



MANDALAY RESOURCES CORPORATION ANNOUNCES MID-YEAR EXPLORATION, RESOURCES AND RESERVES UPDATE AT ITS CERRO BAYO SILVER-GOLD MINE, CHILE

TORONTO, ON, July 9, 2012 -- Mandalay Resources Corporation ("Mandalay" or the "Company") (TSX: MND, MND.WT) is pleased to provide a mid-year update on its Mineral Resources and Mineral Reserves as well as its ongoing exploration program at its 100%-owned Cerro Bayo silver-gold mine in Aysen, Chile. These results include:

- Updated estimates of Mineral Resources and Reserves contained in the Dalila vein (see tables 1 & 2 below).
- Potentially economic grade drill intercepts achieved in three of the Company's high priority vein extension targets (Dagny under Laguna Verde, Delia SE and Coigues). These intercepts collectively define 500-600 metres of additional strike length of vein mineralization at potentially economic grades and widths. Further drilling is underway to enlarge and infill these three targets.

Brad Mills, CEO of Mandalay, commented, "Systematic exploration at Cerro Bayo continues to discover new Resources and convert discovered Resources into Reserves. While the conversion of the Dalila Resource adds modestly to our total Reserves, the discovery of new veins and the extension of existing veins in the first half of the year give us confidence in our ability to significantly increase Reserves and Resources by year-end. Drilling in the second half of the year will concentrate on extending and infilling these discoveries before incorporating them into our mine plan. The testing of additional blue sky targets will also continue in the second half."

Dalila vein Reserves and Resources

- The Dalila vein, located between the Fabiola mine and the Dagny mine (click [here](#) for Figure 1: Laguna Verde Overlook), was infill drilled during late 2011 with Resource and Reserve estimations completed in the first half of 2012. The Mineral Resource estimate reported here (see Table 1 below and click [here](#) for Figure 2: Dalila Long Section) represents a 7% increase in total contained gold ounces ("Au oz") in the vein and a 19% increase in total contained silver ("Ag") oz in the vein relative to those reported as of December 31, 2011 in the Technical Report dated March 16, 2012.

Table 1: Mineral Resource estimate of the Dalila vein as of June 30, 2012

Category	Tonnes (t)	Au Grade (g/t)	Ag Grade (g/t)	Au Ounces (oz)	Ag Ounces (oz)
Measured					
Indicated	114,537	4.0	350	14,840	1,287,269
Measured + Indicated	114,537	4.0	350	14,840	1,287,269
Inferred	27,982	2.7	193	2,465	173,261

Notes:

1. CIM definitions were used for Mineral Resources.
 2. Mineral Resources are inclusive of Mineral Reserves.
 3. Estimation was performed under the supervision of Ronald Lueth, General Manager of Mandalay Chile Ltda., an Idaho registered Professional Geologist and an American Institute of Professional Geologists (“AIPG”) Certified Professional Geologist, and a Qualified Person defined by NI 43-101.
 4. No capping of gold or silver assays was used.
 5. Ore grades for gold and silver for each 5 x 5 metre (“m”) Resource block were estimated by the inverse distance cubed method with no manually interpreted ore shoot boundaries.
 6. Mineral Resources are reported at a cut-off grade of 163 grams per tonne (“g/t”) silver equivalent (“AgEq”).
 7. AgEq was calculated using the formula $AgEq = Ag + (Au \times 53.8)$ where Ag and Au are in g/t.
 8. A minimum vein width of 1.2 m was used with diluting material of zero grade.
 9. A density of 2.63 t/m³ was used.
 10. Numbers may not add due to rounding.
 11. Mineral Resources are reported at a cut-off grade of 163 g/t AgEq grade (using US\$1,400/oz Au and US\$26/oz Ag) over a minimum vein width of 1.2 m.
- Based on the Mineral Resource for the Dalila Vein, an inaugural Mineral Reserve for this vein has been estimated (see table 2 below and click [here](#) for Figure 2: Dalila Long Section). These new Reserves are additive to those reported for year-end 2011 (see Technical Report dated March 16, 2012) and represent increases to total Reserves of 5.6% for contained Au oz and 4.5% for contained Ag oz. The Dalila vein will be accessed from the Dagny mine and has been incorporated into the mining schedule commencing in 2014.

