Mandalay Resources Announces Operating and Financial Results and Quarterly Dividend for the Second Quarter of 2013

TORONTO, ON, August 8, 2013 -- Mandalay Resources Corporation ("Mandalay" or the "Company") (TSX: MND) announced today revenues of $35.9 million and EBITDA of $10.9 million for the second quarter of 2013 and net income of $3.1 million ($0.01 per share). In accordance with the Company's dividend policy, Mandalay's Board of Directors declared a quarterly dividend of $2,154,210 (6% of the trailing quarter's revenue), or $0.0066 per share (or CDN$0.0069 per share), payable on August 26, 2013, to shareholders of record as of August 19, 2013.

The Company's unaudited consolidated financial results for the three and six months ended June 30, 2013, together with its Management's Discussion and Analysis ("MD&A") for the corresponding period can be accessed under the Company's profile on www.sedar.com and on the Company's website at www.mandalayresources.com. All currency references in this press release are in U.S. dollars except as otherwise indicated.

Brad Mills, Chief Executive Officer of Mandalay, commented, "Mandalay's second quarter results were significantly impacted by the sharp decline in gold and silver prices during the quarter. Mandalay's realized metal prices for the quarter were lower than the actual average prices because prices fell steadily throughout the quarter – this led to downward price revisions on open concentrate sales contracts that had not yet been finally settled at quarter end. The revision to open sales contract pricing resulted in negative impact to revenue of $2.8 million relative to revenues that would have been achieved based on average quarterly pricing. Despite the negative impact of lower metal prices and the contract price adjustments, Mandalay's low cost operations helped the Company remain profitable and generate significant cash flow."

"In addition to its dividends, Mandalay spent $1.1 million to repurchase 1,378,600 shares under our NCIB program based on our strong view that Mandalay's shares represent excellent value at current prices. With mine operating results at or near records for the quarter, we have, as previously announced, increased our production guidance for 2013 production to 18,000 – 21,000 ounces gold and 2.8 – 3.1 million ounces silver from Cerro Bayo and 2,800 – 3,000 tonnes antimony and 20,000 – 25,000 ounces of gold from Costerfield."

"During the quarter, we strengthened our financial capacity with a 50% expansion of our revolving credit line to $30 million. We have refined our financial reporting to include "all-in" costs of production at both operations, defined as cash cost of production plus depreciation, depletion, accretion and exploration write-offs. The cash cost of production at Costerfield in the quarter was $934 per gold equivalent ounce produced and the all-in cost was $1,178 per ounce gold equivalent produced. The cash cost of silver production at Cerro Bayo was $6.12 per ounce silver produced net of gold credits and the all-in cost was $11.54 per ounce silver net of gold credits. These cost benchmarks show both operations are profitable and sustainable at current metal prices."

Mr. Mills further commented, "Going forward, we expect to release the results of the Preliminary Economic Analysis of the Cuffley development project at Costerfield in the third quarter, together with interim exploration results at both mines."

Second Quarter 2013 Financial Highlights

The following table summarizes the Company's financial results for the second quarter of 2013 and 2012:

	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
	$	$	$	$
Revenue	35,903,497	46,538,713	77,528,185	67,258,229
EBITDA	10,989,749	21,566,013	30,827,831	27,692,022
Income from mine operations	5,043,404	19,172,921	20,828,470	22,507,111
Net Income/ (Loss)	3,104,793	19,246,828	14,008,907	10,326,184
Total assets	184,849,080	156,957,656	184,849,080	156,957,656
Total liabilities	39,810,925	43,450,588	39,810,925	43,450,588
Earnings/ (Loss) per share	0.01	0.07	0.04	0.04

In the second quarter of 2013, the Company achieved revenue, EBITDA and net income of $35.9 million, $10.9 million and $3.1 million ($0.01 per share), respectively. The decrease in revenue, EBITDA and net income were largely driven by lower realized metal prices, and lower silver sales volumes due to increases in stock accumulated at Cerro Bayo as a result of shipping constraints imposed by port strikes and adverse weather conditions at the port of Chacabuco. The impact of lower metal prices was partly offset by higher volumes of gold and antimony sold.

Net income is inclusive of non-cash, non-operating income of $614,225 related to mark-to-market adjustments of financing warrants and cash election options and deferred tax recovery of $1,757,773. Excluding these items, income after tax from underlying operations for the second quarter was $732,795 ($0.00 per share). By comparison, in the second quarter of 2012 the Company's net income of $19,246,828 ($0.07 per share) was inclusive of $3,773,209 related to mark-to-market adjustment of silver and gold put options and the silver note payable to Coeur d'Alene Mines Corporation, plus deferred tax recovery of $199,965. Excluding these items, profit from underlying operations in the second quarter of 2012 was $15,273,654 ($0.05 per share).

On May 31, 2013, Mandalay paid its third quarterly dividend in the aggregate amount of $2,435,070 (CDN$0.00769 per share). During the quarter the Company spent $1,109,540 to repurchase 1,378,600 shares at an average price of CDN$0.83/share under its NCIB program. Cash and cash equivalents of the Company were $23.9 million as of June 30, 2013 compared to $11.2 million as of June 30, 2012.

