MANDALAY RESOURCES

Mandalay Resources Corporation Announces Record Financial Results for the Second Quarter of 2012

TORONTO, ON, August 9, 2012 -- Mandalay Resources Corporation ("Mandalay" or the "Company") (TSX: MND) is pleased to announce that it achieved record quarterly revenue, earnings before interest, taxes, depreciation, amortization ("EBITDA"), and net income before non-cash adjustments for the three and six months ended June 30, 2012. 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 second quarter of 2012, together with the associated Management's Discussion and Analysis, ("MD&A") can be accessed under the Company's profile on www.sedar.com and on the Company's website at www.mandalayresources.com.

The following table summarizes the Company's financial results for the three months ended June 30, 2012; March 31, 2012; and June 30, 2011:

	June 30, 2012	Mar 31, 2012	June 30, 2011
	$	$	$
Revenue	46,538,713	20,719,516	24,360,995
EBITDA	21,566,013	6,126,008	9,964,714
Profit/(loss) from mine operations	21,156,282	4,827,283	9,695,420
Net Income/(loss)*	19,246,828	(8,920,644)	1,936,478
Total assets	156,957,656	136,631,537	123,908,490
Total liabilities	43,450,588	46,072,087	39,273,697
Earnings/(Loss) per share	0.07	(0.03)	0.01

** Net income is inclusive of non-cash, non-operating income of $3,773,209 related to mark-to-market adjustments of silver and gold put options[1] ("puts"), a silver note payable to Coeur d'Alene Mine Corporation (the "Silver Note") and deferred tax income of $199,965.*

Brad Mills, Chief Executive Officer of Mandalay, commented: "Our financial performance in the second quarter of 2012 was extremely strong as the production ramp-up at Cerro Bayo neared completion and we made significant operational improvements at Costerfield. Mandalay delivered record gold, silver and antimony production and sales with excellent cost control, posting sharply lower unit costs at both mines – a record low of $4.12 per ounce silver net of gold credits at Cerro Bayo and a recent low of $1,052 per ounce of gold equivalent at Costerfield. The combination of high volume and low cost led to record revenue, EBITDA and net income. Also during the second quarter, we continued to improve our capital structure by initiating a warrant exchange program (which was completed on July 4th) and continuing to repurchase shares under our normal course issuer bid. Finally, we streamlined our debt position, putting in place a $20 million revolving debt facility, paying off the C$10 million Sprott

[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.

loan and reducing total debt to $9.4 million. We are now debt-free net of our quarter-ending cash and cash equivalent position of $11.2 million."

Mr. Mills continued, "Looking ahead, there is still growth to come this year as we expect to complete the Cerro Bayo ramp-up to 1,200 tonnes per day by the fourth quarter and increase Costerfield production beyond the current 8,000 tonnes per month. We currently have seven drill rigs exploring at Cerro Bayo and three at Costerfield. Based on anticipated resources and reserves expansions, we expect to be able to make decisions by the end of the year to further expand production at both mines in 2013."

Second Quarter 2012 Financial Results

In the second quarter of 2012, the Company generated revenue of $46.5 million, EBITDA of $21.6 million and a net income of $19.2 million ($0.07 per share). Net income is inclusive of non-cash, non-operating credits of $3.7 million related to mark-to-market adjustment of silver and gold puts, the Silver Note and deferred tax income of $0.2 million. Excluding these items, profit from underlying operations for the second quarter was $15.2 million ($0.05 per share). The improved financial results for the second quarter of 2012 can be attributed to the Company achieving record sales of 9,023 ounces ("oz") of gold ("Au"), 853,364 oz of silver ("Ag") and 608 tonnes ("t") of antimony ("Sb") in the quarter at low unit costs.

The Company's cash and cash equivalents at the end of the second quarter of 2012 were $11.2 million as compared to $12.7 million at the end of the fourth quarter of 2011.

Second Quarter 2012 Operational Highlights:

Costerfield gold-antimony mine, Victoria, Australia

In the second quarter of 2012, Costerfield produced a record salable 4,122 oz Au and 612 t Sb, versus 3,690 oz Au and 489 t Sb in the previous quarter, and 2,856 oz Au and 413 t Sb in the second quarter of 2011. Higher gold and antimony production was due to increased ore delivery rates, improved ore grades and improved metallurgical recovery.

In the second quarter of 2012, the Costerfield mine achieved record ore delivery, producing 24,714 t, versus 19,093 t in the previous quarter and 18,683 in the second quarter of 2011. Ore grades during the second quarter were 8.33 grams per tonne ("g/t") Au and 4.77% Sb, about the same as the previous quarter and sharply higher than the year-ago quarter. During the second quarter of 2012, the Company completed 1,335 metres ("m") of operating development, up from 1,259 m in the previous quarter, and 427 m of capital development, up from 305 m in the previous quarter.

The increased metal production in the second quarter of 2012 and excellent cost control led to a reduction in cost per gold equivalent ounce produced to $1,052/oz as compared to $1,301/oz in the previous quarter of 2012 and $906/oz in the second quarter of 2011. Lower equivalent ounce costs in the same period of 2011 were primarily the result of 17% higher antimony prices in that period verse the second quarter of 2012.

Cerro Bayo silver-gold mine, Patagonia, Chile

During the second quarter of 2012, the Cerro Bayo mine produced a record 814,970 oz of saleable Ag, versus 396,624 oz Ag in the first quarter of 2012 and 284,324 oz Ag in the second quarter of 2011. Cerro Bayo also produced a record 5,093 oz of saleable Au in the second quarter of 2012, versus 2,190 oz Au in the first quarter of 2012 and 1,552 oz Au in the second quarter of 2011. The increase in gold and silver production at Cerro Bayo was due to processing both greater volumes of higher-grade material mined in the quarter and ore stockpiles accumulated in the first quarter of 2012.

In the second quarter of 2012, the Cerro Bayo mine delivered a record 86,112 t of ore to the mill, versus 73,660 t in the previous quarter, and 41,254 t in the second quarter of 2011. The Company completed 2,375 m of operating development in the second quarter of 2012 compared to 1,919 m in the previous quarter and 1,133 m in the second quarter of 2011. As well, Cerro Bayo completed 542 m of capital development compared to 459 m in the previous quarter and 775 m in the year-ago quarter.

Cerro Bayo is continuing at steady-state ore production from the Dagny and Fabiola mines and is progressing on track to planned steady state production from the Delia NW mine.

Cash cost per silver ounce produced net of gold by-product was a record low $4.12/oz during the second quarter, lower than $11.45/oz in the first quarter of 2012 and $11.29/oz in the second quarter of 2011. The tremendous improvement in costs arose from record amounts of ore processed at record high head grades, plus good cost control.

For Additional Info

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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 expected growth in production and exploration results. 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, depreciation and amortization. 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 9 of management's discussion and analysis of the Company's financial statements for the second 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.