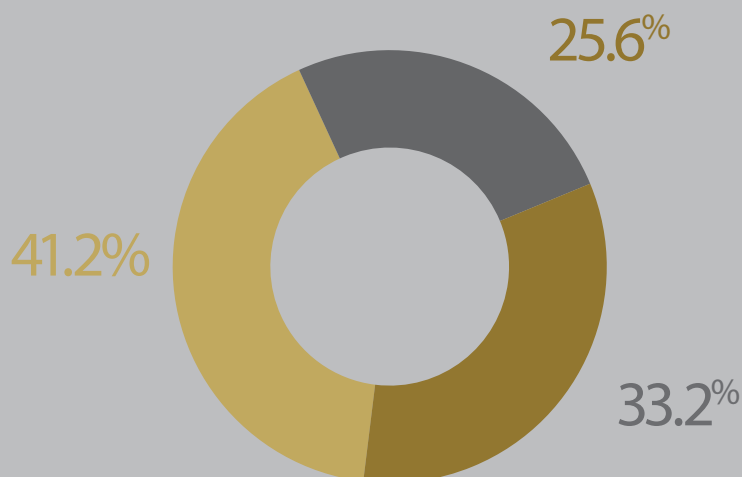

PRODUCTION



2016

COSTERFIELD

60,076

GOLD EQUIVALENT OZ PRODUCED IN 2016

CERRO BAYO

37,278

GOLD EQUIVALENT OZ PRODUCED IN 2016

BJÖRKDAL

48,143

GOLD OZ PRODUCED IN 2016

TOTAL PRODUCTION

145,497

GOLD EQUIVALENT OZ PRODUCED IN 2016

A large yellow CAT excavator is positioned on a pile of grey rocks and debris. The excavator's arm is extended, and its bucket is visible in the foreground. In the background, a steep, layered rock face rises under a clear blue sky. The excavator has the 'CAT' logo on its side.

BJÖRKDAL Skellefteå Sweden Au

48,143

GOLD OZ PRODUCED IN 2016

BJÖRKDAL

Mandalay acquired 100% interest in the Björkdal gold mine in September, 2014, when it purchased 100% of Elgin Mining Inc., a Vancouver-based, TSX-listed company. Björkdal, located in northern Sweden, produces gold from a combined open pit and underground operation with approximately 60% of plant feed currently delivered from underground. The plant produces gravity and flotation gold concentrates. Björkdal offers abundant opportunities for optimizing both open pit and underground mining, improving processing recoveries, and increasing Mineral Resources, Mineral Reserves, and mine life.

During 2016, Björkdal's grade control program resulted in delivering the highest grade mill feed from both the open pit and underground mines since many years before the acquisition.

