million, 73% higher than in the third quarter of 2019. This increase is attributable to Mandalay selling 8,188 more gold equivalent ounces in the third quarter of 2020 compared to the third quarter of 2019. The Company's realized gold price in the third quarter of 2020 also increased by 16% compared to the third quarter of 2019, and the realized price of antimony was flat year-over-year.

Consolidated cash cost per ounce of \$826 decreased by 30% in the third quarter of 2020 compared to the third quarter of 2019, mainly due to higher production and slightly lower cost of sales. Cost of sales during the third quarter of 2020 versus the third quarter of 2019 were \$0.5 million higher at Costerfield, offset by a \$0.7 million reduction at Björkdal. Consolidated general and administrative costs were \$0.03 million lower as compared to the prior year quarter.

Mandalay generated adjusted EBITDA of \$26.7 million in the third quarter of 2020, 377% higher compared to the Company's adjusted EBITDA of \$5.6 million in the year ago quarter. Adjusted net income was \$9.8 million in the third quarter of 2020, which excludes the \$8.7 million fair value loss related to the gold hedges associated with the Syndicated Facility, and \$0.5 million in care and maintenance costs, compared to an adjusted net loss of \$1.0 million in the third quarter of 2019. Consolidated net income was \$0.6 million for the third quarter of 2020, versus a net loss of \$1.4 million in the third quarter of 2019. Mandalay ended the third quarter of 2020 with \$32.9 million in cash and cash equivalents.

Third Quarter 2020 Operational Summary

The table below summarizes the Company's capital expenditures and operational unit costs for the three and nine months ended September 30, 2020 and 2019:

| | | Three months ended Sept 30, 2020 | Three months ended Sept 30, 2019 | Nine months ended Sept 30, 2020 | Nine months ended Sept 30, 2019 |
|---------------------|---|---|---|--|--|
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| Björkdal | | | | | |
| | Gold produced (oz) | 11,044 | 11,880 | 33,044 | 40,508 |
| | Cash cost ⁽¹⁾ per oz gold produced (\$) | 1,051 | 941 | 1,061 | 891 |
| | All-in sustaining cost ⁽¹⁾ per oz gold produced (\$) | 1,505 | 1,332 | 1,495 | 1,195 |
| | Capital development | 2,525 | 1,660 | 7,004 | 5,498 |
| | Property, plant and equipment purchases | 2,414 | 2,965 | 7,193 | 6,754 |
| | Capitalized exploration | 359 | 412 | 1,343 | 704 |
| Costerfield | | | | | |
| | Gold produced (oz) | 11,749 | 3,103 | 32,722 | 10,509 |
| | Antimony produced (t) | 991 | 402 | 3,045 | 1,348 |
| | Gold equivalent produced (oz) | 14,620 | 4,745 | 43,049 | 17,557 |
| | Cash cost ⁽¹⁾ per oz gold eq. produced (\$) | 657 | 1,800 | 622 | 1,413 |
| | All-in sustaining cost ⁽¹⁾ per oz gold eq. produced (\$) | 1,088 | 2,714 | 987 | 2,190 |
| | Capital development | 3,956 | 3,736 | 10,632 | 10,191 |
| | Property, plant and equipment purchases | 1,568 | 521 | 3,065 | 3,073 |
| | Capitalized exploration | 1,241 | 783 | 3,308 | 1,315 |
| Consolidated | | | | | |
| | Gold equivalent produced (oz) | 25,664 | 16,625 | 76,093 | 58,065 |
| | Cash cost ⁽¹⁾ per oz gold eq. produced (\$) | 826 | 1,186 | 812 | 1,049 |
| | All-in sustaining cost ⁽¹⁾ per oz gold eq. produced (\$) | 1,355 | 1,858 | 1,295 | 1,612 |
| | Capital development | 6,481 | 5,396 | 17,636 | 15,689 |
| | Property, plant and equipment purchases | 3,982 | 3,486 | 10,258 | 9,827 |
| | Capitalized exploration ⁽²⁾ | 1,620 | 1,212 | 4,790 | 2,228 |

¹Cash cost and all-in sustaining cost are non-IFRS measures. See "Non-IFRS Measures" at the end of this press release.