Second Quarter 2013 Operational Highlights

Costerfield gold-antimony mine, Victoria, Australia

In the second quarter of 2013, Costerfield produced 6,879 ounces ("oz") of saleable gold ("Au") and 738 tonnes ("t") of saleable antimony ("Sb"), versus 4,122 oz Au and 612 t Sb in the second quarter of 2012. The improved mine tonnages, throughput, and grades led to higher payable metal production in the second quarter of 2013 than in the second quarter of 2012.

The greater metal production in the second quarter of 2013 led to a reduction in cash cost per gold equivalent ounce ("Au Eq. oz") produced to $934 as compared to $1,052 in the corresponding quarter of 2012. All-in costs were $1,178/Au Eq. oz versus $1,197/Au Eq. oz in the previous year.

Cerro Bayo silver-gold mine, Patagonia, Chile

During the second quarter of 2013, the Cerro Bayo mine produced 921,895 oz of saleable silver ("Ag") and 6,167 oz of saleable Au, versus 814,970 oz Ag and 5,093 oz Au in the second quarter of 2012. As expected, Cerro Bayo's strong second quarter performance made up for lower production in the first quarter, which was impacted by the planned curtailment of plant operations during installation and commissioning of flotation automation equipment. Greater plant throughput, higher grades and metallurgical recoveries resulted in higher metal produced compared to previous quarters.

Cash cost per ounce Ag produced net of Au by-product was $6.12 during the second quarter of 2013, higher than $4.12 in the second quarter of 2012, mainly due to reduced gold credits arising from lower gold price. All-in costs were $11.54/oz versus $8.11/oz in the previous year.

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About Mandalay Resources Corporation:

Mandalay Resources is a Canadian-based natural resource company with producing assets in Australia and producing and exploration 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 and the Americas 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, including statements regarding the Company's expected growth in production and exploration results, production guidance for 2013 and the anticipated timing of completion of a preliminary economic analysis of the Cuffley development project at the Company's Costerfield mine. 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 27, 2013, a copy of which is available under Mandalay's profile at 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.

Non-IFRS Measures

This news release contains references to EBITDA, income after tax from underlying operations, cash cost per ounce of gold equivalent produced, cash cost per saleable ounce of silver produced net of gold credits, all-in cost per ounce of gold equivalent produced and all-in cost per saleable ounce of silver produced net of gold credits, which are all non-IFRS measures and do not have standardized meanings under IFRS. Therefore, these measures may not be comparable to similar measures presented by other issuers.

EBITDA and income after tax from underlying operations are non-IFRS performance measures. The Company defines EBITDA as earnings before interest, taxes and non cash charges. The Company defines income after tax from underlying operations as net income after tax excluding non-cash, non-operating expense related to mark-to-market adjustment of financing warrants and cash election options, silver and gold put options, a silver note payable to Coeur d'Alene Mines Corporation and deferred tax expense or recovery. EBITDA and income after tax from underlying operations are presented as the Company believes they are useful indicators of operating performance. EBITDA and income after tax from underlying operations should not be considered by an investor as an alternative to net income or cash flows as determined in accordance with IFRS. For a detailed reconciliation of EBITDA to net income please refer to page 10 of Management's Discussion and Analysis of the Company's financial statements for the second quarter of 2013. Please refer to page 12 of Management's Discussion and Analysis for the second quarter of 2013 for reconciliation between income from underlying operationsincome from operations.

Cash cost per ounce of gold equivalent produced, cash costs per saleable ounce of silver produced net of gold credits, all-in cost per ounce of gold equivalent produced and all-in cost per silver ounce produced net of gold byproduct credit are presented because these statistics are key performance measures under control of the operations that management uses to monitor performance, to assess how the Company's mines are performing, and to plan and assess the overall effectiveness and efficiency of mining operations.These performance measures should not be considered in isolation as a substitute for measures of performance in accordance with IFRS.

Equivalent gold ounces produced is calculated by adding to gold ounces produced, the antimony tonnes produced times the average antimony price in the period divided by the average gold price in the period. The total cash operating cost associated with the production of these equivalent ounces in the period is then divided by the equivalent gold ounces produced to yield the cash cost per equivalent ounce produced. All-in costs include total cash operating costs, depletion, depreciation, accretion and write-off of exploration and evaluation. The all-in cost is then divided by the equivalent gold ounces produced to yield the all-in cost per equivalent ounce produced.

The cash cost per silver ounce produced net of gold byproduct credit is calculated by deducting the gold credit (which equals ounces gold produced times the realized gold price in the period) from the cash operating costs in the period and dividing the resultant number by the silver ounces produced in the period. The all-in cost per silver ounce produced net of gold byproduct credit is calculated by adding depletion, depreciation, accretion and write-off of exploration and evaluation to the cash cost net of gold byproduct credit and dividing the resultant number by the silver ounces produced in the period.