



MANDALAY RESOURCES CORPORATION EXTENDS MINERALIZED ZONES AT ITS COSTERFIELD GOLD-ANTIMONY MINE, AUSTRALIA

TORONTO, ON, January 7, 2013 -- Mandalay Resources Corporation ("Mandalay" or the "Company") (TSX: MND) is pleased to provide drilling results from its 100%-owned Costerfield gold-antimony mine in Victoria, Australia. Results presented here were acquired between the cutoff date for the Company's previous exploration update for Costerfield on July 9, 2012 and December 31, 2012.

Highlights include:

- N-Lode – New, widely spaced drill intercepts have confirmed much of the northward extension of the N-Lode mineralization toward the previously reported high-grade intercept located approximately 300 metres ("m") north of the previous limit of Inferred Mineral Resources. Infill drilling and mine development sampling in the area of the previously Inferred Resources has increased confidence in the resource and is supporting ongoing successful mining.
- Cuffley Lode – New, widely spaced drill intercepts have confirmed partial southward and depth extension of Cuffley mineralization toward previously reported high-grade intercepts approximately 100 m south of and approximately 150 m below the previous limit of Inferred Mineral Resources. Closely spaced infill drilling of two panels within the Cuffley Inferred Resource has established short-range continuity of the mineralization.
- W-Lode – Infill drilling and development sampling in the area of previously Inferred Mineral Resource has increased confidence in the minability of W-Lode. Capital development to the 860 m level continues. A new vein intercept approximately 150 m below the previous limits of drilling, though itself of low-grade, suggests further exploration potential at depth.

These new drill results will be incorporated in an independent NI 43-101 compliant technical report updating Mineral Resources and Reserves, planned for release in the first quarter of 2013.

Brad Mills, CEO of Mandalay, commented, "We continue to achieve significant exploration success at Costerfield. In extending the drilled areas of high-grade gold and antimony mineralization in the N-Lode to the north and Cuffley to the south, we have not only demonstrated the potential for a larger resource than previously estimated, but also shown at least 300 m of strike length overlap of the two veins. This new geometry requires careful reconsideration of capital development and mine design for Costerfield, which we expect will ultimately support significant improvements in the amount, timing, and rate of mill feed relative to previous concepts. Given this rapidly changing picture, we have postponed completion of the Preliminary Economic Analysis on the Cuffley project. We will incorporate all of the currently reported drilling, plus further infill and extension drilling planned on Cuffley over the next two quarters, into a capital development plan and decision by mid-year 2013, accompanied by a determination of the optimum mining and processing rate."

Costerfield drilling, sampling, and assaying

During the second half of 2012, Mandalay drilled 11,712 m in 50 holes for a total investment of approximately US\$2.3 million. In addition, the Company completed 2,726 m of on-vein operating development and associated sampling of the E-, W- and N-Lodes in the Augusta mine.

Drill core was logged and sampled by Costerfield geologists, who also performed mine sampling of the development advances. All samples were sent to Onsite Labs in Bendigo, Victoria, Australia, for sample preparation and assay. Site geological and metallurgical personnel have implemented a QA/QC process that includes the regular submission of standard reference materials and blanks with drill and face samples submitted for assay. Standard reference materials have been certified by Geostats Pty Ltd. (see March 2012 technical report entitled "Mandalay Resources Corporation: Costerfield (Augusta) Gold-Antimony Mine: Mineral Resource and Mineral Reserve Estimate", available on SEDAR (www.sedar.com), which contains a complete description of drilling, sampling, and assaying procedures.)

Costerfield drill results

For the locations of the N-Lode, Cuffley Lode, and W-Lode, click [here](#) for Figure 1.

N-Lode

Drilling results for N-Lode appear in Table 1. Click [here](#) for Figure 2, which displays drill results and mine sampling results in long section.