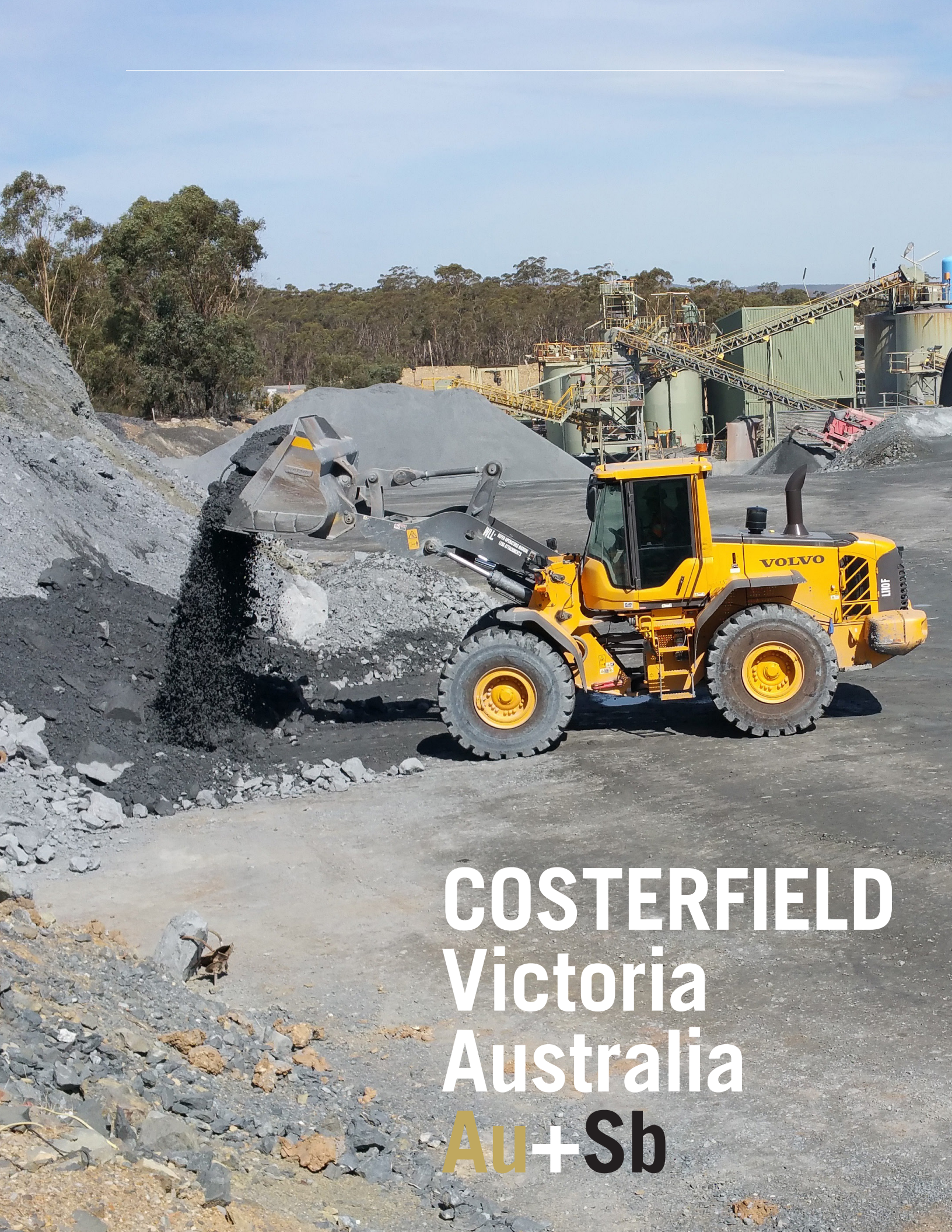
During 2016, Björkdal produced 1,138,742 tonnes of ore at a mining cost of \$25.07 per tonne. The Björkdal plant processed 1,288,927 tonnes of ore at a processing cost of \$7.03 per tonne. Björkdal produced 48,143 ounces of saleable gold in 2016, approximately 9% more than the 44,039 ounces of saleable gold produced in the previous year. Cash costs were slightly higher in 2016 relative to 2015, at \$956 per ounce versus \$884 per ounce in 2015.

Mandalay plans the following operational improvements at Björkdal for 2017:

- Further expected improvements in production and cash costs with continuously improving grade control and faster mining of higher-grade parts of the mine;
- Implement Phase 1 (crushing and screening) of low-grade ore sorting program with 50% grade upgrade; and
- Construction and commissioning of the flotation expansion project to increase gold recoveries by an expected +1.7%.

SALEABLE PRODUCTION AT BJÖRKDAL

	2015	2016	2017E
Gold (oz)	44,039	48,143	52,000 - 58,000
Cash Production Cost Au/oz	\$884	\$956	\$820 - \$910



COSTERFIELD
Victoria
Australia
Au+Sb

60,076

GOLD EQUIVALENT OZ PRODUCED IN 2016

COSTERFIELD

The Costerfield gold-antimony mine is located in Costerfield, Victoria, Australia. It includes the Augusta underground mine and the Brunswick processing plant. On December 1, 2009, the Company purchased 100% of the Costerfield mine. Capital redevelopment was commenced by the Company immediately. Production grew from approximately 170 tonnes per day in 2010 to approximately 420 tonnes per day by the final quarter of 2014, and the mine is currently running at steady state.

Today, Costerfield has a mine life of approximately four years based on the current NI 43-101 Technical Report, filed on March 31, 2017, compared to zero years at the time of acquisition seven years ago, demonstrating a track record of efficient and effective exploration.

