

March 29, 2019



This Supplemental News Report is published as required, is part of the annual MERGENT INDUSTRIAL and INTERNATIONAL Manuals and will be included in the bound March 2019 Monthly News Reports and is published on our Website.

MANDALAY RESOURCES CORP.

Company Website: www.mandalayresources.com

History: Incorporated in Canada under the Business Corporations Act (British Columbia) on Jan. 29, 1997.

On Sept. 24, 2009, Co. acquired all of the outstanding common shares of AGD Mining Pty Ltd. for purchase consideration of US\$18,603,358.

On May 4, 2010, Co. acquired 100% of Compañía Minera Cerro Bayo Ltda. for purchase consideration of US\$22,436,626.

On Sept. 12, 2014, Co. acquired Elgin Mining Inc. for C\$70,000,000.

Business Summary: Mandalay Resources, together with its wholly owned subsidiaries, is a gold, silver and antimony producer engaged in mining and related activities including acquisition, exploration, extraction, processing and reclamation. Co.'s assets consist of the Costerfield gold and antimony mine in Australia, the Cerro Bayo silver and gold mine in Chile, the Björkdal gold mine in Sweden, as well as other exploration projects in Chile and Canada.

Property: Co. maintains its head office in Toronto, Ontario and its registered office in Vancouver, British Columbia.

Co.'s assets consist of the Costerfield gold and antimony mine in Australia, the Cerro Bayo silver and gold mine in Chile, the Björkdal gold mine in Sweden, as well as other exploration projects in Chile and Canada.

Subsidiaries

Mandalay Resources Australia Pty Ltd. (Australia)
Compañía Minera Cerro Bayo Ltda (Chile)
Björkdalsgruvan AB (Sweden)
Mandalay Resources Finance Limited (Cayman Islands)

Officers

Bradford A. Mills, Executive Chairman
Dominic Duffy, President; Chief Executive Officer
Nick Dwyer, Chief Financial Officer
Belinda Labatte, Chief Development Officer
Jasmine Virk, Corporate Secretary

Directors

Bradford A. Mills, Executive Chairman
Braam Jonker, Lead Independent Director
Dominic Duffy, Director
Robert Doyle, Director
Peter Rhys Jones, Director
Amy Freedman, Director

Auditors: Ernst & Young LLP

Legal Counsel: Goodmans LLP

Transfer Agent: Computershare Trust Company of Canada, Toronto, Ontario, Canada

Annual Meeting: In March

Shareholder Relations: Greg DiTomaso, Director of Investor Relations
Tel: 647-260-1566

No. of Stockholders: Feb. 19, 2019, 2,817

No. of Employees: Dec. 31, 2018, 464

Address: 76 Richmond Street East Suite 330, Toronto, Ontario M5C 1P1, Canada

Tel: 647 260-1566

Web: www.mandalayresources.com

Email: j.virk@mandalayresources.com

Consolidated Income Statement, Years Ended Dec. 31 (\$):

