

EXPLORATION

BJÖRKDAL EXPLORATION

In 2016, Mandalay drilled a total of 35,981 m of core and reverse circulation exploration holes for a total expenditure of \$4 million. In addition, underground operations completed 5,385 m of on-vein development.

In the underground mine, Mandalay completed infill and extension drilling of existing Inferred Mineral Resources in the Lake Zone, Central Zone, and Main Zone. In the open pit mine, Mandalay completed infilling previously Inferred Mineral Resources in the Björkdal East Pit and in the new Nylunds Pit. As well, the Company completed infilling shallow mineralization at Norrberget, approximately 4 kilometres east-southeast of the Björkdal Pit, which it expects to convert to open pit Reserves. Mandalay's wider step-out drilling at Björkdal has demonstrated that well-mineralized gold-quartz veins continue several hundred metres to the north of the defined Reserves in the Lake Zone in long holes drilled from underground. As well, both shallow and deep gold intercepts in the Storheden area northeast of the open pit suggests that more drilling in this area could define additional Resources in future years.

Mandalay substantially increased Mineral Resources and Reserves at Björkdal in 2016. The increase is due to continuing evolution of our understanding of the fundamental geology of the deposit, made possible by the careful factual observations and insightful interpretations of Mandalay's exploration team and supported by significant investment in drilling. Mandalay released an updated Mineral Resource and Reserve update for Björkdal in 2016, with an effective date of September 30, 2016. The Mineral Resources and Reserves estimates have been depleted through to December 31, 2016 and are outlined below:

At the end of 2016, Mineral Resources at Björkdal were:

BJÖRKDAL RESOURCES	Area	Tonnes (kt)	Au Grade (g/t)	Cont. Au (koz)
INDICATED RESOURCES				
	OPEN PIT	4,161	2.00	268
	UNDERGROUND	5,583	3.28	589
	SUB-TOTAL	9,744	2.74	857
	STOCKPILE	1,929	0.65	40
TOTAL INDICATED		11,673	2.39	898
INFERRED RESOURCES				
	OPEN PIT	2,577	1.19	99
	UNDERGROUND	920	3.20	95
TOTAL INFERRED		3,497	1.72	193

At the end of 2016, Mineral Reserves at Björkdal were:

BJÖRKDAL RESERVES	Area	Tonnes (kt)	Au Grade (g/t)	Cont. Au (koz)
PROBABLE				
	OPEN PIT	4,534	1.36	198
	UNDERGROUND	4,136	2.52	335
	STOCKPILE	1,929	0.65	40
TOTAL PROBABLE		10,600	1.68	574

Numbers may not add due to rounding. For complete notes on the Company's Mineral Resources and Reserves, plus technical report information for each project, please click [here](#)

BJÖRKDAL EXPLORATION (CONTINUED)

The net increase of 156,000 ounces of gold in Probable Reserves for 2016 relative to 2015 included mining depletion of 55,900 ounces of gold during 2016. Therefore, a total of 211,900 ounces of gold were added to Reserves. The exploration cost of adding those reserves was \$18.78 per ounce of gold. Björkdal is now Mandalay's longest-lived operation. Mandalay believes that it will build on its recent positive exploration results at Björkdal to continue to significantly grow Mineral Resources and Reserves in 2017.

COSTERFIELD EXPLORATION

In 2016, Mandalay focused its exploration efforts on infill and extensional drilling on the N, Cuffley, and Brunswick Lodes. During 2016, Mandalay drilled 32,662 m of diamond core for \$4.6 million. In addition, the Company completed 4,533 m of operating development and mine sampling, mostly in N and Cuffley Lodes. The Company generated new high-grade intercepts on the Brunswick Lode, the Cuffley Deeps West Lode, the Central East and Central Main Lodes below the King Cobra fault, and on the M-Lode, all of which encourage more drilling in 2017.

