
VISION AND STRATEGY

VISION:

Mandalay Resources' vision is to create exceptional shareholder value through the acquisition of undervalued assets that can rapidly become cash generative, self-fund exploration, establish and maintain high operating margins and return cash to shareholders within a planned period of time. Mandalay is committed to operating safely and in an environmentally responsible manner, while developing a high level of community and employee engagement.

STRATEGY:

Mandalay's value creation strategy is focused on accretive, countercyclical acquisition, operational improvements and turnarounds, mine-site exploration, and returning cash to shareholders through dividends while maintaining conservative leverage and minimizing equity dilution.

ACQUISITION STRATEGY:

- Apply management's extensive operational and exploration expertise to discover opportunities that are not generally apparent to the market to turn around, grow, and develop mines.
 - Widen search to include precious metals projects with significant base metal credits in a wider variety of jurisdictions.
 - Acquire high-quality producing or near-production assets at a low cost relative to ultimate value we can generate. Target value creation of >3X the acquisition price within 3 - 5 years based on specific, testable value creation hypotheses.
 - Focus on projects where we can achieve rapid cash flow and high margins from production ramp-ups of restarts, turnaround situations, or advanced projects.
 - Focus due diligence on our value-generating plan for the asset. Acquire for a mix of cash, shares, vendor loans and royalties that minimizes dilution and shares risk with the seller.
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OPERATIONAL STRATEGY:

- Apply management's extensive operational and exploration expertise to turn around, grow and/or develop the assets to deliver the hypothesized value through focused improvements in exploration, mining, and metallurgy.
 - Exploration - Develop a thorough understanding of deposit geology and deploy exploration resources in carefully staged programs of new target generation through infill drilling and conversion to Mineral Reserves, adding mine life and generating subsequent value.
 - Mining - Introduce safer, lower cost mechanized mining methods to replace more manual methods, with a focus on reducing dilution and cost per tonne mined.
 - Metallurgy - Implement mineral processing improvements to increase recovery, throughput, and availability in the plant.
- Generate early cash flow to fund exploration, growth, and operational improvements.

CAPITAL STRATEGY:

- Avoid dilution and return cash to shareholders.
- Maintain dividend - Currently paying quarterly dividend of 6% of gross revenue.
- Prudent balance sheet decisions to manage growth. Use cost effective equity and debt instruments that match capital spending.

RISK MANAGEMENT STRATEGY:

- Apply rigorous risk management discipline to identify, assess, prioritize, and mitigate the most impactful risks cost effectively, while accepting less impactful risks.
- Manage the entire set of mitigating actions across the Company to completion, then reassess.

SCORECARD

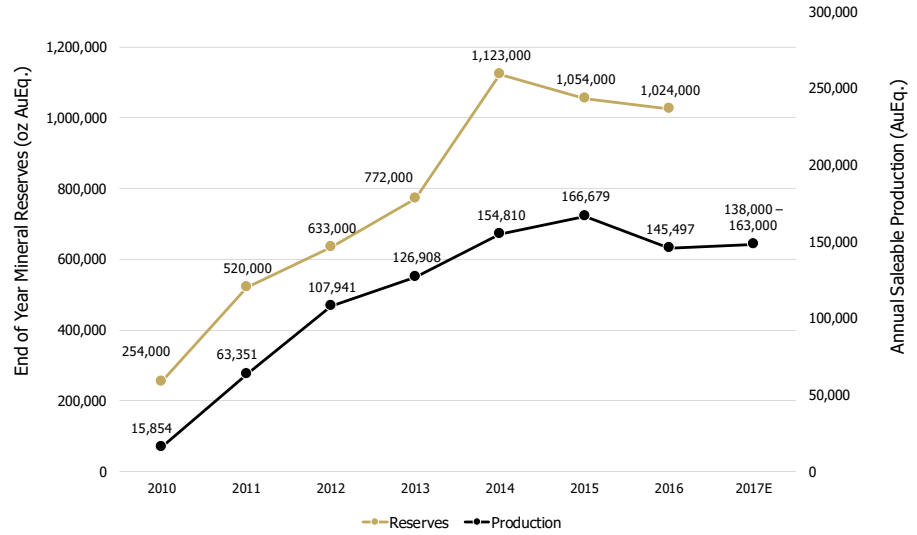
OPERATIONAL PERFORMANCE

	2016 Guidance	2016 Achievement	2017E Guidance*
PRODUCTION			
Gold production (oz)	104,000 - 110,000	103,245	94,000 - 111,000
Silver production (M oz)	1.7 - 1.9	1.7	1.7 - 2.0
Antimony production (t)	3,600 - 3,800	3,598	3,200 - 3,700
Gold Equivalent Production (oz)	149,000 - 152,000	145,497	138,000 - 163,000
CASH PRODUCTION COSTS			
Cerro Bayo (silver oz net of gold credits)	\$8.75 - \$10.72	\$12.29	\$11.77 - \$12.94
Costerfield (gold equivalent oz)	\$610 - \$650	\$640	\$690 - \$780
Björkdal (gold oz)	\$850 - \$870	\$956	\$820 - \$910

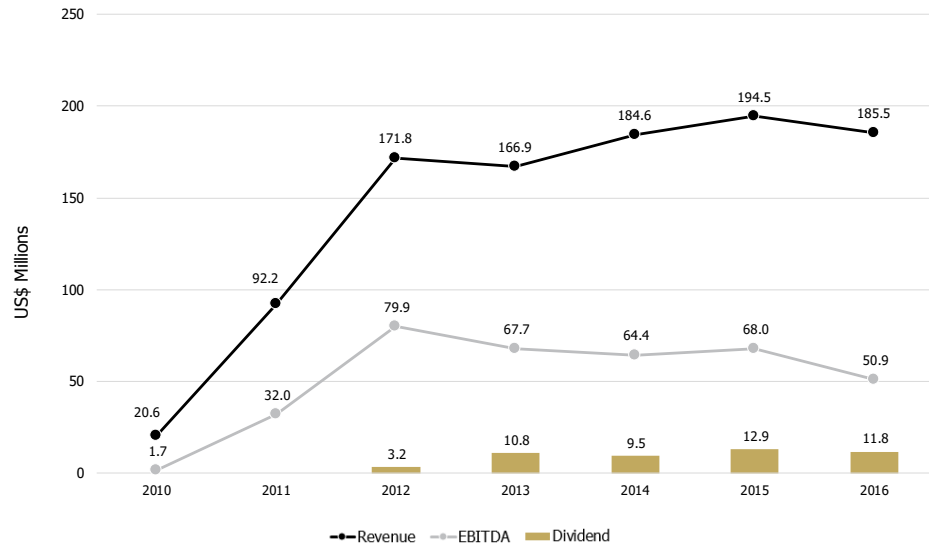
*Assumed metal prices: Au \$1,185/oz, Ag \$16.72/oz, Sb \$7,701/t

A HISTORY OF VALUE AND GROWTH

MATCHED PRODUCTION AND RESERVES



FINANCIAL PERFORMANCE



SHAREHOLDER VALUE GROWTH SINCE Q3, 2009

11.5% CUMULATIVE TOTAL RETURN

