

Mandalay Resources Corp.

(TSX:MND)

Unique 100,000 Oz Producer that Trades at a Discount

Company Description

Mandalay Resources Corp. (“Mandalay”) is a 100,000 oz gold-equivalent (“AuEq”) producer with operations in Sweden and Australia. In 2018, the Company anticipates ~60K oz Au from Bjorkdal, its flagship open pit/underground mine located in Sweden, and ~48K oz AuEq (28.5K oz Au & 3K t of antimony) from Costerfield, located in Australia, at all-in cash costs of ~US\$1,218/oz AuEq. MND is also advancing its Cerro Bayo silver-gold project, located in Chile, which was put on care and maintenance in September 2017, but the Company expects a restart in 2019. Additionally, Mandalay owns another silver project in Chile called Challacollo, currently completing a Feasibility-Study before moving through its permitting stages.

Investment Highlights

- Bjorkdal – the reliable anchor with further exploration and operational potential.**
 Located in northern Sweden, the Bjorkdal mine, now 60% underground and 40% open pit, produced over 1.2M oz Au since 1988. Mandalay has operated the mine since its acquisition of Elgin Mining in September 2014. Production at the mine has steadily increased to ~60K oz Au from ~46K oz in 2015 and ~41K oz in 2010. Year-over-year, production has grown 21% from ~48K oz in 2016. Since Mandalay’s takeover of the mine, the growth has been driven by positive grade reconciliation via grade control, a successful flotation expansion project to increase recoveries, and through completion of the first phase of a low-grade ore sorting program. Moving forward, the Company plans to focus on near-term, open-pit mineral reserve addition and expects to grow production levels by continuing to optimize grades and recoveries.
- Costerfield – steady eddy.** The Costerfield mine has been in operation under Mandalay’s banner since December 2009. Since then, the Company quadrupled production levels after a successful ramp up by the end of 2013, reaching ~30K oz Au and ~3K t antimony in 2017. In 2018, in addition to ongoing development, MND plans to advance exploration efforts and drill high-grade targets at the Kendall/Costerfield Deeps.

Financial Analysis

Solid financial position for the near-term. As of December 31, 2017, Mandalay had \$17M in cash, \$10.7M in working capital and \$46M in total debt. In July, the Company announced a new US\$40M senior secured revolving credit facility with HSBC at LIBOR+ 3.5-4.5%/year interest (depending on a leverage ratio). To-date, the Company has drawn US\$15M and may draw an additional US\$25M, which provides MND with more financial flexibility. As well, MND plans to divest its non-core assets, Lupin (Nunavut) and La Quebrada (Chile), in early 2018. MND previously paid a dividend but the policy was suspended in conjunction with the new credit facility. The Company expects to reevaluate the dividend policy on an ongoing basis.

Discount to peers on a cash flow basis. Mandalay trades at 3.0x 2018 and 1.7x 2019 P/CF, a discount to peers, which trade at an average 4.1x and 2.7x, respectively. As well, on an EV/guided oz basis, MND trades at \$1,450/oz, a discount to peers, which trade at an average of \$3,400/guided oz.

Chris Thompson | Head of Research | Ubika Research
Chris@UbikaResearch.com | 1 (416) 574-0469

Patrick Smith | Analyst | Ubika Research
Patrick@UbikaResearch.com | 1 (647) 444-5506

Price Performance



Market Data (TSX:MND)

Price (February 28, 2018)	\$0.24
52 Week Range	\$0.24 - \$0.70
Market Cap (M)	\$108.3
Shares Outstanding (basic, M)	451.2
Shares Outstanding (fully diluted, M)	473.7
Free Float	93%
Average Daily Volume (3 month)	200K

Last Reported Debt (M)*	\$45.6
Last Reported Cash (M)*	\$16.9
Total Assets (M)*	\$305.1

Headquarters Toronto, ON, Canada
Website mandalayresources.com

Top Shareholders

GMT Capital Corp.	16%
Ruffer LLP	13%
CI Investments Inc.	10%
azValor Asset Management SGIIC	8%
Management & Insiders	7%

Management

Bradford A. Mills	Chairman
Mark Sander	President, CEO & Director
Sanjay Swarup	CFO
Dominic Duffy	COO
Belinda Labatte	CDO
Greg DiTomaso	Investor Relations
Braam Jonker	Director
Rob Doyle	Director
Peter R. Jones	Director
Amy Freedman	Director

*As of Dec. 31, 2017

All figures in CAD unless otherwise stated.

