



## MANDALAY RESOURCES

### MANDALAY RESOURCES CORPORATION REPLACES MINERAL RESOURCES AND RESERVES IN YEAR-END 2017 UPDATE

TORONTO, ON, February 20, 2018 -- Mandalay Resources Corporation ("Mandalay" or the "Company") (TSX: MND) today announced its year-end 2017 Mineral Resources and Reserves estimations. In the Proven and Probable Reserves category (Table 1), contained gold ("Au") was approximately the same as the year prior, contained silver ("Ag") decreased by 12% and contained antimony ("Sb") decreased by 1%. In the Measured and Indicated Resource category (Table 2), contained gold increased by approximately 6%, contained silver decreased by 3%, and contained antimony increased by 13%. All dollar amounts in this press release are in U.S. dollars unless otherwise noted.

**Table 1: Mineral Reserves as of December 31, 2017 and 2016**

	2017			2016		
	Contained Au (koz)	Contained Ag (koz)	Contained Sb (kt)	Contained Au (koz)	Contained Ag (koz)	Contained Sb (kt)
Proven	38	292	5.3	55	931	6.4
Probable	735	7,511	12.0	720	7,932	11.1
<b>Proven + Probable</b>	<b>773</b>	<b>7,803</b>	<b>17.2</b>	<b>774</b>	<b>8,864</b>	<b>17.5</b>

Notes:

1. Reserves are contained at Costerfield, Cerro Bayo and Björkdal properties only.
2. See tables 4, 6 and 8 for details of Proven and Probable Reserve tonnages and grades at each property, including cut-off grades and Qualified Persons.
3. Mineral Reserves have not been estimated for Challacollo.
4. Totals may appear different from the sum of their components due to rounding.

**Table 2: Mineral Resources, Inclusive of Mineral Reserves, as of December 31, 2017 and 2016**

	2017			2016		
	Contained Au (koz)	Contained Ag (koz)	Contained Sb (kt)	Contained Au (koz)	Contained Ag (koz)	Contained Sb (kt)
Measured	89	421	12.1	96	1,189	11.4
Indicated	1,274	39,871	23.9	1,190	40,466	20.6
<b>Measured + Indicated</b>	<b>1,315</b>	<b>40,292</b>	<b>36.0</b>	<b>1,286</b>	<b>41,655</b>	<b>32.0</b>
Inferred	419	10,255	4.0	407	10,492	9.2

Notes:

1. See tables 3, 5, 7, and 9 for details of tonnages and grades at each property.
2. Totals may appear different from the sum of their components due to rounding.

Details of the Mineral Resources and Reserves estimates at each property are related below. They were prepared or verified by the following independent third parties: Roscoe Postle Associates Inc. ("RPA") at Björkdal, and SRK Consulting (Australasia) Pty Ltd. ("SRK") at Costerfield. Mineral Resources and Reserves were estimated at Cerro Bayo by depleting the year-end 2016 estimates (verified by RPA and released on February 23, 2017) to account for production through the operating suspension on June 9, 2017. The estimate of Mineral Resources at the Challacollo project has not changed from 2014.

The year-end 2017 estimates of Mineral Resources and Reserves for the Björkdal and Costerfield mines will be fully documented in independent Technical Reports to be filed on [www.sedar.com](http://www.sedar.com) and the Mandalay website [www.mandalayresources.com](http://www.mandalayresources.com) within 45 days of this press release.

Mark Sander, President and CEO of Mandalay, commented, "We are pleased to report that Mandalay replaced 2017 depletion in its year-end 2017 Mineral Resource and Reserves update. Expressed as total ounces of contained gold equivalent calculated at year-end 2017 Resource and Reserve reporting metal prices, Mandalay maintained its Mineral Reserves position of just over 1 million contained ounces. These reserves were added to our position for an exploration cost of \$29.67 per gold equivalent ounce, significantly lower than in the previous year."

