



MANDALAY RESOURCES CORPORATION EXTENDS MINERALIZED ZONES IN FIVE VEINS AT ITS CERRO BAYO SILVER-GOLD MINE, CHILE

TORONTO, ON, January 7, 2013 -- Mandalay Resources Corporation ("Mandalay" or the "Company") (TSX: MND) is pleased to provide an update on drilling results generated by the ongoing exploration program at its 100%-owned Cerro Bayo silver-gold mine in Aysen, Chile. Results presented here were acquired between the cutoff date for the Company's July 9, 2012 exploration update for Cerro Bayo and December 31, 2012. Highlights of these results include:

- During the period, Mandalay continued extensional and infill drilling on five targets and drilled eight new targets.
- Extensional drilling on the Delia SE, Dagny, Coyita, Trinidad and Marcela veins successfully extended the known mineralized zones by a collective 800 metres ("m") along strike. By the end of the year, only the Dagny vein extension had been fully delineated by drilling. Mineralization remains open, either at depth or along strike, on the other targets.
- Of the eight new targets tested, all contained either scattered intercepts of potentially economic grades and widths, as yet without demonstrated continuity (Coigues Este and Central, Gabriela, Gabriela Este, Josefina, Josefina Este) or no significant results (Caiquenes and Guanaco 1).
- In 2013, the Company plans to drill approximately 60,000 m at Cerro Bayo, continuing to test extensions of known mineralized zones at Coyita, Marcela, Delia SE veins, Fabiola, Trinidad and Yasna veins and testing several new targets in the district.

Brad Mills, CEO of Mandalay, commented, "In the second half of 2012, we continued to delineate mineralization in extensions of existing veins and to test new targets. We expect a new, independent NI 43-101 reserve and resource report for Cerro Bayo based on this work to be completed in the first quarter of 2013. We have developed an extensive inventory of new targets at Cerro Bayo that are ready for drilling and expect to test a significant portion of these in 2013."

Cerro Bayo drilling and assaying

During the reporting period, Mandalay drilled 28,627 m of core in 107 holes. 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 March 18, 2012 technical report entitled "Technical Report on the Cerro Bayo Project, Chile", available on SEDAR (www.sedar.com), for a full description of the drilling, logging, assaying, and estimation processes.

Significant exploration results

Locations of the veins discussed in this report appear in [Figure 1](#).

Dagny vein

Twenty-five holes (7,915 m) tested approximately 300 m of the Dagny vein extension strike length under Laguna Verde to the point where it intersects the Delia SE vein (see Table 1; click [here](#) for Figure 2: Dagny Long Section). Drill results indicate that potentially economic mineralization (minimum 2.4 m width of >120 g/t AgEq¹) exists in an area measuring about 200 m horizontally by 70 m vertically. Evaluation of this mineralization will be included in the Company's year-end resource and reserve update.

Note 1: AgEq was calculated using the formula $AgEq = Ag + (Au \times 53.8)$ where Ag and Au are in grams per tonne ("g/t").