Table 2: Mineral Reserve estimate of the Dalila vein as of June 30, 2012

Category	Tonnes (t)	Au Grade (g/t)	Ag Grade (g/t)	Au Ounces (oz)	Ag Ounces (oz)
Proven					
Probable	89,006	2.7	250	7,605	716,461
Proven + Probable	89,006	2.7	250	7,605	716,461

Notes:

1. CIM definitions were used for Mineral Reserves.
2. Estimation was performed under the supervision of Ronald Luethé, General Manager of Mandalay Chile Ltda., an Idaho registered Professional Geologist, an AIPG Certified Professional Geologist, and a Qualified Person defined by NI 43-101.
3. Mineral Reserves were estimated using an average long-term gold price of US\$1,200 per ounce, a silver price of US\$22 per ounce, a US\$/C\$ exchange rate of 1:1, and a US\$/Chilean Peso exchange rate of 1:500.
4. Mineral Reserves were estimated using a cut-off grade of 197 g/t AgEq, which accounts for concentrate transport, treatment and refining costs.
5. AgEq was calculated using the formula $AgEq = Ag + (Au \times 54.5)$, where Ag and Au are in grams per tonne.
6. A minimum mining width of 2.4 m was used with diluting material of zero grade.
7. Density is 2.63 t/m³.
8. Numbers may not add due to rounding.

Exploration drilling results for the first half of 2012

During the first half of 2012, Mandalay drilled 31,600 m of diamond core in 118 holes for a cost of approximately US \$4.1 million and tested seven high priority targets. Three of these targets (Dagny under Laguna Verde, Delia SE and Coigues; click [here](#) for Figure 1: Laguna Verde Overlook) have returned drill intercepts of potentially economic grades and widths, defining an additional collective 500-600 m strike length of potentially minable vein mineralization. Four additional targets (Horquetas, Olga/Shirley, Lucia and Gabriela/Josefina) returned mixed or negative results.

- Dagny vein under Laguna Verde (“Dagny ULV”) – The Dagny vein (currently being mined) is thought to extend some 600 m to the southeast under the shallow Laguna Verde towards a projected intersection with the Delia SE vein. Two of the four recent holes drilled out under the lake have confirmed that the first 200 m of this interval contain minable thicknesses of potentially economic grade (see table 3 below for Dagny ULV assay table and click [here](#) for Figure 3: Dagny Under Laguna Verde Long Section). The other two intercepts, further to the southeast along the strike, returned low grade intercepts thought to overlie potentially deeper, higher grade mineralization; the Company considers the entire 600 m strike length highly prospective.
- Coigues vein system – Coigues is a highly prospective area of pervasive and intense potassic alteration north of the existing Delia mine. Drilling there has identified two new veins with intercepts of potentially economic grades and widths, Coigues Este and Coigues Central (see tables 4 and 5 below for assays, click [here](#) for Figure 4: Coigues Map, [here](#) for Figure 5: Coigues Central Long Section, and [here](#) for Figure 6: Coigues Este Long Section). In each vein, there are currently two adjacent intercepts of potentially economic grade and thickness at least 100 m apart; the mineralized zones in both veins are open along strike in both directions and at depth.
- Delia SE vein – Step-out drilling at Delia SE (click [here](#) for Figure 1: Laguna Verde Overlook) has extended mineralization to the northwest by 100 m and the mineralized zone now appears continuous with Delia NW (see table 5 below for Delia SE assays and click [here](#) for Figure 7: Delia SE Long Section). The Delia SE mineralized zone remains open at depth and a

new interpretation of fault displacements at the southeast end of the vein suggests a northward offset of the vein. This offset segment represents a new exploration target.

- Gabriela, Gabriela Este and Josefina – This vein system located northeast of the Coyita vein (click [here](#) for Figure 1: Laguna Verde Overlook) was tested by 13 holes in the first half of 2012. A number of significant ore grade intercepts were achieved as well as wide zones of lower grade material (see table 7 below for assays). Continuity of mineralization is not clear due to faulting or other complications. Additional drilling and geologic interpretation is required to further understand this highly prospective target area.
- Horquetas vein system – This target is located 2 km west of the existing mine. A total of 14 holes tested this target in the first half of 2012. No significant ore intercepts were achieved and reinterpretation is in progress.
- Lucia – This vein located between Dagny and Delia NW returned sub-ore grade intercepts from eight holes drilled in the period.
- Olga/Shirley veins – These veins are located between Yasna and Coyita and returned mainly sub-ore grade mineralization in 10 holes.

Cerro Bayo drilling and assaying

Diamond core was logged and sampled by Mandalay geologists. Core samples, including blanks, standards, and duplicates, were assayed on-site at the Compañía Minera Cerro Bayo laboratory. The Cerro Bayo laboratory, which was audited in 2011 by SGS Lakefield Research Ltd., routinely sends check samples to ALS Laboratory (an ISO 9001:2008 and ISO/IEC 17025:2005 certified laboratory) in La Serena, Chile, following QA/QC practices established by Mandalay. See the Company's Technical Report dated March 16, 2012 for a full description of the drilling, logging, assaying, and estimation processes.