Source: Thomson Reuters

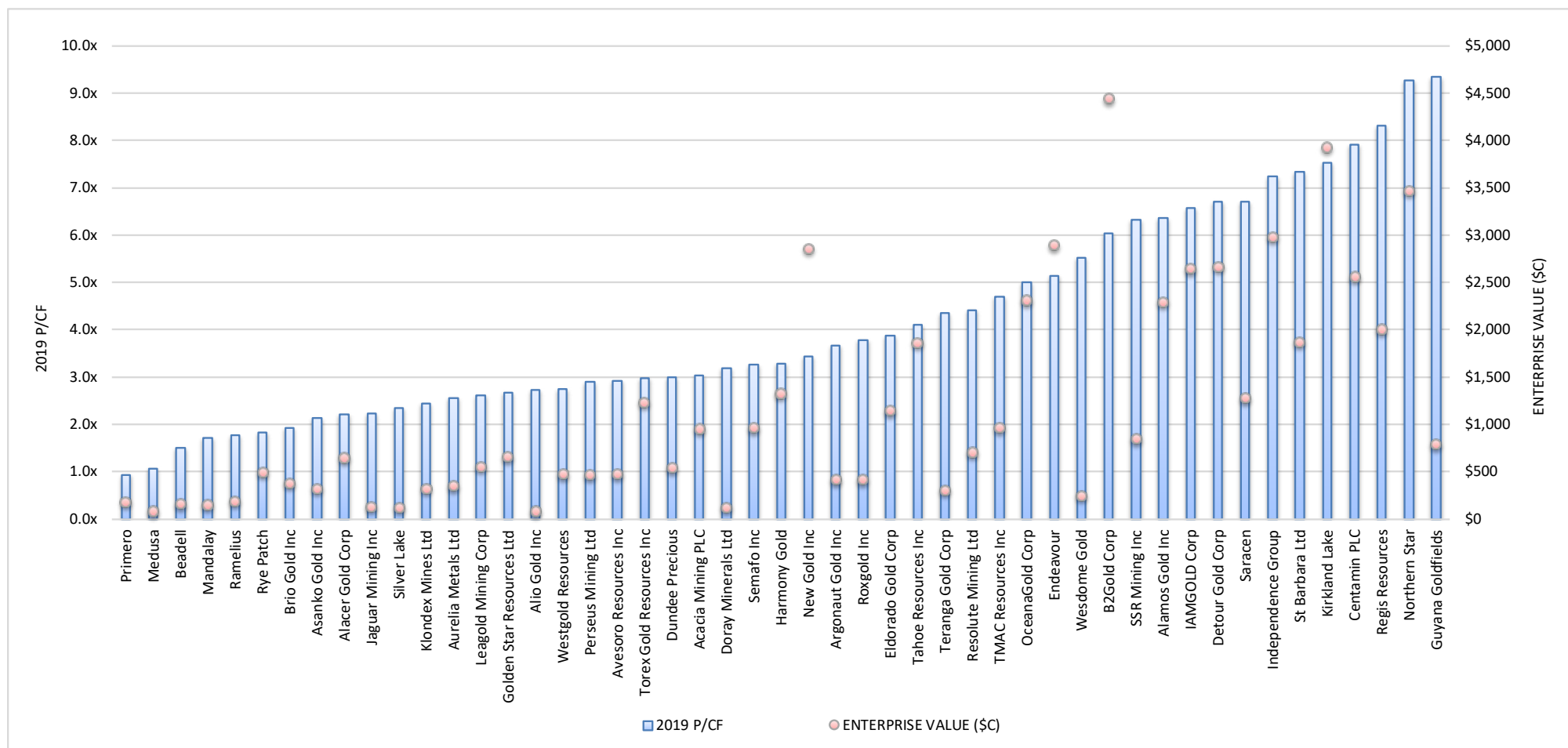
The Bjorkdal Mine, Sweden



Source: Company Reports

Global Gold Producers Up to \$5 Billion in Enterprise Value

2019 Price/Cash Flow Multiples



Source: Thomson Reuters, Ubika Research

*Only producers covered by analysis with CF estimates are provided. All market information and estimates are sourced by Thomson Reuters.



Important Disclosure

Smallcappower.com is owned and operated by Ubika Corporation whose divisions include Ubika Research and Ubika Communications. Ubika Corp. is a wholly owned subsidiary of Gravititas Financial Inc. The following terms and conditions ("Terms of Use") govern the use of this website ("site") www.SmallCapPower.com. By accessing this site, you agree to comply with and be legally bound by the Terms of Use as set out herein. Ubika reserves the right to seek all remedies available at law and in equity for violations of these Terms of Use, including the right to block access from a particular internet address to our site.

Disclaimer

Ubika Corporation and its affiliates or partners will seek to provide services to companies mentioned on the smallcappower.com website. Hence, all information available on smallcappower.com should be considered as commercial advertisement and not an endorsement, offer or recommendation to buy or sell securities. Ubika Corporation and its related companies (including its directors, employees and representatives) or a connected person may have ownership/stock positions in, or options on the securities detailed in this report, and may buy, sell or offer to purchase or sell such securities from time to time.