Table 1: Recent drill intercepts on the Dagny vein under Laguna Verde

Hole_ID	Hole Comp. Date	Hole Depth (m)	Intercept UTM_E	Intercept UTM_N	Intercept Elev (m)	From (m)	To (m)	Intercept Length	True Width	Gold Grade (g/t)	Silver Grade (g/t)
DDAG119	17/07/2012	299	271443.0	4840649.0	105.2	265.4	267.3	2.0	1.7	9.8	1353
DDAG120	23/07/2012	398	NO VEIN INTERSECTION								
DDAG121	26/07/2012	331	271443.2	4840645.0	72.5	282.6	287.5	4.9	4.2	2.3	137
DDAG122	24/07/2012	341	271504.8	4840574.5	20.3	310.0	313.6	3.6	2.9	0.7	16
DDAG123	05/08/2012	316	271406.5	4840671.5	70.6	286.1	288.3	2.2	1.6	0.7	42
DDAG124	29/07/2012	351	271545.1	4840523.2	18.2	308.2	308.5	0.3	0.2	1.8	33
DDAG125	05/08/2012	333	271472.9	4840617.9	35.3	300.7	305.3	4.6	3.8	1.1	43
DDAG126	15/08/2012	301	271464.7	4840632.3	87.0	269.3	275.9	6.6	5.9	4.6	326
DDAG127	14/08/2012	314	271550.1	4840530.2	34.4	299.0	302.1	3.1	2.5	0.3	28
DDAG128	24/08/2012	318	271456.1	4840630.8	45.9	296.5	299.1	2.6	2.2	0.7	72
DDAG129	25/08/2012	337	271556.6	4840422.2	111.3	218.7	223.1	4.4	3.8	1.6	48
DDAG130	05/09/2012	335	271432.2	4840662.3	24.7	327.6	328.5	0.9	0.7	0.9	23
DDAG131	13/09/2012	262	271472.0	4840625.8	117.4	251.3	252.1	0.8	0.7	4.6	1124
DDAG132	16/09/2012	364	271544.4	4840435.1	89.2	235.0	237.1	2.1	1.7	0.8	27
DDAG133	23/09/2012	306	271519.4	4840574.4	99.6	259.9	261.6	1.7	1.6	0.4	14
DDAG134	01/10/2012	333	271536.9	4840557.6	84.8	268.6	272.0	3.4	3.2	0.9	124
DDAG135	09/10/2012	327	271581.8	4840519.5	118.1	260.0	260.4	0.4	0.3	1.5	422
DDAG136	17/10/2012	287	271560.0	4840552.7	134.5	251.0	251.5	0.5	0.3	0.3	46
DDAG137	25/10/2012	283	271523.3	4840591.8	126.2	250.1	250.5	0.4	0.3	1.3	672
DDAG138	03/11/2012	281	271466.2	4840646.1	146.7	249.0	249.7	0.7	0.6	2.0	83
DDAG139	12/11/2012	290	271430.9	4840662.1	135.2	268.6	269.5	0.9	0.7	0.7	82
DDAG140	19/11/2012	303	271428.1	4840663.2	120.9	273.7	274.3	0.6	0.4	0.7	7
DDAG141	22/11/2012	282	NO VEIN INTERSECTION								
DDAG142	29/11/2012	312	271525.5	4840560.9	93.4	258.1	262.7	4.7	4.4	1.4	195
DDAG143	25/12/2012	311	271519.62	4840571.1	64.29	277.2	278.4	1.2	1.05	0.4	46

Rounding may result in apparent interval differences.

Delia Southeast ("SE") vein

Eleven new holes (2,665 m) of infill and extensional drilling were completed at Delia SE where reinterpretation of the limits of mineralization and faulting has extended the strike length and down-dip extent of potentially economic mineralization (see Table 2; click [here](#) for Figure 3: Delia SE Long Section). Based on this information, reserves and resources for the Delia SE vein will be updated for year-end reporting.

Table 2: Recent drill intercepts on the Delia SE vein

Hole_ID	Hole Comp. Date	Hole Depth (m)	Intercept UTM_E	Intercept UTM_N	Intercept Elev (m)	From (m)	To (m)	Intercept Length	True Width	Gold Grade (g/t)	Silver Grade (g/t)
DDE229	05/07/2012	231	271583.8	4840376.7	150.6	197.6	198.4	0.9	0.5	0.1	28
DDE231	08/07/2012	350	271595.0	4840296.1	9.3	327.0	331.8	4.8	1.4	26.3	972
DDE232	04/07/2012	155	271600.5	4840359.7	172.9	140.6	142.8	2.2	1.1	2.6	334
DDE233	07/07/2012	129	271586.1	4840336.8	220.5	116.2	117.5	0.2	0.1	0.4	54
DDE234	11/07/2012	372	271734.4	4840381.9	28.6	232.2	332.9	0.7	0.3	11.8	524
DDE236	18/07/2012	365	271964.8	4840261.3	52.7	298.8	300.3	1.5	0.4	0.3	6
DDE239	04/08/2012	122	271847.0	4840231.6	230.4	66.1	68.1	2.1	1.2	0.2	33
DDE240	07/08/2012	345	271848.0	4840325.9	34.8	321.3	327.9	6.6	2.4	0.9	16
DDE241	10/08/2012	100	271857.0	4840216.6	240.7	55.9	58.5	2.6	1.5	0.1	47
DDE242	19/08/2012	140	271905.0	4840248.5	214.4	108.3	109.0	0.7	0.4	1.7	267
DDE245	07/09/2012	356	271634.2	4840365.1	73.4	259.3	262.8	3.5	1.1	7.9	194

Rounding may result in apparent interval differences.

