



MANDALAY RESOURCES CORPORATION ANNOUNCES MID-YEAR EXPLORATION, RESOURCES AND RESERVES UPDATE AT ITS COSTERFIELD GOLD-ANTIMONY MINE, AUSTRALIA

TORONTO, ON, July 9, 2012 -- Mandalay Resources Corporation ("Mandalay" or the "Company") (TSX: MND, MND.WT) is pleased to provide an update on exploration, Mineral Resources and Mineral Reserves at its 100%-owned Costerfield gold-antimony mine in Victoria, Australia. These results include:

- An updated estimate of Mineral Resources contained in the Augusta E, W, and N lodes currently being mined (see table 4 below). The new estimates are based on new drilling and development sampling since the cutoff date for the year-end 2011 estimate. The result is an increase of 4.7% in contained gold ounces ("Au oz") and 5.3% in contained antimony tonnes ("Sb t") in the Measured and Indicated categories when compared to the previous estimate (see Technical Report filed March 30, 2012).
- An updated Inferred Resource estimate for Cuffley lode based on new drilling since the cutoff date for the end-of-year 2011 Inferred Resource estimate (see table 5 below). The result is an increase of 24% in contained Au oz and 27% in contained Sb t when compared to the previous estimate (see Technical Report filed March 30, 2012).
- Recent exploration results for N-lode, W-lode and Cuffley lode (see tables 1, 2, and 3 below; click [here](#) for Figure 3: N-lode Section, [here](#) for Figure 4: W-lode Section and [here](#) for Figure 2: Cuffley Long Section) that include significant mineralized intercepts drilled after the cutoff date for the Resource increases reported here. These results suggest potential for significant Resource growth in N and Cuffley lodes with both depth and strike extensions going forward.

Brad Mills, CEO of Mandalay, commented, "Once again, we have increased the Measured and Indicated Resources in the Augusta mine since the previous Resource estimate, continuing the record of Resource growth in E-, W-, and N-lodes since Mandalay's ownership began in 2009.

Mr. Mills further commented, "Recent exploration results in Cuffley and N-lode suggest that both lodes contain significantly more potential than we have captured in the Resource updates we are announcing today. Mineralization in Cuffley continues to be extended to the south, back towards the Augusta mine (see table 1 below; click [here](#) for Figure 1: Aerial Photo of Augusta-Cuffley Area Map and [here](#) for Figure 2: Cuffley Long Section); the southernmost mineralized intercept in Cuffley (AD-020) is now less than 100 m north of our current limit of development in N-lode and is about 100 m south of and outside the current Inferred Resource limit. If future infill drilling confirms this expanded southern extent of the lode, the time and capital development needed to prepare for production will be far less than we previously expected.

Furthermore, drill hole AD022 intersected high grade mineralization about 150 m below the deepest previous mineralized intercept in Cuffley, suggesting the lode may extend much deeper

than our previous data has shown. This intercept also represents the deepest known mineralization in the Costerfield district, with implications for the depth potential of all historically and currently mined lodes. At the same time, N-lode is being extended to the north by recent intercepts (see table 2 below and click [here](#) for Figure 3: N-lode Section), increasing the Resource potential and reducing the technical risk as we develop toward Cuffley. Our goal for the end of the year is to develop a life of mine plan based on Proven and Probable Reserves plus Inferred Resources of at least five years, including E, W, N, and Cuffley lodes, that ramp up to at least 9,000 t per month of ore production and processing by mid-2013. At this rate, the mine is expected to approximately double metal production at substantially lower cost per equivalent ounce than at present. We will document this plan in a Preliminary Economic Analysis expected to be prepared in the fourth quarter of 2012."

Costerfield drilling, sampling and assaying

During the first half of 2012, Mandalay drilled 9,345.9 m in 27 holes for approximately US\$2.07 million. In addition, the Company completed 2,594 m of operating development on 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 advance. All samples were sent to commercial labs 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 to Onsite Labs in Bendigo, Victoria, Australia. Standard reference materials have been certified by Geostats Pty Ltd. (See the Technical Report filed March 30, 2012 for a complete description of drilling, sampling, and assay procedures.)