Notable reserve additions include:

- At Costerfield, the addition of the Brunswick lode to reserves. The Company committed to the development of Brunswick in the fourth quarter of last year, and capital development is on track. In addition, Mandalay has received regulatory approval of the streamlined "single work plan" at Costerfield, which includes all permissions needed for the life of mine plan including Brunswick.
- At Björkdal, the addition of the initial open pit mineable reserves at Norrberget plus approximate replacement of reserves in the existing open pit and underground mines as well as in the stockpile.

### **Björkdal 2017 Updated Mineral Resources and Reserves**

During 2017, Björkdal drilled 20.9 kilometres of core and reverse circulation exploration holes for a total expenditure of \$1.86 million. In addition, underground operations completed 5,094 metres of on-vein development, which were mapped and sampled in detail according to the Company's grade control protocols.

Mandalay personnel performed all core and reverse circulation drill logging and sampling, as well as all underground and open pit mapping and chip sampling. Drill and chip samples were sent to CRS Research, Ltd. for assay by the pulverise-and-leach process. The exploration drill samples were assayed at offsite commercial CRS Research facilities, whereas chip samples were assayed either at CRS commercial offsite facilities or at the on-site assay laboratory at Björkdal that CRS Research has operated for Mandalay since mid-2016. Mandalay geologists conduct a QA/QC procedure in which blanks, standards and sample duplicates are inserted in sample batches submitted to the assay lab.

Mandalay geologists interpreted several hundred individual vein wireframe models which were reconciled in three dimensions and were used to constrain grade estimation. The Mineral Resource estimate was carried out using Geovia Surpac software and utilized an inverse distance cubed interpolation within wireframes. Gold assays were capped at 30 g/t Au in the open pit, whereas a two-stage capping strategy was used for underground, 60 g/t Au for the first search pass and 40 g/t Au for subsequent search passes. The estimates were based on intercepts from diamond core, reverse circulation drilling, and chip-channel sampling in both the open pit and underground domains.

Norrberget is interpreted as a single bifurcating mineralized package which was wireframed to constrain the grade estimation. The Mineral Resource was estimated using inverse distance cubed interpolation in Micromine software. The assay samples were capped at 24 g/t Au.

Mineral Resources are reported inclusive of Mineral Reserves.

Underground Mineral Resources are estimated at a cut-off grade of 0.90 g/t Au over a nominal minimum two metre mining width utilizing a \$1,400/oz gold price.

Open pit Mineral Resources are estimated at a cut-off grade of 0.35 g/t Au by a Whittle pit shell designed on Indicated and Inferred Resources at a \$1,400/oz gold price.

Underground Mineral Reserves are based on mine designs generated from the updated resource mode utilizing the auto-stope function within Deswik software. Mineable stope shapes were designed based on the distribution of Indicated Resources at a minimum mining width of 2.5 metres with a 0.5 metre dilution applied to both the hanging wall and footwall. Development was then designed and scheduled to access these stopes. Mining recoveries used were 95% for stopes and 100% for development. Underground Reserves were estimated using a \$1,200/oz gold price.

Open pit Mineral Reserves were estimated using Whittle software to produce a pit shell based on Indicated Mineral Resources at a gold price of \$1,200/oz. This shell was imported into Deswik software, where mineable designs were produced using the Whittle pit shell as a guide. The open pit Mineral Reserves for Björkdal are reported at a pit discard cut-off grade of 0.40 g/t Au from within the mineable designs produced in Deswik. The reported Mineral Reserves have 100% dilution at a dilution grade of 0.1 g/t Au for blocks above 1.0 g/t Au and 100% at 0.6 g/t Au for blocks between 0.4 g/t Au and 1.0 g/t Au. A mining extraction factor of 100% was also applied. The dilution and mining extraction factors are based on a reconciliation between mine production and the block model. Open Pit Mineral Reserves for Norrberget have factors of 15% dilution at zero grade and 100% extraction applied to them.