Trinidad vein

Eight new holes (2,562 m) of infill and extensional drilling were completed at Trinidad where potentially economic mineralization was intersected over approximately 300 m of strike length (see Table 3; click [here](#) for Figure 4: Trinidad Long Section). Given its proximity to the Delia vein, this mineralization can likely be mined from the Delia NW ramp.

Table 3: Recent drill intercepts on the Trinidad vein

Hole_ID	Hole Comp. Date	Hole Depth (m)	Intercept UTM_E	Intercept UTM_N	Intercept Elev (m)	From (m)	To (m)	Intercept Length	True Width	Gold Grade (g/t)	Silver Grade (g/t)
DDE229	05/07/2012	231	271535.5	4840251.0	248.4	30.9	32.2	1.3	1.1	0.5	297
DDE245	07/09/2012	356	271547.4	4840241.1	241.5	34.7	35.0	2.7	0.2	0.4	4
DTRIO17	06/09/2012	191	271509.7	4840259.1	186.1	119.4	122.2	2.7	2.2	33.2	84
DTRIO18	22/09/2012	201	271517.6	4840261.8	111.2	183.3	183.9	0.6	0.3	2.8	9
DTRIO19	29/09/2012	179	271486.4	4840272.4	151.3	150.7	152.2	1.5	0.7	6.0	41
DTRIO20	04/10/2012	212	271545.0	4840229.8	117.9	173.9	174.2	0.3	0.1	0.1	2
DTRIO21	22/11/2012	162	271588.7	4840217.9	176.2	119.4	119.7	0.3	0.2	3.0	24
DTRIO22	29/11/2012	210	271669.4	4840184.7	133.3	166.8	168.1	1.3	0.5	0.3	2

Rounding may result in apparent interval differences.

Coyita vein

Thirty-one new holes (5,379 m) have been drilled at Coyita where step-out drilling has extended potentially economic mineralization south approximately 200 m along strike over approximately 100 m of vertical extent (see Table 4; click [here](#) for Figure 5: Coyita Long Section). These new intercepts will be included in the Company's year-end resource and reserves update. Mineralization is open down dip and along strike to the south.