Costerfield drill results

Drilling results for the Cuffley lode are summarized in Table 1 below and displayed in the accompanying long section (click [here](#) for Figure 2: Cuffley Long Section). Holes AD009 to AD019 are included in the Resource update reported here, whereas AD20, AD21, and AD22 were drilled after the cutoff date. AD20 intercepted Cuffley about 100 m south of the new Resource with an assay of 0.30 m (measured along core) of 11.3 g/t Au and 24.4% Sb. AD22 is intersected the vein about 150 m below the new Resource with a gold-rich assay of 1.64 m (measured along core length) of 41 g/t Au and 0.3% Sb.

Table 1: Drilling results on the Cuffley lode

Hole ID	Hole completion depth (m)	Hole completion date	Intercept Northing (m)	Intercept Easting (m)	RL (m)	True Width (m)	Gold Grade (g/t)	Antimony Grade (%)
Included, together with older holes, in this Resource estimate								
AD009	351.6	21/Dec/11	5031.8	15203.8	861.4	0.33	5.3	1.1
AD010	312.1	2/Feb/12	4869.3	15173.2	999.4	0.09	2.1	1.4
AD011	431.2	6/Feb/12	5106.6	15201.7	868.1	0.23	33.0	7.0
AD012	326.0	21/Feb/12	4814.7	15165.3	974.7	0.71	1.7	0.6
AD013	404.4	13/Mar/12	4828.2	15178.3	887.0	0.37	128.3	28.0
AD014	332.6	20/Feb/12	5184.7	15235.3	1024.7	0.09	0.1	0.1
AD015	392.4	13/Mar/12	5191.5	15214.4	897.5	0.26	4.1	0.0
AD016	365.6	3/Apr/12	4708.3	15159.0	996.5	0.19	22.7	11.6
AD018	316.0	27/Mar/12	5288.5	15200.5	976.9	0.07	0.0	0.0
AD019	382.2	19/Apr/12	5296.8	15229.3	895.1	0.10	18.8	0.0
Drilled after the cutoff date for this resource estimate								
AD020	361.1	9/May/12	4607.3	15151.1	965.5	0.30**	11.3	24.4
AD021	436.3	4/June/12	4604.9	15135.1	910.8	0.15**	Assay Not Yet Received	
AD022	610.0	7/June/12	5018.0	15181.6	697.5	1.64**	41.0	0.3
AD022	610.0	7/June/12	5018.0	15179.6	694.2	1.04**	0.7	7.7
AD022	610.0	7/June/12	5018.0	15178.6	692.3	0.41**	21.4	0.0

** Width is downhole length, not true width

New drill results for the W-lode are reported in table 2 below.

Table 2: Drilling results on the W lode

Hole ID	Hole completion depth (m)	Hole completion date	Intercept Northing (m)	Intercept Easting (m)	RL (m)	True Width (m)	Gold Grade (g/t)	Antimony Grade (%)
Included, together with older holes, in this resource estimate								
MH251	183.0	24/Jan/12	4360.7	15305.5	953.5	1.01	3.3	3.3
MH253	168.0	6/Feb/12	4335.9	15300.1	958.0	0.20	49.1	34.0
MH255	176.0	2/Mar/12	4411.4	15309.4	911.0	0.40	66.0	39.2
MH256	171.2	12/Mar/12	4485.6	15317.5	912.4	0.15	28.3	1.2
MH257	168.6	16/Mar/12	4453.8	15324.4	946.6	0.08	21.9	12.9
Drilled after the cutoff date for this resource estimate								
MH258	196.3	26/Mar/12	Assays Not Yet Received					
MH259	195.4	3/Apr/12	Assays Not Yet Received					
MH260	303.0	6/May/12	Assays Not Yet Received					
MH261	223.5	18/May/12	Assays Not Yet Received					
MH262	272.0	4/June/12	Assays Not Yet Received					
MH263	222.7	7/June/12	Assays Not Yet Received					

Drilling results on the N-lode are reported in table 3 below and displayed on long section (click [here](#) for Figure 3: N-lode Section). MH251 through MH257 were included in this Resource update; the others were drilled after the cutoff date. Of particular note is MH270, which intersected N-lode about 50 m to the north of the new Inferred Resource boundary with a 1.3 m intercept (downhole length) assaying 25.7 g/t Au and 14.7% Sb.