Complete details of the drilling, sampling, assaying, resource estimation and reserve estimation methodologies will be published in the Technical Report to be filed within 45 days of this press release.

Mineral Resource and Reserve estimates for Björkdal are effective as of September 30, 2017, and have been depleted through to December 31, 2017, to yield the year-end Resource and Reserve estimate for the property.

**Table 3: Mineral Resources at Björkdal, Inclusive of Mineral Reserves, as of December 31, 2017**

Category	Area	Tonnage (kt)	Au Grade (g/t)	Contained Au (koz)
<b>Indicated Resources</b>				
	Björkdal Open Pit	3,589	2.08	240
	Björkdal Underground	6,782	3.03	660
	Norrberget Open Pit	144	3.29	15
	Stockpile	2,383	0.64	49
<b>Total Indicated</b>		12,898	2.33	965
<b>Inferred Resources</b>				
	Björkdal Open Pit	2,368	1.26	96
	Björkdal Underground	2,455	2.34	184
	Norrberget Open Pit	3	4.03	0.5
<b>Total Inferred</b>		4,826	1.81	281

Notes:

1. Mineral Resources are estimated using drill hole and sample data as of September 30<sup>th</sup>, 2017, and depleted for production through December 31<sup>st</sup>, 2017.
2. CIM (2014) definitions were followed for Mineral Resources.
3. Mineral Resources are inclusive of Mineral Reserves.
4. Mineral Resources are estimated using an average Au price of \$1,400/oz. and an exchange rate of 8.4 SEK/US\$.
5. Bulk density is 2.74 t/m<sup>3</sup>.
6. High gold assays were capped to 30 g/t Au for the open pit mine.
7. High gold assays for the underground mine were capped at 60 g/t Au for the first search pass and 40 g/t Au for subsequent passes.
8. High gold assays at Norrberget were capped at 24 g/t Au.
9. Interpolation was by inverse distance cubed utilizing diamond drill, reverse circulation and chip channel samples.
10. Open pit Mineral Resources are estimated at a cut-off grade of 0.35 g/t Au and constrained by the resource pit design.
11. Underground Mineral Resources are estimated at a cut-off grade of 0.95 g/t Au.
12. For Björkdal, a nominal two metres minimum mining width was used to interpret veins using diamond drill, reverse circulation, and underground chip sampling.
13. Reported Mineral Resources are exclusive of previously mined underground development and stopes.
14. Stockpile Mineral Resources are estimated at a cut-off grade of 0.40 g/t Au and are based upon surveyed volumes supplemented by production data.
15. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.
16. Numbers may not add due to rounding.
17. The Independent Qualified Person for the Björkdal Mineral Resource estimate is Reno Pressacco, P.Geol., RPA, who is a Qualified Person as defined by NI 43-101. The Independent Qualified Person for the Norrberget Mineral Resource estimate is Jack Lunnon, CGeol, RPA, who is a Qualified Person as defined by NI 43-101.

**Table 4: Mineral Reserves at Björkdal, as of December 31, 2017**

Category	Area	Tonnage (kt)	Au Grade (g/t)	Contained Au (koz)
<b>Probable</b>				
	Björkdal Open Pit	4,537	1.30	189
	Björkdal Underground	4,321	2.41	334
	Norrberget Open Pit	162	2.80	15
	Stockpile	2,383	0.64	49
<b>Total Probable</b>		11,403	1.60	587

Notes:

1. Mineral Reserves are estimated using drill hole and sample data as of September 30<sup>th</sup>, 2017, and depleted for production through December 31<sup>st</sup>, 2017.