Table 4: Recent drill intercepts on the Coyita vein

Hole_ID	Hole Comp. Date	Hole Depth (m)	Intercept UTM_E	Intercept UTM_N	Intercept Elev (m)	From (m)	To (m)	Intercept Length	True Width	Gold Grade (g/t)	Silver Grade (g/t)
DCOY002	31/08/2012	215	271751.4	4841434.4	126.2	196.6	202.1	5.5	2.9	0.7	82
DCOY003	08/09/2012	187	271731.8	4841411.3	193.0	108.8	111.9	3.1	1.4	1.8	749
DCOY004	21/09/2012	281	271790.3	4841385.9	124.8	243.4	253.9	10.5	5.3	1.5	172
DCOY005	30/09/2012	149	271739.9	4841375.1	209.4	103.6	106.4	2.8	0.9	5.7	609
DCOY006	29/09/2012	120	271471.4	4841712.6	266.8	75.0	76.0	1.0	0.6	3.1	215
DCOY007	02/10/2012	111	271517.5	4841639.5	267.7	76.7	78.6	1.9	1.4	9.4	1904
DCOY008	05/10/2012	126	271708.9	4841394.1	238.8	62.2	62.5	0.4	0.2	3.6	73
DCOY009	06/10/2012	109	271526.4	4841589.4	296.1	84.1	86.1	2.0	1.9	0.1	4
DCOY010	11/10/2012	165	271653.9	4841558.1	184.9	102.7	105.1	2.4	1.6	1.7	90
DCOY011	11/10/2012	192	271529.4	4841651.7	223.2	119.7	120.3	0.7	0.4	0.9	196
DCOY012	14/10/2012	92	271447.7	4841695.8	305.1	70.1	70.9	0.8	0.7	0.5	41
DCOY013	19/10/2012	150	271697.3	4841513.3	181.8	102.2	102.9	0.8	0.6	1.1	572
DCOY014	22/10/2012	245	271581.6	4841615.1	166.4	187.8	189.0	1.2	0.7	0.4	95
DCOY015	25/10/2012	120	271789.8	4841312.0	188.7	84.0	88.0	4.0	3.1	1.0	153
DCOY016	29/10/2012	170	271569.0	4841593.4	223.4	138.3	141.7	3.4	2.6	1.0	90
DCOY017	30/10/2012	130	271813.4	4841264.2	192.1	103.9	104.7	0.8	0.7	0.3	102
DCOY018	03/11/2012	140	271559.6	4841583.8	274.1	115.5	116.5	1.0	0.9	0.3	31
DCOY019	04/11/2012	119	271756.9	4841320.7	210.7	90.1	90.7	0.6	0.5	0.1	2
DCOY020	10/11/2012	201	271483.0	4841725.9	222.4	160.2	164.0	3.9	3.6	0.4	17
DCOY021	10/11/2012	120	271794.8	4841279.5	213.5	84.5	87.2	2.7	2.5	1.4	294
DCOY022	14/11/2012	101	271411.7	4841749.9	296.7	70.0	71.0	1.0	0.8	0.1	10
DCOY023	15/11/2012	149	271746.5	4841358.6	165.2	109.4	110.5	1.2	0.8	2.7	526
DCOY024	20/11/2012	359	271159.8	4842035.0	290.5	70.0	71.5	1.5	0.8	0.4	18
DCOY025	23/11/2012	261	271710.9	4841512.7	130.0	146.6	147.1	0.5	0.2	1.2	414
DCOY026	20/11/2012	141	271752.8	4841342.9	191.5	101.5	103.1	1.6	1.5	3.5	130
DCOY027	26/11/2012	150	271779.0	4841341.9	176.5	101.5	103.4	1.9	1.5	1.2	127
DCOY028	26/11/2012	120	271647.6	4841547.7	229.7	80.2	83.5	3.4	2.9	1.1	165
DDIM032	11/11/2012	418	271801.9	4841322.6	164.8	354.4	355.6	1.2	1.1	2.1	263
DCOY031	8/12/2012	217	271802.9	4841357.7	123.53	136.9	140.1	3.2	1.55	1.17	179
DCOY032	12/12/2012	207	271826.7	4841297.7	151.7	113.1	117.1	4	2.18	0.64	121

Rounding may result in apparent interval differences.

Marcela vein

Extensional drilling continued at Marcela with eleven new holes (4,146 m) completed. Potentially economic mineralization continues north approximately 100 m along strike and over 50 m vertically down dip from the limits of previously Inferred Resource (see Table 5; click [here](#) for Figure 6: Marcela Long Section). In addition, the Marcela vein appears to have a significant, but poorly tested, root zone below existing mine workings that Mandalay is currently evaluating with further drilling.

Table 5: Recent drill intercepts on the Marcela vein

Hole_ID	Hole Comp. Date	Hole Depth (m)	Intercept UTM_E	Intercept UTM_N	Intercept Elev (m)	From (m)	To (m)	Intercept Length	True Width	Gold Grade (g/t)	Silver Grade (g/t)
DMA012	31/07/2012	342	279890.0	4841484.3	218.8	221.8	222.8	1.0	0.94	1.8	457
DMA013	16/08/2012	473	279725.4	4841753.9	240.8	226.0	226.6	0.7	0.65	0.5	40
DMA014	20/08/2012	401	279810.7	4841694.2	252.1	213.3	215.0	1.7	1.64	0.1	3
DMA015	26/08/2012	401	279685.8	4841766.3	190.7	239.9	240.3	0.4	0.35	0.5	31
DMA016	29/08/2012	325	279743.5	4841890.4	359.9	46.8	47.1	0.3	0.26	0.6	9
DMA017	05/09/2012	415	279882.8	4841428.0	171.1	317.4	320.1	2.7	2.65	0.5	106
DMA020*	22/09/2012	291	279883.4	4841280.0	145.4	289.1	290.8	1.7	1.51	2.0	226
DMA021	07/10/2012	368	279977.0	4841075.3	120.6	318.1	318.6	0.6	0.48	0.4	17
DMA022	19/10/2012	400	279732.6	4841719.5	197.0	248.5	250.1	1.7	1.58	0.1	2
DMA024	06/11/2012	335	279689.8	4841742.7	149.7	268.7	269.0	0.3	0.27	0.7	71
DMA020A	20/12/2012	395	279905.6	4841276.9	123.05	319.35	319.75	0.4	0.36	0.1	2

Rounding may result in apparent interval differences.