The Costerfield mine continued to deliver dependable performance in 2016, producing and selling near-record amounts of gold and antimony. Costs were also well-controlled at Costerfield in 2016. The mine produced 158,351 tonnes of ore at a mining cost of \$152 per tonne, in-line with 2015's mining cost of \$148 per tonne. The Costerfield plant processed 154,409 tonnes of ore at a cost of \$37.60 per tonne, compared to 153,869 tonnes of ore at \$37.41 in 2015. 2016 production was 41,310 ounces of saleable gold and 3,598 tonnes of saleable antimony, for a total of 60,076 ounces of gold equivalent. The cash cost per ounce of gold equivalent, was \$640, compared to \$559 in 2015.

Good performance at Costerfield is expected to continue in 2017. In 2017, Mandalay will be making a series of investments at Costerfield to support the next several years of production, such as restarting capital development to access near-mine shoots for future production, and constructing a tailings lift for the current life of mine.

SALEABLE PRODUCTION AT COSTERFIELD

	2015	2016	2017E
Gold (oz)	42,491	41,310	30,000 - 37,000
Antimony (t)	3,712	3,598	3,200 - 3,700
Cash Production Cost (\$/oz gold equivalent)	\$559	\$640	\$690 - \$780

CERRO BAYO

Aysen

Chile

Ag+Au



37,278

GOLD EQUIVALENT OZ PRODUCED IN 2016

CERRO BAYO

Mandalay purchased 100% of the underground Cerro Bayo silver-gold mine in August, 2010. The mine is located in Southern Chile, approximately 130 kilometres south of Coyhaique, the Capital of Region XI. Mining was restarted in September, 2010, processing was recommenced in January, 2011, and the first gold-silver concentrate was shipped in February, 2011. Today, Cerro Bayo has a mine life of approximately four years based on the current NI 43-101 Technical Report, filed on March 31, 2017. Considering that the mine was purchased and restarted based on a three year life, the six years of production since restart and four years of planned life going forward demonstrate a track record of efficient and effective exploration.

During 2016, Cerro Bayo produced 383,860 tonnes of ore at a mining cost of \$52.88 per tonne, versus 447,481 tonnes produced in 2015 at a cost of \$50.37 per tonne. In 2016, the Cerro Bayo concentrator processed 396,508 tonnes of ore at a cost of \$21.01 per tonne, compared to 456,128 tonnes processed in 2015 at a cost of \$21.24. 2016 production was 1,731,031 ounces of saleable silver and 13,792 ounces of saleable gold, for a total of 37,278 ounces of gold equivalent. The cash cost per ounce of silver equivalent net of gold byproduct was \$12.29, compared to \$7.50 in 2015.

Cerro Bayo experienced challenges in 2016 as it transitioned through planned mine-outs of the Fabiola and Dagny veins and developed new mines at Delia SE and Coyita. The Fabiola and Dagny veins mined out a quarter or so earlier than planned due to higher internal waste than expected, leaving the Company with a developed state inadequate to support customary production rates. The Company deployed a mining contractor to accelerate capital development on the new Coyita vein while the Company focused its own team on the new Delia SE vein and thereby regain developed state. However, when accessed in the second half of the year, the deeper Delia SE levels proved to have less metal endowment than expected from models based solely on drilling. As a result, the updated reserve estimate along Delia SE contained approximately four million fewer silver ounces and 50 thousand fewer gold ounces than previously thought. While this was a relatively small decrease in reserves for the overall operation, the decrease was focused on areas planned to support mining in late 2016 and throughout 2017.

As a result of this, the mine produced a 1,731,031 ounces of silver and 13,792 ounces of gold (37,278 ounces of gold equivalent) in 2016, considerably lower than the 2015 production of 2,545,984 ounces of silver and 22,572 ounces of gold. While total spending was very well-controlled, cash costs per silver ounce net of gold credits rose to \$12.29 per ounce as a result of the grade-related drop in ounces.

While 2017 production is likely to be similar to 2016 as Cerro Bayo recovers its developed state by reaching the Coyita SE orebody and rehabilitating the previously mined Marcela vein, Mandalay Resources that this mine will be restored to high profitability in 2018, 2019, and 2020.

SALEABLE PRODUCTION AT CERRO BAYO

	2015	2016	2017E
Silver (oz)	2,545,984	1,731,031	1,700,000 - 2,000,000
Gold (oz)	22,572	13,792	12,000 - 16,000
Cash Production Cost (\$/oz silver net of gold credit)	\$7.50	\$12.29	\$11.77 - \$12.94