



Mandalay Resources Corporation Announces Financial Results for the First Quarter of 2012

TORONTO, ON, May 9, 2012 -- Mandalay Resources Corporation ("Mandalay" or the "Company") (TSX: MND, MND.WT) today released its unaudited consolidated financial results for the three months ended March 31, 2012, together with its Management's Discussion and Analysis ("MD&A") for the corresponding period. All currency references in this press release are in U.S. dollars except as otherwise indicated. A complete copy of the Company's financial statements for the period, together with the MD&A, can be accessed under the Company's profile on www.sedar.com and on the Company's website at www.mandalayresources.com.

Brad Mills, Chief Executive Officer of Mandalay, commented: "Both our mines performed well in the first quarter of 2012. The Company delivered record gold and silver production from the Cerro Bayo mine in Aysen, Chile, since operations restarted in the third quarter of 2010. This was despite disruption due to public protests against certain government policies in the region in February and March. In addition, quarterly gold and antimony production from the Costerfield mine in Victoria, Australia, was the second highest since the Company restarted operations there in the fourth quarter of 2009. However, our financial results were impacted by the delay in first quarter shipments of concentrate from Cerro Bayo due to port blockages during the protests and the mark to market adjustment of our silver and gold put price book.

The protests ended in late March, and we anticipate catching up on all delayed shipments in the second quarter of 2012. The delay in shipping has not affected our production, revenue and EBITDA projections for full-year 2012, and we remain on track to complete our planned production ramp-up and exploration at Cerro Bayo this year. With continued good performance at the mines, we expect to see production increasing and costs falling in line with our previous 2012 guidance."

First Quarter 2012 Financial Highlights

The following table summarizes the Company's financial results for the first quarter of 2012:

	Quarter ended March 31, 2012	Quarter Ended Dec 31, 2011	Quarter ended March 31, 2011
	\$	\$	\$
Revenue	20,719,516	24,233,020	16,609,053
EBITDA	6,126,008	3,376,244	7,704,305
Income from mine operations	4,827,283	3,236,316	6,227,215
Net Income/(Loss) after tax	(8,920,644)	955,754	2,407,240
Total assets	136,631,537	138,894,858	109,170,133
Total liabilities	46,072,087	39,923,892	42,540,721
Earnings/(Loss) per share	(0.03)	0.00	0.01

In the first quarter, the Company generated revenue of \$20.7 million, EBITDA of \$6.1 million and a net loss of \$8.9 million (a loss of \$0.03 per share). Net income is inclusive of non-cash, non-operating expense of \$11.3 million related to mark-to-market adjustment of silver and gold

put options¹ (“puts”), a silver note payable to Coeur d’Alene Mine Corporation (the “Silver Note”) and deferred tax income of \$1.5 million. Excluding non-cash and non-operating expense of \$11.3 million and deferred tax income of \$1.5 million, profit from underlying operations for the first quarter was \$0.8 million (\$0.00 per share).

The reduced financial results in the first quarter of 2012 can be attributed to the public protests near Cerro Bayo, which delayed the Company’s concentrate shipments into the second quarter of 2012. The Company’s cash and cash equivalents at the end of the first quarter of 2012 were \$10.6 million as compared to \$12.7 million at the end of the fourth quarter of 2011. Short-term borrowing increased during the quarter by \$2.9 million as the Company built concentrate inventory. Both will be reversed as shipments catch up in the second quarter. The increase was mainly due to borrowings from Sprott of \$1.9 million (C\$2.0 million) and BCI of \$1.0 million.

First Quarter 2012 Operational Highlights

The following tables summarize the Company’s quarterly production and sales volumes for 2011 and the first quarter of 2012:

Production

Metal	Source	Q 1, 2011	Q 2, 2011	Q 3, 2011	Q 4, 2011	2011 Total	Q1 2012
Gold (oz)	Costerfield	4,528	2,856	2,057	2,803	12,244	3,690
	Cerro Bayo	1,450	1,552	1,567	2,109	6,678	2,190
	TOTAL	5,978	4,408	3,624	4,912	18,922	5,880
Antimony (t)	Costerfield	512	413	305	346	1,576	489
Silver (oz)	Cerro Bayo	339,366	284,324	299,679	395,296	1,318,665	396,624
Average quarterly prices							
Gold US\$/oz		1,386	1,506	1,702	1,684		1,694
Antimony US\$/tonne		14,141	15,899	14,893	13,891		12,692
Silver US\$/oz		31.70	38.54	38.84	31.80		31.78
Au Eq. (oz) ¹	Costerfield	9,752	7,216	4,726	5,657	27,351	7,356
	Cerro Bayo	9,212	8,828	8,406	9,574	36,020	9,631
	Total	18,964	16,044	13,132	15,231	63,370	16,988