* DMA020 was terminated in vein due to technical problems and is being re-drilled to test the full extent of the vein.

Other exploration results

Core drilling continued to test new targets during the second half of 2012. These holes generated mixed results (Table 6) and the new targets do not, as yet, have significant demonstrated volume or continuity of potentially economic mineralization. Further work is continuing on these targets.

Table 6: Coigües Central and Este, Caiquenes, Guanaco I Sur, Gabriela, Gabriela Este, Josefina and Josefina Este drill intercepts

Hole_ID	Hole Comp. Date	Hole Depth (m)	Intercept UTM_E	Intercept UTM_N	Intercept Elev (m)	From (m)	To (m)	Intercept Length	True Width	Gold Grade (g/t)	Silver Grade (g/t)
Coigües Central											
DCO014	06/07/2012	300.1	270301.0	4841492.1	224.35	259.92	260.4	0.48	0.43	0.23	8
DCO015	16/07/2012	299	270270.5	4841557	298.36	169.05	172.1	3.05	1.58	0.84	29
DCO016	24/07/2012	329	270237.7	4841693.4	266.91	222	222.5	0.5	0.34	0.2	30
DCO017	14/12/2012	239	270255.0	4841554.6	253.46	195.35	196.2	0.85	0.26	3.2	98
Coigües Este											
DCO014	06/07/2012	300	270383.51	4841498.6	278.47	160.8	161.77	0.97	0.64	1	69
DCO015	16/07/2012	299	270326.77	4841556.5	247.97	245.8	246.4	0.6	0.47	0.27	21
Caiquenes											
DCA002	16/06/2012	216	269322.28	4840405.7	330.68	123.85	126.4	2.55	2.55	0.1	2
DCA003	07/07/2012	183	269749.03	4839553.7	388.9	138.2	141.5	3.3	3.3	0.1	2
DCA006	12/08/2012	180	269578.69	4839810.6	386.73	77.4	79.1	1.7	1.7	3.24	24
Guanaco I Sur											
DGU002	05/10/2012	452	278619.12	4841047.1	168.01	335.16	337.28	2.12	1.87	0.1	2
DGU003	19/10/2012	457	278674.55	4841182.1	271.53	188.04	188.39	0.35	0.21	0.1	2
Gabriela											
DGA-029	01/12/2012	400.4	271967.01	4842725.24	252.3	96.5	103.52	7.02	4.29	0.4	77
Gabriela Este											
DGA-025	04/10/2012	272	271952.6	4843117.4	282.66	135.82	145.8	9.98	6.02	0.11	5
DGA-026	14/10/2012	371	271898.8	4843527	224.08	233.1	235.2	2.1	1.77	0.17	28
DGA-028	27/11/2012	295	271882.4	4843639.7	247.65	220.15	221.25	1.1	0.97	0.1	4
DGA-029	01/12/2012	400	271985.2	4842726.9	236.2	120.38	128.45	8.07	5.39	0.53	135
Josefina											
DGA-027	11/11/2012	400.5	272178.6	4842368.6	188.95	120.2	122.6	2.4	2.4	0.1	2
DGA-029	01/12/2007	400.4	272058.1	484273.2	174.24	220.06	220.3	0.24	0.15	0.87	41
Josefina Este											
DGA-022	30/08/2012	300	272113.5	4842736.9	207.05	142	142.24	0.24	0.11	2.82	511
DGA-027	11/11/2012	401	272300.5	4842445.3	76.34	303.95	304.5	0.55	0.36	0.1	2
DGA-029	01/12/2012	400	272184.6	4842731	75.29	379.72	381.87	2.15	1.41	0.25	15

Qualified Person:

Ronald Luethe, General Manager of Mandalay Chile Ltda., is an AIPG Certified Professional Geologist and a Qualified Person as defined by NI 43-101. He has reviewed and approved the technical and scientific information on Cerro Bayo 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, planned exploration program, the timing and contents of an updated NI 43-101 report for Cerro Bayo and the potential economic viability of any identified mineralization. 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.