



**MANDALAY RESOURCES CORPORATION ANNOUNCES
INITIAL NI 43-101 COMPLIANT MINERAL RESOURCE ESTIMATE
FOR ITS LA QUEBRADA, CHILE COPPER-SILVER PROJECT**

TORONTO, ON, July 3, 2012 -- Mandalay Resources Corporation ("Mandalay" or the "Company") (TSX: MND, MND.WT) is pleased to announce the results of the initial resource estimate for the Casa de Piedra section of its La Quebrada copper-silver project in northern Chile, 26 kilometres ("km") east of La Serena. The initial resource estimate was prepared by Mandalay and independently reviewed and verified; it will be fully documented by an independent National Instrument 43-101 ("NI 43-101") report filed under the Company's profile on www.sedar.com within 45 days of this press release and on the Mandalay website (www.mandalayresources.com).

Table 1: Initial Resource Estimate; Casa de Piedra Section of the La Quebrada Project, Effective June 30, 2012

	Tonnes ("t") (000,000)	Cu %	Ag grammes/t ("g/t")	Cu Contained pounds ("lbs"; 000,000)	Ag Contained ounces ("oz"; 000,000)
Indicated Resource	34.8	0.6	10	459	11.2
Inferred Resource	1	0.6	11	13	0.4

Notes:

1. CIM definitions were followed for Mineral Resources.
2. The La Quebrada Mineral Resource estimate was prepared under the supervision of Ronald Lueth, an Idaho registered Professional Geologist, an American Institute of Professional Geologists ("AIPG") Certified Professional Geologist and a Qualified Person under NI 43-101; it was reviewed and verified by Michael Easdon, an Oregon Registered Professional Geologist (No. 243), an AIPG Member (CPG-07646), and an Independent Qualified Person under NI 43-101.
3. Mineral Resources are estimated using Inverse Distance Cubed interpolation into 25m*25m*manto (as defined below) thickness blocks, with grade estimates for each manto based only on composites from the same manto.
4. Inferred resource is defined by a minimum of one drill hole within a search radius of 300 metres ("m") in the same manto.
5. Indicated resource is defined by at least two drill holes within a search radius of 300 m in the same manto.
6. Mineral Resources are reported at a cut-off grade and thickness of 0.3% Cu over 3 m.
7. A bulk density of 2.71 t/m³ was used.
8. Numbers may not add due to rounding.

Brad Mills, CEO of Mandalay, commented, "Our expectations for the size and tenor of the Casa de Piedra portion of the La Quebrada project have been confirmed by this initial resource estimate. The high proportion of Indicated Resource relative to Inferred is due to excellent continuity of mineralization within the mineralized horizons. This significant resource occurs on just four square kilometres of our 7,418 hectare property. We believe that there is substantial exploration potential remaining on our property and in the district in general. Our next phase

of district exploration will focus on better defining the previously announced, higher-grade Leoncita discovery (see Mandalay press release dated August 9, 2011) as well as extensions of the Casa de Piedra deposit.”

Mr. Mills further commented, “Our next steps on the Casa de Piedra deposit will be to:

- perform initial metallurgical tests, basic mine planning and design, preliminary capital estimates and cut-off studies for both open pit and underground mining to better understand the economic potential of the Casa de Piedra deposit in preparation for completing a Preliminary Economic Assessment; and
- explore possibilities of combining the project with adjacent land owners, thereby consolidating the district into a single project that could support a larger, more cost-efficient mine and plant.”

La Quebrada Exploration and Initial Resource Estimate

Geological mapping, trenching and drilling have defined three superposed, nearly horizontal, bedded copper-silver deposits (“mantos”) at the Casa de Piedra portion of the La Quebrada project. These mantos each range in thickness from 1 to 12 m, with intervening intervals of thin, discontinuous mineralization. Mineralization in the mantos consists primarily of finely disseminated bornite and chalcopyrite hosted by calcareous sedimentary rocks, along with traces of chalcocite, digenite, covellite, tennantite and galena. Rare, thin barite-quartz veins with minor bornite and chalcopyrite occur in the overlying basalts and conglomerates as well as in the underlying andesite.

A total of 41 core holes for 7,430 m were drilled by Mandalay during 2011 and 2012 in the Casa de Piedra target; 17 holes for 2,932 m in 2011 (see Mandalay press release dated August 9, 2011) and 26 holes for 4,498 m in 2012. A continuous sample of HQTW-sized core was extracted from each hole. All core was logged by Mandalay geologists, who selected the favourable sedimentary sections for sawing and analysis by the independent ALS laboratory in La Serena. Half of the sawn core was crushed and pulped for analysis and the other half was returned to Mandalay for archiving. Pulps were analyzed for copper and silver by high-grade aqua regia digestion with ICP-AES finish. A program of Mandalay blanks and ALS laboratory standards and duplicates was implemented for quality control with 10% of pulps sent to Activation Labs in La Serena for check assay.

Resources were estimated by Mandalay using Vulcan v.8.1 software. Wireframe solids were manually generated for each manto based on drill hole assays constrained vertically by rock type and horizontally by interpreted limits of the respective mantos. Within each manto, assays were composited to a length equal to the apparent manto thickness then corrected to true manto thickness for each drill hole intercept. Subsequently, blocks measuring 25 m by 25 m horizontally by true manto thickness vertically were generated within each manto wireframe domain. Grades were estimated for blocks within each manto by the inverse distance cubed method, using only drill intercepts from within the manually defined limits for each manto. Based on a variogram model of drill hole composites, a search radius of 300 m was selected for the interpolation. Resources were classified as Indicated if two or more composites were encountered within the search radius and Inferred if only one composite was encountered. Resources were estimated for various copper cutoff grades, using a minimum 3 m diluted thickness assuming zero grade for diluting material. Density for tonnage conversion was assumed to be 2.71 t/m³ based on multiple specific gravity measurements of drill core.

Qualified Persons:

Ronald Luethe, General Manager of Mandalay Chile Ltda. is an Idaho registered Professional Geologist and an AIPG Certified Professional Geologist. As a Qualified Person defined by NI 43-101, he supervised the collection and interpretation of the technical and scientific information on La Quebrada; he has reviewed and approved the technical and scientific information contained in this press release.

Michael Easdon, consultant, is an Oregon Registered Professional Geologist (No. 243) and AIPG Member (CPG-07646) in good standing. As an Independent Qualified Person defined by NI 43-101, he reviewed and verified the data and mineral resource estimate on La Quebrada; he has reviewed and approved the technical information contained in this press release.

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 future exploration activities at the Company's La Quebrada project and future exploration activities at the Casa de Piedra deposit. 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.