



## **Mandalay Resources Corporation Announces Substantial Issuer Bid for All Outstanding Warrants**

TORONTO, ON, May 10, 2012 -- Mandalay Resources Corporation ("Mandalay" or the "Company") (TSX: MND, MND.WT) announced today that it intends to commence a warrant exchange offer (the "Exchange Offer"), by way of a substantial issuer bid, pursuant to which it will offer to purchase all of its outstanding common share purchase warrants (the "Warrants") in exchange for common shares ("Common Shares") on the following basis:

<b>Warrant Series</b>	<b>Description</b>	<b>Exchange Price</b>
Series 2	Issued on August 6, 2010 with an exercise price of \$0.33 and an expiry date of August 6, 2012	0.58 Common Shares for each Series 2 Warrant
Series 3	Issued on April 22, 2009 with an exercise price of \$0.20 and an expiry date of April 22, 2014	0.79 Common Shares for each Series 3 Warrant
Series 4	Issued on July 22, 2009 with an exercise price of \$0.20 and an expiry date of July 22, 2014	0.79 Common Shares for each Series 4 Warrant
Series 5	Issued on October 15, 2009 with an exercise price of \$0.465 and an expiry date of October 15, 2014	0.47 Common Shares for each Series 5 Warrant
Series 6	Issued on November 30, 2009 with an exercise price of \$0.31 and an expiry date of November 30, 2014	0.63 Common Shares for each Series 6 Warrant
Series 7	Issued on November 30, 2009 with an exercise price of \$0.465 and an expiry date of November 30, 2014	0.47 Common Shares for each Series 7 Warrant

Mandalay is making the Exchange Offer in order to reduce the number of outstanding Warrants. This will help to simplify the Company's capital structure and reduce concerns over dilution associated with the Warrants, while providing a market premium to holders of the Warrants (the "Warrantholders").

For Warrantholders, the Exchange Offer represents an opportunity to exchange illiquid Warrants for Common Shares that trade on the Toronto Stock Exchange ("TSX") without incurring the cash outlay that would otherwise be required upon exercise of the Warrants. Based on the closing price of the Common Shares on the TSX on May 9, 2012 of \$0.66 per share, the Exchange Price for each series of Warrants represents a premium to both intrinsic value and Black Scholes value for each series of Warrants.

The Exchange Offer will not be conditional on any minimum number of Warrants being tendered to the Exchange Offer, but will be subject to other conditions customary for transactions of this nature. It is anticipated that the formal offer to purchase, issuer bid circular and other related documents (collectively, the "Offer Documents"), containing the terms and conditions of the Exchange Offer and instructions for tendering Warrants will be mailed to Warrantholders and filed with the applicable securities regulators and available on SEDAR at

www.sedar.com when the Exchange Offer is formally commenced. The Exchange Offer will remain open for acceptance for at least 35 days after the date of commencement, unless withdrawn or extended by the Corporation.

The Board of Directors of Mandalay (the "Board"), based on the recommendation of a Special Committee of the Board (the "Special Committee"), made up of independent directors of the Company, that was formed to consider the Exchange Offer, has unanimously approved the Exchange Offer with Bradford Mills, Anthony Griffin and Sanjay Swarup abstaining from voting on the Exchange Offer based on their interests in the Exchange Offer due to their ownership or control of a material number of Warrants and with each other director abstaining from voting in respect of any series of Warrants that such director owns. BMO Capital Markets is acting as financial advisor to Mandalay and dealer manager in connection with the Exchange Offer.

Haywood Securities Inc. ("Haywood") has been engaged by the Special Committee to prepare a formal valuation of the Warrants and has delivered to the Special Committee its opinion that, based on the scope of its review and subject to the assumptions, restrictions and limitations provided therein, the range of fair market values of each series of Warrants, as at May 9, 2012, was:

<b>Warrant Series</b>	<b>Fair Market Value</b>	<b>Implied Exchange Ratio</b>
Series 2	\$0.3312 - \$0.3320	0.502 – 0.503
Series 3	\$0.4679 - \$0.4783	0.709 – 0.725
Series 4	\$0.4695 - \$0.4819	0.711 – 0.730
Series 5	\$0.2793 - \$0.3349	0.423 – 0.507
Series 6	\$0.3826 - \$0.4165	0.580 – 0.631
Series 7	\$0.2829 - \$0.3399	0.429 – 0.515

A copy of Haywood's formal valuation will be attached to the Offer Documents.

None of Mandalay, the Board or the Special Committee makes any recommendation to Warrantheolders as to whether to tender or refrain from tendering their Warrants to the Exchange Offer.

Further information concerning the terms and conditions of the Exchange Offer will be contained in the Offer Documents that will be mailed to Warrantheolders and available on SEDAR when the Exchange Offer is formally launched. Warrantheolders are strongly urged to consult their own financial, tax and legal advisors and to make their own decisions whether to tender or refrain from tendering their Warrants to the Exchange Offer.

In accordance with applicable Canadian securities laws, the Company has suspended repurchases of any Warrants under its normal course issuer bid announced on October 13, 2011 until after the expiry or termination of the Exchange Offer.

This press release is for information purposes only and is not an offer to buy or sell or the solicitation of an offer to buy or sell any Warrants or Common Shares.

## **For Further Information**

Bradford Mills  
Chief Executive Officer

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Investor Relations

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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 intention to commence the Exchange Offer and the potential benefits to the Company, Warrant holders and Shareholders that might result from the Exchange Offer. 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](http://www.sedar.com). In addition, there can be no assurance that any 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.