Table 3: Drilling results on the N-lode

Hole ID	Hole completion depth (m)	Hole completion date	Intercept Northing (m)	Intercept Easting (m)	RL (m)	True Width (m)	Gold Grade (g/t)	Antimony Grade (%)
Included, together with older holes, in this Resource estimate								
MH251	183.0	24/Jan/12	4374.7	15268.3	945.7	0.08	39.1	42.2
MH253	168.0	6/Feb/12	4343.3	15243.8	953.3	0.26	1.0	15.1
MH255	176.0	2/Mar/12	4419.4	15302.5	906.0	0.10	41.6	50.4
MH256	171.2	12/Mar/12	4485.9	15314.3	910.2	1.12	51.7	15.1
MH257	168.6	16/Mar/12	4448.3	15299.0	935.9	0.56	68.6	34.4
Drilled after the cutoff date for this Resource estimate								
MH258	196.3	26/Mar/12	Assays Not Yet Received					
MH259	195.4	3/Apr/12	Assays Not Yet Received					
MH260	303.0	6/May/12	Assays Not Yet Received					
MH261	223.5	18/May/12	Assays Not Yet Received					
MH262	272.0	4/June/12	Assays Not Yet Received					
MH263	222.7	7/June/12	Assays Not Yet Received					
MH268	162.8	14/June/12	Assays Not Yet Received					
MH269	157.2	20/June/12	Assays Not Yet Received					
MH270	210.0	26/June/12	4559.8	15300.8	902.8	1.30**	25.7	14.7
AD027	327.7	21/June/12	Assays Not Yet Received					

** Width is downhole length, not true width

Costerfield Resource estimate

Drill core and mine sampling data were entered into Datamine software and composited to true vein width, with a top cut of 150 g/t applied to the gold grade of face samples in E, W, and N lodes. No gold grade top cut was applied in Cuffley. A two dimensional block model (2.5 x 5 m blocks) of the lodes was produced by ordinary kriging with anisotropic variograms.

Mineral Resources are reported at a cut-off grade of 3.7 g/t Au equivalent grade (using US\$1,400/oz Au and US\$12,000/t Sb) over a minimum vein width of 1.2 m.

Table 4: Mineral Resource estimates of the Augusta E, W, and N Lodes as of April 30, 2012, including ore stockpiles

Category	Tonnes (t)	Au Grade (g/t)	Sb Grade (%)	Au Ounces (oz)	Sb Tonnes (t)
Total Measured	163,324	13.0	7.9%	68,040	12,868
Total Indicated	175,000	6.8	3.7%	38,381	6,524
Measured + Indicated	338,324	9.8	5.7%	106,421	19,392
Inferred	160,100	7.1	3.7%	36,545	5,924

1. CIM definitions were used for Mineral Resources.
2. Mineral Resources are inclusive of Mineral Reserves.
3. Mineral Resources are depleted for mining through April 30, 2012, and include mined stockpiles measured at month's end.
4. Estimation was reviewed and approved by 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.
5. Gold assay grades were capped at 150 g/t; no cap for antimony grades was applied.
6. A two dimensional block model with 2.5 x 5 m blocks was produced by ordinary kriging.
7. Mineral Resources are estimated using metal prices of US\$1,400 per ounce gold (Au) and US\$12,000 per tonne antimony ("Sb").

8. Mineral Resources are reported at a cut-off grade of 3.7 g/t gold equivalent ("Au Eq") Au Eq. was calculated using the formula: $Au Eq = Au (g/t) + 1.88 \times Sb (\%)$.
9. Bulk density of vein material was calculated from the estimated antimony grade using the following formula, which is based on the stoichiometry of stibnite and gangue:
 $SG = ((1.3951 \times Sb\%) + (100 - (1.3951 \times Sb\%))) / (((1.3951 \times Sb\%) / 4.56) + ((100 - (1.3951 \times Sb\%)) / 2.65))$
10. A minimum vein width of 1.2 m was used with diluting material of zero grade and 2.65 t/m³ density.
11. Numbers may not add due to rounding.

Table 5: Mineral Resource estimates of the Cuffley lode as of May 14, 2012

Category	Tonnes (t)	Au Grade (g/t)	Sb Grade (%)	Au Ounces (oz)	Sb Tonnes (t)
Total Measured	-	-	-	-	-
Total Indicated	-	-	-	-	-
Measured + Indicated	-	-	-	-	-
Inferred	176,300	19.0	7%	107,694	12,341

Same footnotes as for Table 1, except no Au grade capping employed.

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, supervised the exploration and Resource and Reserve estimations reported in the press release. He has reviewed and approved the technical and scientific information contained in this release.

For further information:

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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, and planned 2012 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.