Sales

Metal	Source	Q1 2011	Q2 2011	Q3 2011	Q4 2011	2011	Q1 2012
Gold (oz)	Costerfield	4,741	3,229	2,108	2,837	12,915	3,384
	Cerro Bayo	204	1,297	1,690	2,347	5,538	1,284
	TOTAL	4,945	4,526	3,798	5,184	18,453	4,668
Antimony (t)	Costerfield	476	433	279	352	1,540	450
Silver (oz)	Cerro Bayo	69,037	270,404	376,409	396,150	1,112,000	218,060
Average quarterly prices							
Gold US\$/oz		1,499	1,469	1,814	1,734		1,715
Antimony US\$/tonne		15,050	16,036	17,326	12,921		12,282
Silver US\$/oz		29.41	39.85	40.50	27.00		32.97
Au Eq. (oz) ²	Costerfield	9,521	7,955	4,773	5,460	27,709	6,604
	Cerro Bayo	1,559	8,632	10,093	8,516	28,801	5,475
	Total	11,080	16,587	14,866	13,977	56,510	12,080

¹ These put options gives the Company the right, but not the obligation, to sell a specified amount of gold or silver at a specified price within a specified time.

1. Au Eq. oz produced is calculated by multiplying the saleable quantities of Au, Ag, and Sb in the quarter by the respective average market prices of the commodities in the quarter, adding the three amounts to get a "total contained value based on market price", and then dividing that total contained value by the average market price of Au in the quarter. Average Au price in the quarter is calculated as the average of the daily LME PM fixes in the quarter, with price on weekend days and holidays taken from the last business day; average Sb price in the quarter is calculated as the average of the daily average of the high and low Rotterdam warehouse prices for all days in the quarter, with price on weekend days and holidays taken from the last business day; average Ag price in the quarter is calculated as the average of the daily London Broker's silver spot price for all days in the quarter, with price on weekend days and holidays taken from the last business day. The source for all prices is www.metalbulletin.com.
2. Au Eq. oz sold is calculated by dividing the total revenue with the realized gold price. Realized gold price is the weighted average of gold price realized at Costerfield and Cerro Bayo.

In the first quarter of 2012, Mandalay produced 396,624 ounces ("oz") of silver (a record), 5,880 oz of gold and 489 tonnes ("t") of antimony. This was a 0.3% improvement in silver production, a 20% increase in gold production, and a 41% improvement in antimony production over the fourth quarter of 2011.

The Company sold 218,060 oz of silver, 4,668 oz of gold and 450 t of antimony in the first quarter of 2012. The Company expects silver and gold sales to increase substantially in the second quarter of 2012 as the Company makes catch-up shipments from Cerro Bayo to consume the inventory accumulated when the port was blocked during the public protests.

Cerro Bayo Operational Highlights

During the first quarter of 2012, the Cerro Bayo mine produced 73,660 t of ore at an average grade of 1.26 grams per tonne ("g/t") gold and 243 g/t silver. This ore contained 2,993 oz gold and 575,536 oz silver, record amounts due to 10 to 20% higher grades of gold and silver than in previous quarters. Ore grades improved as the proportion of stoping ore continued to rise relative to development ore. The Company expects the proportion of stoping ore to continue to rise as mining on the Delia NW vein continues to ramp up during the balance of the year.

Operating development in the first quarter of 2012 was 1,919 metres ("m"), versus 2,254 m in the previous quarter; capital development during the first quarter of 2012 was 459 m compared to 404 m during the previous quarter.

Cerro Bayo produced 396,624 oz of saleable silver and 2,190 oz of saleable gold in concentrate during the first quarter of 2012, both quarterly records. These amounts compare to 395,296 oz of silver and 2,109 oz of gold during the fourth quarter of 2011. This record production was achieved in spite of about two weeks of foregone processing days, due to the impact of the Aysen protests, and the result of high mill head grades and improved metallurgical recovery during the period. The Company expects the trend of higher mill head grades to continue in line with the increasing proportion of stoping ore discussed above.

Cash cost per saleable ounce of silver produced in concentrate for the first quarter of 2012 net of gold credits ("\$/oz") was \$11.45/oz versus \$16.72/oz in the fourth quarter of 2011. The lower cost is due to higher silver and gold production in the first quarter arising from higher grades contained in ore processed combined with good control of operating costs. The Company expects continuing decline in unit costs through the balance of 2012, eventually reaching \$4 to \$5/oz by the end of the year.

The ramp-up of the Cerro Bayo mine was interrupted briefly during the quarter by the Aysen protests, which resulted in delays in the delivery of fuel, explosives, and other consumables. The Company lost approximately eight days of mine production during the quarter and two weeks of the concentrator operations. As a result of the partial mill shutdown, significant ore stockpiles were accumulated. It is anticipated that these stockpiles will be substantially processed in the second quarter.

Costerfield Operational Highlights

During the first quarter of 2012, the Costerfield gold-antimony mine produced a record 19,093 t of ore at an average grade of 8.45 g/t of gold and 4.39% antimony, containing 5,188 oz of gold and 838 t of antimony. This represents a significant improvement over the previous quarter, when 17,023 t of ore at an average grade of 6.30 g/t of gold and 3.78% antimony were produced, containing 3,450 oz of gold and 643 t of antimony.