Significant exploration results

- Dagny ULV — Four holes tested the projected 600 m extension of the Dagny vein under Laguna Verde (click [here](#) for Figure 3: Dagny Long Section). All four holes intersected the vein extension with potentially economic mineralization intersected by the two northernmost holes over a strike length of 200 m (see table 3 below). The two southernmost holes are interpreted to have intersected the vein above a possible deeper, higher-grade zone. Further drilling will occur in the third and fourth quarters of 2012 with the goal of estimating an NI 43-101 Resource addition by the end of the year.

Table 3: Drill intercepts on Dagny ULV

Hole_ID	Hole Comp. Date	Hole Depth (m)	Intercept UTM_E	Intercept UTM_N	Intercept Elev	From (m)	To (m)	Intercept Length	True Width	Gold Grade (g/t)	Silver Grade (g/t)
DDAG-115	5/20/12	331.85	271488.60	4840595.36	73.59	277.64	280.00	2.36	2.01	1.36	127
DDAG-116	5/25/12	290.00	271536.63	4840550.11	88.89	261.90	264.30	2.40	2.13	2.62	137
DDAG-117	6/2/12	304.90	271571.99	4840486.24	73.36	267.55	273.00	5.45	4.32	0.87	20
DDAG-118	6/29/12	347.35	271709.60	4840471.92	61.82	329.90	331.30	1.40	1.32	1.00	6

- Coigues — Several holes tested veins beneath Coigues Hill northeast and along strike of the Delia NW vein (click [here](#) for Figure 4: Coigues Map). These holes confirmed that potentially

economic mineralization occurs in at least two veins over at least 600 m of strike length in this area (see tables 4 and 5 for assays, click [here](#) and [here](#) for long sections). Widely spaced drilling continues at Coigues in an attempt to determine the overall extent and depth of mineralization and define the potential limits of economically minable ore zones. Infill drilling will commence once this wider spaced drilling is completed.

Table 4: Drill intercepts on the Coigues Este vein

Hole_ID	Hole Compl. Date	Hole Depth (m)	Intercept UTM_E	Intercept UTM_N	Intercept Elev	From (m)	To (m)	Intercept Length (m)	True Width (m)	Gold Grade (g/t)	Silver Grade (g/t)
Coeur											
BPR260		100.00	270288.81	4841768.00	324.79	58.0	60.0	2.00	1.2	4.4	112.0
Mandalay 2012											
DCO005	5/10/12	271.50	270429.06	4841395.98	396.48	29.8	31.1	1.32	0.74	1.91	508
DCO006	5/16/12	340.50	270422.47	4841406.52	385.07	42.25	44.3	2.05	0.76	0.8	251
DCO007	5/16/12	136.20	270433.8	4841374.28	383.03	46.7	47.1	1.5	0.66	0.77	272
DCO008	5/18/12	316.40	270410.34	4841422.28	299.04	118.3	120.32	2.02	0.95	0.73	71
DCO009	5/19/12	206.95	270478.11	4841232.44	318.21	79.1	80.15	1.05	0.29	1.13	29
DCO010	5/26/12	233.65	270296.11	4841626.44	307.65	130.9	131.95	1.05	0.91	21.04	265
			270303.41	4841632.19	300.29	141	145.55	4.55	2.76	1.7	40

Table 5: Drill intercepts for the Coigues Central vein

Hole_ID	Hole Compl. Date	Hole Depth (m)	Intercept UTM_E	Intercept UTM_N	Intercept Elev	From (m)	To (m)	Intercept Length (m)	True Width (m)	Gold Grade (g/t)	Silver Grade (g/t)
Coeur											
FCH170	2006	106.40	270453.32	4841111.29	378.04	22.4	25.4	3.04	2.02	0.25	48
FCH172	2006	140.40	270435.30	4841164.64	364.05	55.7	58.5	2.89	1.99	0.72	110
BPR149	1991	200.00	270348.46	4841357.75	393.39	32.0	34.0	2.00	1.33	0.87	223
Mandalay 2012											
DCO001	3/27/12	189.55	270455.60	4841131.18	332.50	70.0	75.1	5.10	1.91	2.53	166
DCO002	3/31/12	216.05	270437.39	4841193.99	281.19	141.5	144.26	2.76	1.01	1.11	134
DCO004	4/10/12	194.85	270414.84	4841230.54	303.88	119.43	122.88	3.45	1.46	0.83	46
DCO007	5/16/12	231.05	270383.02	4841303.64	297.58	167.25	170.6	3.35	1.85	0.82	21
DCO009	5/19/12	206.95	270429.67	4841214.74	217.86	191.7	193.6	1.9	1.24	1.33	399
DCO012	6/10/12	514.60	270463.63	4841202.27	97.85	306.04	308.04	2	1.66	0.1	2