2. CIM (2014) definitions were followed for Mineral Reserves.
3. Open Pit Mineral Reserves for Björkdal are based on mine designs carried out on an updated resource model, applying a block dilution of 100% at 0.1 g/t Au for blocks above 1.0 g/t and 100% at 0.6 g/t Au for blocks between 0.4 g/t and 1.0 g/t. The application of these block dilution factors is based on historical reconciliation data. A cut-off grade of 0.4 g/t Au was applied. Open Pit Mineral Reserves for Norrberget are based on 15% dilution at zero grade and 100% extraction.
4. Underground Mineral Reserves for Björkdal are based on mine designs carried out on an updated resource model. Minimum mining widths of 3.5 m for stopes (after dilution) and 3.8 m for development were used. Dilution was applied by adding 0.5 m on each side of stopes as well as an additional 10% over break dilution. Further dilution, ranging from 10% to 100%, was added on a stope by stope basis depending on their proximity with other stopes. An overall dilution factor of 14.5% was added to development. Mining extraction was assessed at 95% for contained ounces within stopes and 100% for development. A cut-off grade of 1.00 g/t Au was applied. An incremental cut-off grade of 0.4 g/t Au was used for development material.
5. Stockpile Mineral Resources are estimated at a cut-off grade of 0.40 g/t Au and are based upon surveyed volumes supplemented by production data.
6. Mineral Reserves are estimated using an average long-term gold price of US\$1,200/oz, and an exchange rate of 8.4 SEK/US\$.
7. Tonnes and contained gold are rounded to the nearest thousand.
8. Totals may appear different from the sum of their components due to rounding.
9. The Independent Qualified Persons for the Björkdal Mineral Reserve estimate are Ian Weir, P.Eng., (for open pit reserves) and David Robson, P.Eng., (for underground reserves), who are both full-time employees of RPA and Qualified Persons as defined by NI 43-101.
10. The Independent Qualified Person for the Norrberget Mineral Reserve estimate was also Ian Weir, P.Eng., a full-time employee of RPA, and Qualified Person as defined by NI 43-101.

The net increase of 14,000 ounces of gold in Probable Reserves for 2017 relative to 2016 included mining depletion of 70,900 ounces of gold during 2017. Therefore, a total of 84,900 ounces of gold were added to reserves for the 2017 exploration spend of \$1.86 million reported above. The exploration cost of adding those reserves was \$21.96 per ounce of gold.

### **Costerfield 2017 Updated Mineral Resources and Reserves**

During 2017, Mandalay drilled a total of 26.4 kilometres of diamond core at a cost of \$4.0 million. Of this, 5.0 kilometres were dedicated to testing near mine-targets, and 3.2 kilometres were dedicated to testing emerging targets. The remaining 18.1 kilometres of core informed the conversion of resources to the Indicated category within the Brunswick orebody. In addition, the Company completed 5,307 metres of operating development with mine sampling on N, Cuffley, NV, K and NE lodes, 3,326 metres of which was in ore.

Drill core was logged and sampled by Costerfield geologists, who also performed mine sampling. All samples were sent to Onsite Laboratories in Bendigo, Victoria, Australia, for sample preparation and assay. Site geological and metallurgical personnel have implemented a QA/QC process that includes the regular submission of standard reference materials, duplicates and blanks with drill and face samples submitted for assay. Standard reference materials have been certified by Geostats Pty Ltd.

A two-dimensional modelling method was undertaken for all models with the exception of Brunswick where a conventional three-dimensional method was used. For two-dimensional models, core and mine sampling data were entered into Datamine software and composited to true vein width. Gold accumulation, antimony accumulation and true vein width were estimated into a two-dimensional block model for each lode using ordinary kriging and inverse distance where the density of data was insufficient for ordinary kriging. Gold and antimony vein grades were back-calculated using estimated accumulated data and true vein width. Brunswick core

sampling data was composited to 1 metre. Gold and antimony grades were estimated into a three-dimensional model, constrained by modelled vein contacts, using ordinary kriging.