	2018	2017 (revised)	2016 (revised)
Revenue	112,168,000	162,997,000	185,543,000
Cost of sales excluding depletion & depreciation	(92,990,000)	(107,111,000)	(125,554,000)
Depreciation & amortization	(30,486,000)	(40,258,000)	(40,027,000)
Income (loss) from mining operations	(11,308,000)	15,628,000	19,962,000
Accounting & legal	(1,442,000)	(1,404,000)	(1,664,000)
Administrative & office	(1,091,000)	(2,002,000)	(4,577,000)
Salaries	(2,092,000)	(2,572,000)	(1,477,000)
Travel & entertainment	(664,000)	(674,000)	(906,000)
Other administration expenses	(578,000)	(637,000)	(500,000)
Care & maintenance & other operating expenses	(10,486,000)	(12,815,000)	...
Write down of assets	(34,645,000)	(21,813,000)	(17,925,000)
Share-based compensation	(773,000)	(1,000,000)	(905,000)
Gain (loss) on disposal of property, plant & equipment	748,000	(575,000)	(635,000)
Total expenses	(51,023,000)	(43,492,000)	(28,589,000)
Income (loss) from operations	(62,331,000)	(27,864,000)	(8,627,000)
Interest on five year exchangeable bonds	...	...	(4,964,000)
Interest on five year exchangeable loans	(2,480,000)	(3,788,000)	...
Finance charges on revolver facility	(1,859,000)	(559,000)	...
Interest on other borrowings & bank charges	(347,000)	(235,000)	...
Accretion of reclamation & site closure costs	(742,000)	(663,000)	(428,000)
Expenses relating to part repayment of five year exchangeable bonds	...	(1,249,000)	...
Loss on part repayment of five year exchangeable bonds	(152,000)	(1,682,000)	...
Interest on borrowings	...	...	(301,000)
Gain (loss) on financial instruments	799,000	(2,608,000)	(262,000)
Other income	...	...	337,000
Interest & other income	898,000	434,000	...
Foreign exchange gain (loss)	(1,365,000)	(1,717,000)	(943,000)
Income (loss) before income taxes	(67,579,000)	(39,931,000)	(15,188,000)
Income tax expense (recovery) - current	307,000	(2,948,000)	(123,000)
Income tax expense (recovery) - deferred	3,554,000	173,000	(4,922,000)
Total income tax expense (recovery)	3,861,000	(2,775,000)	(5,045,000)
Net income (loss) for the year	(63,718,000)	(42,706,000)	(20,233,000)
Weighted average ordinary shares outstanding - basic	451,500,000	451,247,000	430,151,000
Weighted average ordinary shares outstanding - diluted	451,500,000	451,247,000	430,151,000
Year end shares outstanding	451,595,877	451,279,731	451,174,008
Net income (loss) per share - basic	\$(0.14)	\$(0.09)	\$(0.05)
Net income (loss) per share - diluted	\$(0.14)	\$(0.09)	\$(0.05)
Interim dividends per share	...	\$0.01	...
Final dividends per share	...	\$0.01	...
Dividends per share	...	0.01	0.04
Number of full time employees	...	468	...
Number of part time employees	...	194	...
Total number of employees	464	662	...
Number of common stockholders	2,817	...	...

	2018	2017 (revised)	2016 (revised)
Assets:			
Cash & cash equivalents	8,395,000	16,935,000	...
Trade receivables	8,036,000	22,576,000	...
VAT & other indirect tax	...	...	...

□ Reclassified to conform with 2018 presentation; □ Reclassified to conform with 2017 presentation; □ As of January 1, 2018; □ As of February 19, 2019

Consolidated Balance Sheet, Years Ended Dec. 31 (\$):

	2018	2017 (revised)
Assets:		
Cash & cash equivalents	8,395,000	16,935,000
Trade receivables	8,036,000	22,576,000
VAT & other indirect tax	...	...