At the end of 2016, Mineral Resources at Costerfield were:

COSTERFIELD RESOURCES	Tonnage (kt)	Au Grade (g/t)	Sb Grade (%)	Cont. Au (koz)	Cont. Sb (kt)
MEASURED	286	9.5	4.0	88	11.4
INDICATED	812	5.9	2.5	155	20.6
MEASURED + INDICATED	1,098	6.9	2.9	242	32.0
INFERRED	800	6.0	1.1	155	9.2

At the end of 2016, Mineral Reserves at Costerfield were:

COSTERFIELD RESERVES	Tonnage (kt)	Au Grade (g/t)	Sb Grade (%)	Cont. Au (koz)	Cont. Sb (kt)
PROVEN	184	8.1	3.5	48	6.4
PROBABLE	434	5.7	2.6	80	11.1
PROVEN + PROBABLE	619	6.5	2.8	128	17.5

For complete notes on the Company's Mineral Resources and Reserves, plus technical report information for each project, please click [here](#)

The Company approximately replaced depletion. The net decrease of 17,000 ounces gold in Proven and Probable Reserves for 2016 relative to 2015 consists of a total of 46,000 ounces depleted from the 2015 Reserves, which has been positively offset by the addition of 29,000 ounces added by Resource conversion and mining re-evaluation. The 1,400 tonne net decrease in antimony Reserves consists of 5,500 tonnes depleted from the 2015 Reserves, offset by the 4,100 tonnes added by Resource conversion and mining re-evaluation. The 29,000 ounce gold addition to Reserves and the 4,100 tonne antimony addition amounts to 56,300 ounces of gold equivalent calculated at the Reserve prices of \$1,200 per ounce gold and \$8,000 per tonne antimony. This addition was accomplished at an average discovery cost of \$82.90 per ounce gold equivalent.

For 2017, the Company is focused on infilling and extending drilling at Brunswick to upgrade more Resources to Indicated, yielding more benefit for the required capital investment and expected conversion to Mineral Reserves.

CERRO BAYO EXPLORATION

During 2016, Mandalay drilled 35,400 m of diamond core for \$3.1 million. In addition, the Company completed 5,400 m of underground on-vein development with face sampling, mostly in the Delia NW, Delia SE, Trinidad, and Coyita veins.

In 2016, the Company performed infill drilling in and around the Laguna Verde area, as well as target testing drilling in Laguna Verde, the Brilliantes sector and the Cerro Bayo sector. At Laguna Verde, the Company was successful at infill drilling on the part of the Branca vein reachable from collars on the shore of Laguna Verde. Drilling and development sampling in the Delia SE vein showed larger amounts of internal waste in the vein than expected, which resulted in a negative impact on Delia SE Mineral Reserves in the Company's year-end Mineral Resources and Reserves update. Initial testing of the Company's highest priority vein targets elsewhere in the district failed to generate significant results. Mandalay believes that there are potentially significant Resource and Reserve additions to be achieved in the veins under the centre of the lake, but drilling them effectively must wait until the Company can reach these veins from drill platforms from an access drift closer to the targets.

At the end of 2016, Mineral Resources at Cerro Bayo were:

CERRO BAYO RESOURCES	Tonnage (kt)	Ag Grade (g/t)	Au Grade (g/t)	Cont. Ag (koz)	Cont. Au (koz)
MEASURED	105	352	2.47	1,189	8
INDICATED	915	349	3.05	10,266	90
MEASURED + INDICATED	1,020	349	2.99	11,455	98
INFERRED	543	206	2.49	3,592	43

At the end of 2016, Mineral Reserves at Cerro Bayo were:

CERRO BAYO RESERVES	Tonnage (kt)	Ag Grade (g/t)	Au Grade (g/t)	Cont. Ag (koz)	Cont. Au (koz)
PROVEN	103	282	1.91	931	6
PROBABLE	876	282	2.33	7,932	66
PROVEN + PROBABLE	979	282	2.29	8,864	72

For complete notes on the Company's Mineral Resources and Reserves, plus technical report information for each project, please click [here](#)

In 2016, Mineral Resources and Reserves decreased significantly at Cerro Bayo due to changes to more restrictive wireframes and higher cut-off grades. The new resource wireframes are smaller than previously interpreted for some veins due to new drilling and face sampling data that encountered more internal waste and also reduced the overall extent of mineralization. There was a net decrease of 6 million ounces of silver and 70,000 ounces of gold in Proven and Probable Reserves for 2016 relative to 2015. This decrease includes mine production in 2016 of 2.1 million ounces of silver and 16,000 ounces of gold and the combined impacts of the increased cut-off grade and adjustments to the Resource estimation and classification criteria made on the basis of additional geological data obtained during 2016. These decreases were partially offset by the addition of 141,000 ounces of silver and 1,000 ounces of gold added from infill drilling in the Branca vein.

In late 2017, Mandalay expects to begin drilling under the middle of Laguna Verde as that area becomes accessible. The Company expects to add Reserves from further drilling on the central Coyita vein, on the northern part of the high-grade Branca vein and on the high-grade Yasna Inflection zone which have, up until now, been unreachable by drilling from the shore.