Where vein true widths are less than 1.2 metre, vein grades were diluted to a minimum mining width of 1.2 metres using dilution grades of 0 g/t Au and 0 percent Sb. Grades where vein true widths are greater than 1.2 metres were not diluted. Mineral Resources were estimated at a cut-off grade of 3.5 g/t gold equivalent ("AuEq") grade (using US\$1,400/oz Au and US\$10,000/t Sb), AuEq is calculated using the formula  $AuEq = Au + (Sb \times 1.75)$  where Sb is in % and Au is in grams per tonne based on 1.2 metre diluted grades.

**Table 5: Mineral Resources at Costerfield, Inclusive of Mineral Reserves, as of December 31, 2017**

Category	Tonnage (kt)	Au Grade (g/t)	Sb Grade (%)	Contained Au (koz)	Contained Sb (kt)
Measured	290	9.2	4.2	86	12.1
Indicated	971	5.7	2.5	177	23.9
<b>Measured + Indicated</b>	<b>1,261</b>	<b>6.5</b>	<b>2.9</b>	<b>262</b>	<b>36.0</b>
Inferred	379	6.6	1.1	80	4.0

Notes:

1. Mineral Resources estimated as of December 31, 2017, and depleted for production through December 31, 2017.
2. Mineral Resources stated according to CIM (2014) guidelines and include Mineral Reserves.
3. Tonnes are rounded to the nearest thousand; contained gold (oz) Rounded top the nearest thousand and contained antimony (t) rounded to nearest hundred.
4. Totals may appear different from the sum of their components due to rounding.
5. A 3.5 g/t Au Equivalent (AuEq) cut-off grade over a minimum mining width of 1.2 m is applied where AuEq is calculated at a gold price of USD1,400/oz, antimony price of USD10,000/t.
6. The Au Equivalent value (AuEq) is calculated using the formula:  $AuEq = Au \text{ g/t} + 1.75 * Sb \%$
7. Geological modelling and sample compositing was performed by Cael Gniel, who is a full-time employee of Mandalay Resources, and Chris Davis, MAusIMM, who is a full-time employee of Mandalay Resources. The models were independently verified by Danny Kentwell FAusIMM, full time employee of SRK Consulting.
8. The Mineral Resource estimation was performed by Cael Gniel, who is a full-time employee of Mandalay Resources, and Chris Davis, MAusIMM, who is a full-time employee of Mandalay Resources. The resource models were verified by Danny Kentwell FAusIMM full time employee of SRK Consulting. Danny Kentwell is the qualified person under NI 43-101, and is the Competent Person for the Resource.

From the Mineral Resource, a mine plan was designed based only on Measured and Indicated Resource blocks using predominantly the cemented rock fill, blast hole stoping method. A cut-off grade of 4.0 grams per tonne gold equivalent and minimum stoping width of 1.2 metres were used, with planned and unplanned dilution at zero grade. Au equivalent ("AuEq") grade (using \$1,200/oz Au and \$8,500/t Sb), is calculated using the formula  $AuEq = Au + (Sb \times 1.7)$  where Sb is in % and Au is in grams per tonne.

Financial viability of Proven and Probable Mineral Reserves was demonstrated at metal prices of \$1,200 per ounce gold and \$8,500 per tonne antimony.

**Table 6: Mineral Reserves at Costerfield, as of December 31, 2017**

Category	Tonnage (kt)	Au Grade (g/t)	Sb Grade (%)	Contained Au (koz)	Contained Sb (kt)
Proven	152	7.3	3.5	36	5.3
Probable	470	5.7	2.5	86	12
<b>Proven + Probable</b>	<b>622</b>	<b>6.1</b>	<b>2.8</b>	<b>122</b>	<b>17.2</b>

Notes:

1. Mineral Reserves estimated as of December 31, 2017, and depleted for production through to December 31, 2017.
2. Tonnes and contained Au (oz) are rounded to the nearest thousand; contained Sb (t) rounded to nearest hundred.
3. Totals are subject to rounding error.
4. Lodes have been diluted to a minimum mining width of 1.2 m for stoping and 1.8 m for ore development.
5. A cut-off grade of 4.0 g/t Au Eq. is applied.
6. Commodity prices applied are; Au price of \$1,200/oz, Sb price of \$8,500/t and exchange rate USD:AUD of 0.75.
7. The Au Eq. value is calculated using the formula: Au Eq. = Au g/t + 1.7 \* Sb %.
8. The Mineral Reserve is a subset, a Measured and Indicated only schedule, of a Life of Mine Plan that includes mining of Measured, Indicated and Inferred Resources.
9. The Mineral Reserve estimate was prepared by Chloe Cavill, MAusIMM, and Steve Taylor who are full-time employees of Mandalay Resources and was independently verified by Peter Fairfield, FAusIMM, CP (Mining) who is a full-time employee of SRK Consulting who is a Qualified Person as defined by NI 43-101.

The net decrease of 6,000 ounces of gold in Proven and Probable Reserves for 2017 relative to 2016 consists of a total of 68,000 ounces of gold depleted from the 2016 Reserves, which has been positively offset by the addition of 62,000 ounces of gold added through resource conversion and mining re-evaluation. The 300 tonne antimony net decrease in Proven and Probable Reserves consists of 9,500 tonnes of antimony depleted from the 2016 Reserves, offset by the 9,200 tonnes added by resource conversion and mining re-evaluation.

The majority of the Mineral Reserve addition has been due to the inclusion of the Brunswick lode into the mine plan.

The 62,000 ounces of gold added to Mineral Reserves and the 9,200 tonne antimony addition amounts to 112,800 ounces of gold equivalent calculated at the reserve prices of \$1,200 per ounce gold and 8,500 per tonne antimony. This addition was accomplished at an average discovery cost of \$35.46 per ounce gold equivalent.

**Cerro Bayo 2017 Exploration and Updated Mineral Resources and Reserves**

During 2017, Mandalay drilled a total of 15.4 kilometres of diamond core in the Cerro Bayo district at a total cost of \$1.78 million. This drilling was conducted for (a) conversion of Inferred Resources within the known vein deposits to Indicated Resources, (b) ore-control and development on working veins, (c) drill-testing of near-mine and new exploration targets in the Laguna Verde, Cerro Bayo, Brillantes, Antimonio, Elsa, and Meseta/Sinter Hill sectors, and (d) emergency drilling in response to the June 2017 collapse and flooding in the Delia NW workings.

Drill core was logged and sampled by Cerro Bayo geologists, who also performed face sampling. All samples were delivered to the Cerro Bayo site laboratory for sample preparation and analysis. Site geological and metallurgical personnel continue to maintain a quality assurance and quality control (QA/QC) process that includes the regular submission of standard reference materials, duplicates, and blanks with drill and face samples submitted for assay. Standard reference materials have been certified by CDN Resources Laboratories Ltd.

The Company is confident that mining will resume at Cerro Bayo after the Company is certain that it can be done safely and after all the permits needed to complete the life of mine plan have been received. Geotechnical analysis, mine planning and permitting for the restart are in progress, and Mineral Resource and Mineral Reserves estimates will be updated with the results of these studies. In the meantime, the best estimates are based on the year-end 2016 estimates, fully documented by the independent NI 43-101 report released on March 31, 2017. These estimates have been depleted for production in 2017 and for sterilization of the small volume of Mineral Resources and Reserves in the Delia NW mine (the only mine directly impacted by the inundation). The ongoing work may affect estimates of Mineral Reserves, involving changes to pillar sizing or other mine design parameters in some areas when it is finalized.