Table 1: N-Lode drill results

Hole ID	Hole Completion Depth (m)	Hole Completion Date	Intercept Northing (Mine Grid) (m)	Intercept Easting (Mine Grid) (m)	RL (Mine Grid) (m)	*True Width (m)	Gold Grade (g/t)	Antimony Grade (%)
MH258	196.3	26/Mar/12	4487	15318	884	0.93	18.0	5.1
MH259	195.4	3/Apr/12	4367.6	15285.2	916.9	0.55	3.5	0.3
MH261	185.5	23/May/12	4458	15305	911	0.12	70.2	0.2
MH262	272.5	4/Jun/12	4404.5	15302.0	889.2	0.08	1.6	4.3
MH263	225.2	7/Jun/12	4451.0	15305.8	870.6	0.60	0.5	0.0
MH264	143.3	2/Jul/12	4582.5	15318.5	1028.9	0.74	15.2	15.2
MH265	147.4	5/Jul/12	4601.8	15316.7	995.5	2.72	13.3	6.7
MH266	141.1	10/Jul/12	4622.5	15324.8	1018.4	0.10	27.5	15.3
MH267	230.7	16/Jul/12	4563.1	15298.4	873.6	0.92	28.8	23.9
MH268	162.8	14/Jun/12	4560.3	15310.4	977.0	0.36	27.4	2.5
MH269	157.2	20/Jun/12	4563.7	15299.6	937.3	1.14	11.4	1.3
MH270	210.0	26/Jun/12	4559.9	15300.2	902.3	0.92	25.7	14.7
MH274	150.2	18/Jul/12	4616.2	15298.1	967.8	0.04	13.8	6.5
MH275	190.1	30/Jul/12	4615.0	15295.2	918.3	0.37	37.9	27.9
MH276	199.2	2/Aug/12	4611.5	15302.5	880.1	0.73	3.1	0.8
MH273	332.0	8/Aug/12	4612.8	15312.8	1065.2	0.07	1.1	2.0
AD027	327.7	21/Jun/12	4697.8	15335.9	1003.1	0.13	56.1	36.7
AD028	380.5	16/Jul/12	4730.9	15334.8	927.9	0.76	4.5	4.6
AD024	471.0	20/Aug/12	4847.0	15367.0	1109.0	0.43	3.3	1.1
MH298	168.3	17/Oct/12	4530.1	15303.9	960.8	0.47	150.10	30.90
MH299	171.4	22/Oct/12	4533.0	15303.4	929.4	0.28	181.90	0.97
MH300	187.8	24/Oct/12	4539.0	15305.9	900.9	0.19	8.28	6.80
MH314	189.2	12/Nov/12	4656.9	15342.5	1037.4	0.14	82.70	39.90
MH315	207.4	15/Nov/12	4660.5	15312.0	964.7	0.19	32.60	30.00
MH316	222.1	21/Nov/12	4658.9	15302.9	904.9	0.09	46.30	20.50
MH317	261.3	26/Nov/12	Assays Not Yet Received					
MH318	285.3	28/Nov/12	Assays Not Yet Received					
MB017	261.1	5/Oct/12	<i>4785.8</i>	<i>15356.3</i>	<i>1046.4</i>	<i>0.26</i>	<i>13.8</i>	<i>16.0</i>
MB018	402.3	30/Oct/12	4783.4	15342.8	942.5	0.05	7.78	4.79
MB020	256.8	15/Oct/12	4941.9	15365.7	1047.1	0.14	3.97	1.47
MB021	359.3	1/Nov/12	4936.4	15362.0	976.5	0.10	5.44	10.30
MB022 W2	353.5	3/Dec/12	4941.9	15358.3	891.2	0.08	31.5	0.48

*True width is a preliminary estimate only and may not reflect final true width used in resource estimate

On N-Lode, widely spaced drilling has generated multiple high-grade intercepts spanning the 300 m north-south gap between the limits of previously Inferred Resources (announced on July 9, 2012) and a high-grade intercept previously reported on the vein at approximately 4850 Northing. The northern limit of N-Lode mineralization is currently understood to be represented by the vertical line of low-grade intercepts in MB020, MB021 and MB022 at approximately 4950 Northing.

In addition, closely spaced drilling and mine sampling at the southern end of N-Lode confirms and fills in the previous Inferred Resource.

With these reported results, the Company expects its 2012 Mineral Resource and Reserve estimate will include a significant increase in Inferred and Indicated Mineral Resources in N-Lode.

Cuffley Lode

Drilling results for Cuffley Lode appear in Table 2. Click [here](#) for Figure 3, which displays drill results in long section.