- Delia Southeast (“SE”) — Infill and extensional drilling continued at Delia SE where reinterpretation of the limits of mineralization and faulting has extended the strike length of potentially economic mineralization by at least 100 m to the northwest to join Delia NW and has increased the known down-dip extent by 20 m (see table 6 below for assays; click [here](#) for Figure 7: Delia SE Long Section). Reinterpretation of faults terminating the southeast end of the vein suggests that the vein has been significantly displaced to the north and that a possible second vein occurs in the area. An interim Resource update for Delia SE has not yet been prepared because the interpretation has changed significantly with additional drilling. The Reserves and Resources for this vein will be revised at year-end.

**Table 6: Drill intercepts on Delia SE since the cutoff date for the end of year 2011
Resource estimate**

Hole Compl. Date	Hole Depth (m)	Intercept UTM_E	Intercept UTM_N	Intercept Elev	From (m)	To (m)	Intercept Length (m)	True Width (m)	Gold Grade (g/t)	Silver Grade (g/t)
10/18/11	293.20	NO VEIN INTERCEPT								
10/26/11	380.20	272065.55	4840213.87	21.62	259.44	260.20	0.76	0.43	0.1	2
11/3/11	335.65	271605.09	4840400.88	85.58	311.77	314.77	3	1.44	1.33	34
10/26/11	216.00	271655.44	4840348.23	146.38	170.14	172.95	2.81	1.05	0.84	53
11/7/11	263.15	271663.13	4840357.77	87.3	237.75	239.90	2.15	0.7	1.18	131
10/30/11	225.50	271665.25	4840354.53	119.51	197.83	199.29	1.46	0.53	3.69	167
11/8/11	101.25	271712.22	4840263.96	240.66	51.65	56.20	4.55	1.9	0.5	164
11/16/11	325.70	NO VEIN INTERCEPT								
11/13/11	293.35	27162.25	4840366.53	102.25	234.56	236.86	2.3	0.89	20.57	2212
11/16/11	175.50	NO VEIN INTERCEPT								
11/25/11	337.85	271737.27	4840360.02	47.07	295.95	297.40	1.45	0.43	3.49	107
11/24/11	186.30	271791.74	4840234.76	242.15	57.20	59.20	2	1.15	0.1	2
12/3/11	300.00	271755.62	4840343.03	55.6	281.99	283.03	1.04	0.34	5.55	1345
12/12/11	347.40	271713.29	4840346.92	82.05	252.70	254.55	1.85	0.6	3.55	108
12/17/11	358.75	271746.2	4840295.89	116.75	211.35	213.05	1.7	0.62	5.95	421
12/12/11	326.70	271821.45	4840262.12	123.53	196.55	198.90	2.35	0.82	1.26	213
12/26/11	323.45	271973.55	4840216.91	121.11	183.05	185.50	2.45	0.56	3.53	392
12/30/11	281.60	271616.84	4840392.99	78.87	261.83	271.65	9.82	4.04	12.36	401
1/12/12	291.00	271622.69	4840388.13	81.4	262.85	265.70	2.85	1.29	0.54	10
1/31/12	353.55	272043.94	4840215.95	-14.85	291.52	292.50	0.98	0.54	0.1	2
2/8/12	299.35	NO VEIN INTERCEPT								
2/24/12	400.85	271631.95	4840431.88	-41.62	380.31	390.35	10.04	2.17	0.1	2
2/27/12	251.65	272049.79	4840203.5	128.07	161.65	162.05	0.4	0.3	0.1	2
3/12/12	365.05	271607.44	4840427.37	6.49	337.73	339.60	1.87	0.54	0.46	13
3/13/12	263.05	272009.55	4840206.2	58.98	234.19	237.64	3.45	2.31	2.99	10
3/20/12	254.50	NO VEIN INTERCEPT								
3/18/12	328.10	271620.53	4840380.77	89.79	250.50	255.18	4.68	1.98	0.89	7
3/23/12	326.00	271780.3	4840322.7	64.28	279.80	281.75	4.92	1.74	2.35	24
3/26/12	242.50	271962.13	4840242.84	92.62	224.00	226.00	2	1.14	0.73	6
4/2/12	270.00	272007.44	4840248.11	33.56	255.77	256.45	0.68	0.36	0.1	10
4/3/12	292.50	271768.13	4840291.47	109.7	223.68	225.97	2.29	0.91	9.01	593
4/8/12	321.05	271822.39	4840299.79	67.82	282.7	291.08	8.38	2.77	5.83	90
5/12/12	311.50	271954.22	4840269.43	79.5	275.72	282.67	6.95	2.89	3.95	46

- Gabriela —The Gabriela-Josefina area lies to the northeast of the principal Laguna Verde mining area. 13 holes were drilled here in the first half of 2012; they delivered mixed results that are still being interpreted (see table 7 below).