²Includes capitalized exploration relating to other non-core assets.

Björkdal gold mine, Skellefteå, Sweden

Björkdal produced 11,044 ounces of gold in the third quarter of 2020 with cash and all-in sustaining costs of \$1,051/oz and \$1,505/oz, respectively, compared to cash and all-in sustaining costs of \$941/oz and \$1,332/oz, respectively, in the third quarter of 2019.

Costerfield gold-antimony mine, Victoria, Australia

Costerfield produced 11,749 ounces of gold and 991 tonnes of antimony for 14,620 gold equivalent ounces in the third quarter of 2020. Due to the higher gold equivalent ounces produced, cash and all-in sustaining costs at Costerfield decreased to \$657/oz and \$1,088/oz, respectively, compared to cash and all-in sustaining costs of \$1,800/oz and \$2,714/oz, respectively, in the third quarter of 2019.

Cerro Bayo silver-gold mine, Patagonia, Chile

In the third quarter of 2020, the Company spent \$0.5 million on care and maintenance expenses at Cerro Bayo compared to \$0.4 million in the third quarter of 2019. Cerro Bayo is currently subject to a binding option agreement between the Company and Equus Mining ("Equus") pursuant to which Equus has an option to acquire Cerro Bayo. For further information see the Company's October 8, 2019 press release.

Lupin, Nunavut, Canada

Care and maintenance spending at Lupin was \$0.1 million during the third quarter of 2020, which was the same as in the third quarter of 2019. Reclamation spending at Lupin was \$0.5 million during the third quarter of 2020 as compared to \$0.8 million in the third quarter of 2019.

Challacollo, Chile

No key developments occurred during the third quarter of 2020. Further information regarding the definitive agreement signed with Aftermath Silver for the sale of Challacollo can be found in the Company's November 12, 2019 press release.

La Quebrada, Chile

The La Quebrada copper-silver project in Chile remained held for sale throughout the period.

COVID-19

The coronavirus ("COVID-19") pandemic is present in all countries in which the Company operates, with cases being reported in Canada, Australia, Sweden and Chile. At this time, the Company has activated business continuity practices across all sites. Management will continue to monitor developments across all jurisdictions and will adjust its planning as necessary. More details are included in the Company's press release dated March 20, 2020.

The Company currently expects this strong operating performance seen in the third quarter of 2020 to continue, however, the COVID-19 pandemic creates uncertainties. At this time, the Company is maintaining its existing 2020 production guidance but will continue to closely monitor the situation in both Australia and Sweden and will make adjustments, if necessary.

Conference Call

Mandalay's management will be hosting a conference call for investors and analysts on November 12, 2020 at 8:00 AM (Toronto time).

Analysts and interested investors are invited to participate using the following dial-in numbers:

Participant Number: (201) 689-8341
Participant Number (Toll free): (877) 407-8289
Conference ID: 13713074

A replay of the conference call will be available until 11:59 PM (Toronto time), November 26, 2020 and can be accessed using the following dial-in number:

Encore Toll Free Dial-in Number: (877) 660-6853
Encore ID: 13713074

About Mandalay Resources Corporation:

Mandalay Resources is a Canadian-based natural resource company with producing assets in Australia and Sweden, care and maintenance and development projects in Chile. The Company is focused on growing production at its gold and antimony operation in Australia, and gold production from its operation in Sweden to generate near-term cash flow.

Forward-Looking Statements

This news release contains "forward-looking statements" within the meaning of applicable securities laws, including statements regarding the Company's anticipated performance over the balance of 2020 and into 2021. Readers are cautioned not to place undue reliance on forward-looking statements. Actual results and developments may differ materially from those contemplated by these statements depending on, among other things, changes in commodity prices and general market and economic conditions. The factors identified above are not intended to represent a complete list of the factors that could affect Mandalay. A description of additional risks that could result in actual results and developments differing from those contemplated by forward-looking statements in this news release can be found under the heading "Risk Factors" in Mandalay's annual information form dated March 30, 2020, a copy of which is available under Mandalay's profile at www.sedar.com. In addition, there can be no assurance that any inferred resources that are discovered as a result of additional drilling will ever be upgraded to proven or probable reserves. Although Mandalay has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Non-IFRS Measures

This news release may contain references to adjusted EBITDA, adjusted net income, free cash flow, cash cost per saleable ounce of gold equivalent produced, cash cost per saleable ounce of silver produced net of gold credits and all-in sustaining cost all of which are non-IFRS measures and do not have standardized meanings under IFRS. Therefore, these measures may not be comparable to similar measures presented by other issuers.