**Table 7: Mineral Resources at Cerro Bayo, inclusive of Mineral Reserves, as of December 31, 2017**

Category	Tonnage (kt)	Ag Grade (g/t)	Au Grade (g/t)	Contained Ag (koz)	Contained Au (koz)
Measured	47	279	2.15	421	3
Indicated	854	352	3.07	9,671	84
<b>Measured + Indicated</b>	<b>901</b>	<b>348</b>	<b>3.02</b>	<b>10,092</b>	<b>87</b>
Inferred	513	204	2.52	3,355	42

Notes:

1. Mineral Resources estimated as of December 31, 2016 and depleted for production through December 31, 2017.
2. Mineral Resources stated according to CIM definitions (2014) and include Mineral Reserves.
3. Tonnes, contained Ag, and contained Au are rounded to the nearest thousand.
4. Totals may be different from the sum of their components due to rounding.
5. A 162 g/t Ag Eq. cut-off grade over a minimum mining width of 1.2 m is applied where Ag Eq. is calculated at an Ag price of US\$24/oz and Au price of US\$1,400/oz. The Ag Eq. value is calculated using the formula:  $\text{Ag Eq.} = \text{Ag g/t} + (58.25 \times \text{Au g/t})$ .
6. The Independent Qualified Person for the Cerro Bayo Mineral Resource estimate is Rosmary Julia Cardenas Barzola, P.Eng., RPA, who is a Qualified Person as defined by NI 43-101.
7. A bulk density of 2.63 t/m<sup>3</sup> was used.

**Table 8: Mineral Reserves at Cerro Bayo as of December 31, 2017**

Category	Tonnage (kt)	Ag Grade (g/t)	Au Grade (g/t)	Contained Ag (koz)	Contained Au (koz)
Proven	40	227	1.72	292	2
Probable	816	286	2.37	7,511	62
<b>Proven + Probable</b>	<b>856</b>	<b>284</b>	<b>2.34</b>	<b>7,803</b>	<b>64</b>

Notes:

1. Mineral Reserves estimated as of December 31, 2016, and depleted for production through to December 31, 2017.
2. Mineral Reserves stated according to CIM (2014) definitions.
3. Tonnes and contained Au and Ag are rounded to the nearest thousand.
4. Totals may appear different from the sum of their components due to rounding.
5. Veins have been diluted to a minimum mining width of 2.4 m for stoping and 3.0 m for ore development.
6. A 219 g/t Ag Eq. cut-off grade was applied, using the formula:  $\text{Ag Eq.} = \text{Ag g/t} + (66.44 \times \text{Au g/t})$ .
7. Mineral Reserves are estimated using an average long-term Ag price of \$18/oz and Au price of \$1,200/oz.
8. The Independent Qualified Person for the Cerro Bayo Mineral Reserve estimate is Normand Lecuyer, P.Eng., RPA, who is a Qualified Person as defined by NI 43-101.

There was a net decrease of 1.0 million ounces of silver and 8,000 ounces of gold in Proven and Probable Reserves at Cerro Bayo for year-end 2017 relative to year-end 2016. This decrease includes mine production in 2017 of 0.8 million ounces of silver and 6,100 ounces of gold from Delia SE, Coyita, Trinidad and Delia NW veins. Delia NW Mineral Resources and Reserves were fully depleted because of the impossibility of resuming the operations in this vein following the June 9 inundation.

### **Challacollo 2017 Mineral Resources**

No new Resource and Reserve estimate was conducted at Challacollo during 2017. For completeness, the 2014 Mineral Resource estimate is summarized in Table 9 below.

**Table 9: Mineral Resources at Challacollo Silver Project as of December 31, 2017**

<b>Category</b>	<b>Tonnage (kt)</b>	<b>Au Grade (g/t)</b>	<b>Ag Grade (g/t)</b>	<b>Au (koz)</b>	<b>Ag (koz)</b>
Measured	-	-	-	-	-
Indicated	4,700	0.32	200	48	30,200
<b>Measured + Indicated</b>	<b>4,700</b>	<b>0.32</b>	<b>200</b>	<b>48</b>	<b>30,200</b>
Inferred	1,600	0.31	134	16	6,900

Notes:

1. Mineral Resources estimated as of 31 December 2014.
2. Mineral Resources stated according to CIM (2014) guidelines.
3. Totals may appear different from the sum of their components due to rounding.
4. Mineral Resources are estimated at a cut-off grade of 60 g/t Ag as interpreted and modeled using GEOVIA Surpac software.
5. A bulk density 2.45 t/m<sup>3</sup> used as a base with adjustments based on barium, lead and zinc grades.
6. No capping of Ag grades has been applied due to low grade variability. Au grades have been capped at 3 g/t.
7. Numbers may not add due to rounding.
8. The Mineral Resource estimate was supervised by Michael Collins, P.Geo., who is a full-time employee of Mining Plus and a Qualified Person as defined by NI 43-101.
9. Mineral Resources estimated using an Ag price of \$24/oz and an Au price of \$1,400/oz.

### **Qualified Persons:**

All Qualified Persons listed below have read and approved the contents of this news release as it pertains to the Mineral Resource and Mineral Reserve estimates disclosed in this news release.

For Björkdal: The Mineral Resource Estimate was carried out under the supervision of Reno Pressacco, P.Geo., an employee of RPA and independent of Mandalay Resources Corporation. He is a Qualified Person for the purpose of National Instrument 43-101. The Mineral Resource Estimates for Norrberget were carried out under the supervision of Jack Lunnon, CGeol, an employee of RPA and independent of Mandalay Resources Corporation. He is a Qualified Person for the purpose of National Instrument 43-101. The Björkdal Mineral Reserve Estimate was carried out under the supervision of Ian Weir, P. Eng., (for open pit reserves) and David Robson, P.Eng., (for underground reserves). Both are employees of RPA and are independent of Mandalay Resources Corporation. They are Qualified Persons for the purposes of National Instrument 43-101. The Norrberget Mineral Reserve estimate was also prepared by Ian Weir, P.Eng., who is an Independent Qualified Person as defined by National Instrument 43-101.

For Cerro Bayo: The Mineral Resource Estimate was carried out under the supervision of Rosmery Julia Cardenas Barzola, P.Eng., an employee of RPA and independent of Mandalay Resources Corporation. She is a Qualified Person for the purpose of National Instrument 43-101. The Mineral Reserve Estimate was carried out under the supervision of Normand Lecuyer, P. Eng., an employee of RPA and independent of Mandalay Resources Corporation. He is a Qualified Person for the purposes of NI 43-101.

For Costerfield: The Mineral Resource Estimate was carried out under the supervision of Danny Kentwell, FAusIMM, an employee of SRK Consulting and independent of Mandalay Resources Corporation. He is a Qualified Person for the purpose of National Instrument 43-101. The Mineral Reserve Estimate was carried out under the supervision of Peter Fairfield, FAusIMM, an employee of SRK Consulting and independent of Mandalay Resources Corporation audited the year-end 2016 reserve estimate and has reviewed the year-end 2017 depletion. He is a Qualified Person for the purposes of NI 43-101.

For Challacollo: Michael Collins, P.Geo., a full-time employee of Mining Plus and a Qualified Person under NI 43-101 supervised and takes responsibility for the Mineral Resource Estimate and has approved the technical and scientific information in the Challacollo section of this press release.

**For Further Information:**

Mark Sander  
President and Chief Executive Officer

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**About Mandalay Resources Corporation:**

Mandalay Resources is a Canadian-based natural resource company with producing assets in Australia and Sweden, and care and maintenance and development projects in Chile. The Company is focused on executing a roll-up strategy, creating critical mass by aggregating advanced or in production gold, copper, silver and antimony projects in Australia, the Americas and Europe to generate near-term cash flow and shareholder value.

**Forward-Looking Statements:**

*This news release contains "forward-looking statements" within the meaning of applicable securities laws. 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 31, 2017, a copy of which is available under Mandalay's*

*profile at [www.sedar.com](http://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.*