Table 7: Drill intercepts in the Gabriela-Josefina area

Hole Compl. Date	Hole Depth (m)	Intercept UTM_E	Intercept UTM_N	Intercept Elev	From (m)	To (m)	Intercept Length (m)	True Width (m)	Gold Grade (g/t)	Silver Grade (g/t)
Gabriela Este										
DGA-008	218.80	271955.68	4843008.68	336.00	81.7	82.9	1.22	0.67	0.10	3
Gabriela										
DGA-009	289.65	271982.4	4842819.1	95.2	235.5	236.6	1.1	0.7	95.5	5290
DGA-010	266.50	272034.63	4842481.58	265.97	28.0	29.9	1.90	1.24	0.17	32.00
DGA-011	282.00	271972.36	4842827.59	123.31	217.1	220.2	3.10	2.06	0.50	2
DGA-012	293.00	272037.58	4842482.67	257.3	35.66	37.62	1.96	1.09	1.63	194
DGA-013	280.60	272015.6	4842912.7	115.57	226.8	228.9	2.1	0.77	0.19	21
DGA-014	331.90	272035.48	4842490.91	248.88	43.07	48.4	5.33	2.25	0.43	77
DGA-015	266.60	271988.09	4842768.92	108.51	223.13	226.1	2.97	1.97	0.36	19
DGA-016	328.70	272015.13	4842485.26	161.57	178.8	181.95	3.15	1.36	1.3	180
DGA-017	293.60	272002.64	4842716.12	90.29	228.7	230.5	1.8	1.12	2.97	36
DGA-018	335.85	272005.87	4842636.79	27.13	299	303	4	2.64	0.59	9
DGA-019	407.30	272042.28	4842490.73	237.56	53.5	61	7.5	3.05	0.23	51
DGA-020	353.05	271995.36	4842827.78	63.22	276.4	276.62	0.22	0.14	5.33	1149
Josefina										
DGA-010	266.50	272126.91	4842558.49	192.88	169.15	170.15	1.00	0.69	20.90	1393.00
DGA-012	293.00	272129.8	4842551.5	158.7	187.9	188.5	0.6	0.4	4.5	276
DGA-014	331.90	272106.49	4842575.75	136.12	203.6	203.9	0.30	0.14	0.10	8
DGA-010	266.50	272143.28	4842570.98	180.79	193.1	194.0	0.94	0.66	1.71	306
DGA-012	293.00	272154.89	4842568.52	134.53	226.5	227.5	0.93	0.58	8.30	296
DGA-014	331.90	272137.44	4842608.56	91.22	267.1	267.7	0.64	0.31	3.73	12

Resource estimation details for the Dalila vein

Core and mine sample data was entered into Vulcan software and vein walls were interpreted manually in a wireframe model. Gold and silver grades for each 5 x 5 m Resource block within the wireframe model were estimated by the inverse distance cubed method with no manually interpreted ore shoot boundaries or grade capping. For the Dalila Resources, a bulk density of 2.63 t/m³ was used.

Mineral Resources are reported at a cut-off grade of 163 g/t AgEq grade (using US\$1,400/oz Au and US\$26/oz Ag) over a minimum vein width of 1.2 m.

Reserve estimation details for the Dalila vein

A mine plan was designed for the estimated Dalila vein based on Measured and Indicated Resources using the same blast-hole, open-stopping mining method employed in the current operations. A cut-off grade of 197 g/t AgEq over a minimum mining width of 2.4 m was used, with planned and unplanned dilution at zero grade.

Qualified Person:

Ronald Luethe, General Manager of Mandalay Chile Ltda., is an Idaho registered Professional Geologist and an AIPG Certified Professional Geologist. He supervised the exploration, Resource estimation, and Reserve estimation work reported here, and as a Qualified Person defined by NI 43-101, he has reviewed and approved the technical and scientific information on Cerro Bayo contained in this release.

For Further Information:

Bradford Mills
Chief Executive Officer

Greg DiTomaso
Investor Relations

Contact:
647.260.1566

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.