Management uses adjusted EBITDA and free cash flow as measures of operating performance to assist in assessing the Company's ability to generate liquidity through operating cash flow to fund future working capital needs and to fund future capital expenditures, as well as to assist in comparing financial performance from period to period on a consistent basis. Management uses adjusted net income in order to facilitate an understanding of the Company's financial performance prior to the impact of non-recurring or special items. The Company believes that these measures are used by and are useful to investors and other users of the Company's financial statements in evaluating the Company's operating and cash performance because they allow for analysis of its financial results without regard to special, non-cash and other non-core items, which can vary substantially from company to company and over different periods.

The Company defines adjusted EBITDA as income from mine operations, net of administration costs, and before interest, taxes, non-cash charges/(income), intercompany charges and finance costs. The Company defines adjusted net income as net income before special items. Special items are items of income and expense that are presented separately due to their nature and, in some cases, expected infrequency of the events giving rise to them. A reconciliation between adjusted EBITDA and adjusted net income, on the one hand, and consolidated net income, on the other hand, is included in the MD&A.

The Company defines free cash flow as a measure of the Corporation's ability to generate and manage liquidity. It is calculated starting with the net cash flows from operating activities (as per IFRS) and then subtracting capital expenditures and lease payments. Refer to Section 1.2 of MD&A for a reconciliation between free cash flow and net cash flows from operating activities.

For Costerfield, saleable equivalent gold ounces produced is calculated by adding to saleable gold ounces produced, the saleable antimony tonnes produced times the average antimony price in the period divided by the average gold price in the period. The total cash operating cost associated with the production of these saleable equivalent ounces produced in the period is then divided by the saleable equivalent gold ounces produced to yield the cash cost per saleable equivalent ounce produced. The cash cost excludes royalty expenses. Site all-in sustaining costs include total cash operating costs, sustaining mining capital, royalty expense, accretion and depletion. Sustaining capital reflects the capital required to maintain each site's current level of operations. The sites the all-in sustaining cost per ounce of saleable gold equivalent in a period equals the all-in sustaining cost divided by the saleable equivalent gold ounces produced in the period.

For Björkdal, the total cash operating cost associated with the production of saleable gold ounces produced in the period is then divided by the saleable gold ounces produced to yield the cash cost per saleable gold ounce produced. The cash cost excludes royalty expenses. Site all-in costs include total cash operating costs, royalty expense, accretion, depletion, depreciation and amortization. Site all-in sustaining costs include total cash operating costs, sustaining mining capital, royalty expense, accretion and depletion. Sustaining capital reflects the capital required to maintain each site's current level of operations. The sites the all-in sustaining cost per ounce

of saleable gold equivalent in a period equals the all-in sustaining cost divided by the saleable equivalent gold ounces produced in the period.

For the Company as a whole, cash cost per saleable gold equivalent ounce is calculated by summing the gold equivalent ounces produced by each site and dividing the total by the sum of cash operating costs at the sites. Consolidated cash cost excludes royalty and corporate level general and administrative expenses. This definition was updated this quarter to exclude corporate general and administrative expenses to better align with industry standard. All-in sustaining cost per saleable ounce gold equivalent in the period equals the sum of cash costs associated with the production of gold equivalent ounces at all operating sites in the period plus corporate overhead expense in the period plus sustaining mining capital, royalty expense, accretion, depletion, depreciation and amortization, divided by the total saleable gold equivalent ounces produced in the period. A reconciliation between cost of sales and cash costs, and also cash cost to all-in sustaining costs are included in the MD&A.

For Further Information:

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