Ubika and/or its affiliates and/or their respective officers, directors or employees may from time to time acquire, hold or sell securities and/or commodities and/or commodity futures contracts in certain underlying companies mentioned in this site and which may also be clients of Ubika's affiliates. In such instances, Ubika and/or its affiliates and/or their respective officers, directors or employees will use all reasonable efforts to avoid engaging in activities that would lead to conflicts of interest and Ubika and/or its affiliates will use all reasonable efforts to comply with conflicts of interest disclosures and regulations to minimize the conflict.

Specifically all companies mentioned or listed as "Analyst Covered Companies" at smallcappower.com and which are shown under the heading "Analyst Covered Companies" on the page: <http://www.smallcappower.com/companies> have entered into a commercial relationship with Ubika Corporation or our affiliates for capital market services and have paid fees and/or shares or stock options or warrants for being featured and mentioned in smallcappower.com. Hence these "Analyst Covered Companies" at smallcappower.com are shown at the website as an advertisement only and any mention of these companies does not and will not constitute an offer to buy or sell securities in the featured companies. Ubika Corporation, its affiliates or partners will seek to provide services to companies mentioned in smallcappower.com website. Hence, all information available on smallcappower.com should be considered as commercial advertisement and not an endorsement, offer or recommendation to buy or sell securities.

Ubika Corporation and its divisions Ubika Communication and Ubika Research (collectively, "Ubika") are not registered with any financial or securities regulatory authority in Ontario or Canada, and do not provide nor claims to provide investment advice or recommendations to any visitor of this site or readers of any content on this site.

The information on this site is for informational purposes only. This site, including the data, information, research reports, press releases, findings, comments, views and opinions of Ubika's analysts, columnists, speakers or commentators, and other contents contained in it, is not intended to be: investment, tax, banking, accounting, legal, financial or other professional or expert advice of Ubika or its affiliates, or a recommendation, solicitation or offer by Ubika or its affiliates to buy or sell any securities, futures, options or other financial instruments, and such information should not be relied upon for such advice. Every user of this site is advised to seek professional advice before acting or omitting to act on any information contained in the site.

Research reports and newsletters have been prepared without reference to any particular user's investment requirements or financial situation. Where reference is made to estimate of value or relative value of a specific company, there is no guarantee that these estimates are reliable or will materialize. Readers of these reports and newsletters are advised to conduct their own due diligence before making any investment decisions. Ubika does not make independent investigation or inquiry as to the accuracy and completeness of any information provided by the Analyst Covered companies. Although the content has been obtained from sources believed to be reliable, this website could include technical or other inaccuracies or typographical errors and it is provided to you on an "as is" basis without warranties or representations of any kind. Ubika and its affiliates make no representation and disclaim all express and implied warranties and conditions of any kind, including without limitation, representations, warranties or conditions regarding accuracy, timeliness, completeness, non-infringement, satisfactory quality, merchantability, merchantable quality or fitness for any particular purpose or those arising by law, statute, usage of trade, or course of dealing. Ubika and its affiliates assume no responsibility to you or any third party for the consequences of any errors or omissions.

Information in this site is subject to change without notice. Ubika assumes no liability for any inaccurate, delayed or incomplete information, nor for any actions taken in reliance thereon.

Ubika, its affiliates and their respective directors, officers, employees, or agents expressly disclaim any liability for losses or damages, whether direct, indirect, special, or consequential, or other consequences, howsoever caused, arising out of any use or reproduction of this site or any decision made or action taken in reliance upon the content of this site, whether authorized or not. By accessing this site, each user of this site releases Ubika, its affiliates and their respective officers, directors, agents and employees from all claims and proceedings for such losses, damages or consequences.

Ubika and its affiliates do not endorse or recommend any securities issued by any companies identified on, or linked through, this site. Please seek professional advice to evaluate specific securities or other content on this site. Links, if any, to third party sites are for informational purposes only and not for trading purposes. Ubika and its affiliates have not prepared, reviewed or updated any content on third party sites and assume no responsibility for the information posted on them.

Ubika and/or its affiliates and/or their respective officers, directors or employees may from time to time acquire, hold or sell securities and/or commodities and/or commodity futures contracts mentioned in this site.

This site may include forward-looking statements about objectives, strategies and expected financial results of companies featured in this site or where research reports are available on companies displayed and/or featured on this site. Such forward-looking statements are inherently subject to uncertainties beyond the control of such companies. The users of this site are cautioned that the company's actual performance could differ materially from such forward-looking statements.

World Wide Web sites accessed by hypertext links ("hyperlinks") appearing in this site have been independently developed by parties other than Ubika and Ubika has no control over information in any hyperlinked site. Ubika is providing hyperlinks to users of this site only as a convenience. Ubika makes no representation and is not responsible for the quality, content or reliability of any information in any hyperlinked site. The inclusion of any hyperlink in this site should not be construed as an endorsement by Ubika of the information in such hyperlinked site and does not imply that Ubika has investigated, verified or monitored the information in any such hyperlinked site. Should you wish to inquire about creating a link from your World Wide Web site to this site, contact SCP marketing via e-mail at: info@smallcappower.com. for written authorization.