receivables	3,933,000	4,399,000	Less: current portion of		
Other receivables & assets	3,703,000	3,376,000	total borrowings	(32,064,000)	(1,699,000)
Marketable securities	73,000	159,000	Borrowings	3,821,000	16,161,000
Less: non-current portion	(2,747,000)	(3,324,000)	Reclamation & site closure costs provision	40,674,000	49,886,000
Trade receivables & other assets	12,998,000	27,186,000	Other provisions	1,527,000	1,590,000
Inventories	13,829,000	24,249,000	Deferred tax liability	7,453,000	11,418,000
Prepaid expenses	3,678,000	2,850,000	Total non-current liabilities	53,475,000	79,055,000
Total current assets	38,900,000	71,220,000	Total liabilities	141,567,000	139,522,000
Reclamation & other deposits	27,676,000	35,924,000	Common shares	192,078,000	191,893,000
Trade receivables & other assets	2,747,000	3,324,000	Share option reserve	10,404,000	9,816,000
Property, plant & equipment, cost	392,992,000	407,401,000	Foreign currency translation reserve	(36,196,000)	(28,654,000)
Less: accumulated depreciation	(224,612,000)	(212,837,000)	Retained earnings (accumulated deficit)	(70,150,000)	(7,516,000)
Property, plant & equipment	168,380,000	194,564,000	Total equity	96,136,000	165,539,000
Intangible asset .....	..	29,000	Total liabilities & equity	237,703,000	305,061,000
Total non-current assets	198,803,000	233,841,000			
Total assets	237,703,000	305,061,000			
Liabilities:					
Trade payables	17,146,000	13,870,000			
Accrued liabilities	7,189,000	6,499,000			
Payroll & other taxes payable	1,828,000	3,820,000			
Cash election option liability	4,000	1,000			
Provisional pricing adjustment	37,000	91,000			
Borrowings	32,064,000	1,699,000			
Five year exchangeable bonds	25,235,000	27,784,000			
Income taxes payable	120,000	1,053,000			
Other provisions	1,778,000	2,083,000			
Financial instruments	2,691,000	3,567,000			
Total current liabilities	88,092,000	60,467,000			
Liability for the revolver facility	30,000,000	14,721,000			
Borrowings for loan or lease facility	5,885,000	3,139,000			
Total borrowings	35,885,000	17,860,000			

Reclassified to conform with 2018 presentation

Auditor's Report:

The following is an excerpt from the Report of the Independent Auditors, Ernst & Young LLP, as it appeared in Co's 2018, Annual Report:

Opinion

We have audited the consolidated financial statements of Mandalay Resources Corporation and its subsidiaries ["the Group"], which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRS"].

Material uncertainty related to going concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Group incurred a net loss of \$63.7 million during the year ended December 31, 2018 and, as of that date, the Group's current liabilities exceeded its total assets by \$49.2 million. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

Debt: As of Dec. 31, 2018, US\$35,885,000 (including current portion of US\$32,064,000) comprised of:

(1) US\$30,000,000 senior secured revolver credit facility, bearing interest at LIBOR plus 3.5% to 4.5% per annum or at HSBC's "base rate" plus 2.5% to 3.5%, maturing on July 24, 2020.

(2) US\$5,885,000 loan and lease facility.

Subsequent financing: On Jan. 16, 2019, Co. drew down US\$5,000,000 from the revolver facility, resulting in US\$35,000,000 total drawn and therefore US\$5,000,000 remaining to be drawn under this facility after that date.

On Feb. 20, 2019, Co. had entered into a one-year bridge loan agreement for US\$8,000,000 with CE Mining Fund III L.P., an investment fund advised by Plinian Capital Limited, which in turn is controlled by Brad Mills, the Chairman of Co.'s Board of Directors. The bridge loan will bear interest at a rate of 10% and will be convertible at CE Mining's option into common shares at a price per share CAD\$0.108. The Bridge Loan will be unsecured and will be subordinated to the HSBC Facility.

Capital Stock: 1. Mandalay Resources Corp. common; no par.

OUTSTANDING—Dec. 31, 2018, 451,595,877 shs; no par.

DIVIDENDS—

2012.....	0.01	2013.....	0.03	2014.....	0.03
2015.....	0.04	2016.....	0.04	2017.....	0.01

OPTIONS—Dec. 31, 2016, outstanding, 19,242,200; restricted, 282,177.

TRANSFER AGENT—Computershare Trust Company of Canada, Toronto, Ontario, Canada

PRIMARY EXCHANGE—Toronto (TSX): MND.

SECONDARY EXCHANGES—National Bulletin Board (NBB): MNDJ F.

OFFERED—(358,400,000 shares) at Can\$0.12 a share on Feb. 12, 2019 through BMO Nesbitt Burns Inc., CIBC World Markets Inc., HSBC Securities (Canada) Inc. IPO.

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