Table 2: Cuffley Lode drill results

Hole ID	Hole Completion Depth (m)	Hole Completion Date	Intercept Northing (Mine Grid) (m)	Intercept Easting (Mine Grid) (m)	RL (Mine Grid) (m)	*True Width (m)	Gold Grade (g/t)	Antimony Grade (%)
AD021	436.3	4/Jun/12	4604.9	15135.1	910.8	1.96	1.34	0.52
AD023W1	369.3	5/Jul/12	4763.5	15159.9	924.2	0.77	90.84	10.14
AD024	471.0	20/Aug/12	4851.2	15193.3	842.2	0.16	59.80	0.08
AD025	432.0	25/Jul/12	4768.0	15183.1	838.1	0.59	11.17	26.94
AD027	327.7	21/Jun/12	4738.0	15230.9	1102.6	0.25	8.45	6.70
AD028	380.5	13/Jul/12	4757.6	15224.6	1071.9	0.11	5.34	0.01
AD029	315.9	6/Sep/12	4856.1	15172.2	935.1	0.46	0.06	0.00
AD033	296.2	20/Sep/12	4945.7	15176.3	964.8	0.90	5.70	1.69
AD035	334.8	1/Aug/12	4994.8	15187.2	946.4	0.05	1.08	18.50
AD036	335.0	16/Aug/12	5032.6	15194.5	955.8	0.22	138.10	24.80
AD037	326.3	4/Sep/12	5048.1	15195.9	933.0	0.45	78.31	35.04
AD038	300.8	2/Oct/12	5068.2	15190.7	966.2	1.84	80.99	16.15
MH282	239.2	31/Oct/12	4493.4	15131.4	942.5	0.11	0.03	0.00
MH283	252.2	5/Nov/12	4494.4	15128.2	860.9	0.70	7.42	0.01

*True width is a preliminary estimate only and may not reflect final true width used in resource estimate

Holes AD021, AD023, AD024 and AD025 tested the Cuffley Lode toward two previously reported mineralized intercepts – one approximately 100 m south of, and the other approximately 150 m below, the previous limits of Inferred Resources. Encouraging results in these holes suggest that more drilling in this area, planned for the first half of 2013, will eventually delineate a significantly expanded resource, although only a modest increase is expected in the end-of-2012 estimation.

MH282 and MH283 are low-grade intercepts along the 4500 Northing. They may serve to bound the southern limit of Cuffley mineralization.

Holes AD033, AD035, AD036, AD037 and AD038 commenced closely spaced infill drilling on two mining panels to gain early confidence in continuity of grade and geology within the existing Cuffley Inferred Resource. [Figure 3](#) shows that results were generally consistent with previous, widely spaced drilling.

W-Lode

Drilling results for W-Lode appear in Table 3. Click [here](#) for Figure 4, which displays drill results and mine sampling results in long section.

MH 279, MH 280, MH 281 and MH284 were step-out holes designed to test extension of W-Lode at depth. The last of these, MH284, intersected W-Lode 130 m below the previous deepest intercept. It contains weakly mineralized vein material, which is interpreted to represent W- and/or N-Lodes offset by a possible low-angle fault. Future drilling to probe for high-grade segments below this fault is planned in 2013.

MH 258 through MH 263 were infill holes. These, in conjunction with geologic interpretations from underground mapping and sampling, increase confidence in the resource and provide support for optimized mining.

Table 3: W-Lode drill results

Hole ID	Hole Completion Depth (m)	Hole Completion Date	Intercept Northing (Mine Grid) (m)	Intercept Easting (Mine Grid) (m)	RL (Mine Grid) (m)	*True Width (m)	Gold Grade (g/t)	Antimony Grade (%)	
MH258	196.3	26/Mar/12	4487.4	15318.0	883.9	0.42	47.5	12.8	
MH259	195.4	3/Apr/12	4360.8	15302.1	924.9	0.18	9.0	4.7	
MH261	185.5	23/May/12	4457.8	15307.9	912.7	0.10	1.2	7.3	
MH262	272.5	4/Jun/12	4408.7	15309.5	895.2	0.19	4.4	3.4	
MH263	225.2	7/Jun/12	4453.4	15318.1	882.6	0.14	11.4	18.7	
MH279	338.6	6/Sep/12	4259.3	15273.4	902.0	0.47	9.48	0.00	
MH280W1	130.5	12/Oct/12	4273.3	15283.8	935.7	1.54	7.41	1.18	
MH284	387	10/Oct/12	4481.546	15252.56	698.247	0.19	0.25	0.07	
MH281	184.9	26/Sep/12	No Significant Intersection						

*True width is a preliminary estimate only and may not reflect final true width used in resource estimate

Qualified Person:

Chris Gregory, General Manager of Australasian Corporate Development and Exploration for Mandalay Resources, a Member of Australian Institute of Geoscientists (AIG) and a Qualified Person as defined by NI 43-101. He has reviewed and approved the technical and scientific information contained in this release.

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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 mineral Resources, mineral Reserves, the timing of an updated technical report for Costerfield, the Company's expectation of significant increases in mineral Resources and Reserves at Costerfield, anticipated changes to the Costerfield life of mine production estimates and the Company's planned 2013 exploration program. 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 30, 2012, a copy of which is available under Mandalay's profile at www.sedar.com. In addition, there can be no assurance that any current or future 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.