Record operating development of 1,259 m was achieved in the second quarter, versus 894 in the previous quarter. Capital development during the first quarter of 2012 was 305 m compared to 345 m in the fourth quarter of 2011.

Costerfield produced 3,690 oz of saleable gold and 489 t of saleable antimony in concentrate during the first quarter of 2012, versus 2,803 oz of gold and 346 t of antimony during the fourth quarter of 2011.

Cash cost per gold equivalent ounce ("\$/oz Au Eq.") produced in the first quarter of 2012 was \$1,301/oz Au Eq., down significantly from \$1,473/oz Au Eq. in the fourth quarter of 2011 and \$1,702/oz in the third quarter of 2011. Unit cash costs decreased as a result of higher volumes of ore mined and processed at higher gold and antimony grades, combined with good cost control.

Production and sales improvements at Costerfield reflect the numerous changes implemented by the Company beginning in the third quarter of 2011, including moving to seven day a week capital development and ore production, replacing older leased and owned mobile equipment with new for higher productivity and lower costs, successful implementation of the cemented rock fill stoping method, and improved short-term mine planning processes. The Company expects the improvements to continue.

First Quarter 2012 Exploration Highlights

As previously reported, Mandalay more than doubled silver reserves, increased gold reserves by 85%, and replaced antimony reserves in its year-end 2011 estimates based on its eleven rig exploration program in 2011 (see press release dated February 23, 2012). During the first quarter of 2012, the Company continued its aggressive exploration campaign, spending a total of \$4.2 million on in-fill drilling and exploration and drilling a total of 22,580 m of diamond core at all its properties.

Cerro Bayo Exploration Highlights

In the first quarter of 2012, drilling at Cerro Bayo focused on Delia NW and Delia SE, where infill and extensional drilling continued. The overall rate of exploration drilling at Cerro Bayo was impacted during the quarter due to the Aysen protests which resulted in the suspension of contract drilling for approximately six weeks. Normal drilling rates resumed in April.

Costerfield Exploration Highlights

Exploration continued with three rigs at Costerfield in the first quarter of 2012. The principal focus during the quarter was defining the limits of the Cuffley Lode discovery and infill drilling in the W and N lodes in the Augusta mine. A project to complete a preliminary economic analysis of mining the Cuffley lode was commenced during the quarter, with completion anticipated at the end of the second quarter.

La Quebrada Exploration Highlights

During the first quarter of 2012, the Company completed its planned infill drilling at the Casa de Piedra target at the La Quebrada project. Logging and assaying of the core is underway with the goal of completing an initial NI 43-101-compliant Inferred Resource estimate by the end of the second quarter of 2012.

First Quarter 2012 Corporate Highlights

- Short-term lending increase during the quarter of \$2.9 million was due to borrowings from Sprott of \$1.9 million (C\$2.0 million) and from Banco de Credito e Inversiones SA, Chile of \$1.0 million. Long-term finance lease increased by \$1.7 million at Costerfield to fund the purchase of new Caterpillar and Sandvik equipment.
- The Company repurchased 206,000 common shares at an average price of C\$0.67 per share pursuant to its Normal Course Issuer Bid for a total of \$137,072.

Outlook

Production and sales guidance for 2012 remains unchanged.

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 guidance regarding 2012 production and costs, the anticipated increase in revenue in the second quarter of 2012 by catching up on Cerro Bayo shipments that were delayed in the first quarter of 2012 due to the Aysen protests and the Company's expectation that it will complete an initial 43-101 report for the Casa de Piedra portion of the La Quebrada project by the end of June 2012. 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 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.

Non-IFRS Measures

This news release contains references to EBITDA, cash cost per ounce of gold equivalent produced and cash cost per saleable ounce of silver produced net of gold credits, all of which are non-IFRS measures and do not have standardized meanings under IFRS. Therefore, these measures may not be comparable to similar measures presented by other issuers.

The Company defines EBITDA as earnings before interest, taxes and non cash charges. EBITDA is presented as the Company believes it is a useful indicator of relative operating performance. EBITDA should not be considered by an investor as an alternative to net income or cash flows as determined in accordance with IFRS. For a detailed reconciliation of net income to EBITDA, please refer to page 8 of Management's Discussion and Analysis of the Company's financial statements for the first quarter of 2012.

Cash cost per ounce of gold equivalent produced and cash costs per saleable ounce of silver produced net of gold credits, are presented because these statistics are key performance measures under control of the operations that management uses to monitor performance, to assess how the Company's mines are performing, and to plan and assess the overall effectiveness and efficiency of mining operations. These performance measures should not be considered in isolation as a substitute for measures of performance in accordance with IFRS. Equivalent gold ounces produced or sold is calculated by adding to saleable gold ounces produced or sold, the saleable antimony tonnes produced or sold times the antimony realized price divided by the gold realized price. The total cash operating cost associated with the production or sale of these equivalent ounces in the period is then divided by the equivalent gold ounces produced or sold to yield the cash cost per equivalent ounce produced or sold. The cash cost per ounce of silver produced net of gold credit is calculated by deducting gold revenue from the cash operating costs in the period and dividing the resultant number by the silver ounces produced in the period.