

Mandalay Resources Corp.

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Mandalay Resources sees sustainable growth and profitability ahead after 'challenging' full year

Metals miner Mandalay Resources Corp (TSE:MND) (OTCMKTS:MNDJF) told investors that full-year 2019 was 'challenging' but the fourth quarter to end December saw significant improvement as grades improved and production was boosted.

The company operates mines in Sweden (Björkdal) and Australia (Costerfield) and produces gold, silver and antimony.

READ: Mandalay Resources says it's in a "very good" position heading into 2020

"The company's 2019 financial performance was adversely impacted by operational challenges from the Brunswick vein at Costerfield," said Dominic Duffy, the chief executive at Mandalay in a statement.

"Despite this, the fourth quarter of 2019 saw significant improvements in processed grades as production from the Youle vein increased, averaging 6.9 g/t gold and 3.6% antimony over the quarter and 8.5 g/t gold and 3.9% antimony over December," he added.

"The company is encouraged with the grades encountered at Youle to date, confirming the vein to be extremely high-grade, and able to be the catalyst for substantial improvement at Costerfield."

For the group, the fourth-quarter net loss was C\$5.3 million, down from a loss of C\$31.2 million in the same quarter of 2018, on revenue of C\$22.7 million, unchanged from the figure in the fourth quarter of 2018.

For the full-year, the miner generated revenue of C\$107.8 million and adjusted EBITDA (underlying earnings) of C\$18.8 million. The consolidated net loss for the year was C\$18.6 million, down from a loss of C\$63.7 million in 2018.

Of this consolidated net loss for 2019, C\$5 million was related to the non-cash write-down of several of the firm's non-core assets, Mandalay noted.

Meanwhile, over at the Swedish mine, production and sales were stable, generating C\$23 million in adjusted EBITDA for 2019, Mandalay added.

Increase of ounces sold

"The increase in revenue year-over-year was aided by the higher levels of ounces sold and stronger realized gold prices. Considerable strides were made at site in reducing overall costs. Full year 2019 cash and all-in costs were US\$945 and US\$1,205 per ounce of gold produced, a reduction of around 18% for both compared to 2018," it said.

On non-core assets, the firm completed option agreements in the year for Cerro Bayo and Challacollo (Chile), the sale of Challacollo concessions to third parties, and the sale of the Ulu project in Nunavut, it revealed.

Price: 1.34

Market Cap: \$122.24 m

1 Year Share Price Graph



December 2019 June 2020 November 20

Share Information

Code: MND

Listing: TSX

52 week High Low
2.12 0.46

Sector: Gold & silver

Website: www.mandalayresources.com

Company Synopsis:

Mandalay Resources creates 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.

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The Lupin project in Canada remains on a path to full closure, funded by the existing reclamation security, it said.

Mandalay ended the year with cash of C\$24.5 million and is in talks with lenders over a potential new senior credit facility. It is expecting to have an announcement to the market on this in due course, the firm added.

On Friday, Mandalay also updated its resource and reserves estimates for the Costerfield and Björkdal mines as at the end of 2019.

Proven and probable reserves totaled 816,000 ounces of gold and 17,800 tonnes of antimony, compared to 824,000 ounces gold and 17,200 tonnes of antimony at the end of 2018.

"At Costerfield, we were pleased to increase Mineral Reserves net of depletion for production in 2019 as contained gold and antimony increased by 13% and 3%, respectively," Duffy told investors.

By year-end 2019, the site exploration team had completed 6.8 kilometres of diamond drilling to test the extensions of the Youle ore body, and 2.8 kilometres of diamond drill core was drilled from the Costerfield Deeps project.

There was a small net reduction in reserves from 2019 depletion at Björkdal, predominantly from a 35,000 ounces of gold reduction from the open pit, added the company boss.

"This can be attributable to a shift in strategy with resources directed towards infill-drilling of the underground Aurora deposit, and the pausing of open pit mining during July 2019.

"Excluding the open pit reduction, Björkdal increased its underground reserves by 5,000 ounces of gold net of 2019 depletion. During 2019, the underground operations completed 5,621 metres of on-vein development, which was mapped and sampled in accordance with our grade control protocols."

"Over the last two years, our mineral reserves have remained relatively unchanged net of depletion, but we have grown our mineral resources, underpinning the strength of our core assets," he concluded.

Mandalay shares in Toronto gained 8.5% to C\$1.15 in early deals, before dropping back to C\$1.09, up 2.83%.

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