



## **Mandalay Resources Corporation Doubles Silver Reserves, Increases Gold Reserves by 85% and Replaces Antimony Reserves in 2011**

TORONTO, ON, February 23, 2012 -- Mandalay Resources Corporation ("Mandalay" or the "Corporation") (TSX: MND, MND.WT) is pleased to announce that its exploration efforts during 2011 have resulted in significant increases to its silver (Ag), gold (Au) and antimony (Sb) reserves relative to the amounts estimated in previous technical reports for its Cerro Bayo, Chile and Costerfield, Australia mines. As indicated in Table 1 below, at December 31, 2011, Mandalay's contained Ag reserves have more than doubled, contained Au reserves have increased by 85%, and the Sb reserves mined in 2011 have been replaced.

The estimates have been prepared by Roscoe Postle Associates at Cerro Bayo and Snowden Group verified the estimate at Costerfield. Both are independent third parties. Results will be fully documented in independent NI 43-101 technical reports to be filed on [www.sedar.com](http://www.sedar.com) within 45 days of this press release and available on the Company's website at [www.mandalayresources.com](http://www.mandalayresources.com).

**Table 1: Mandalay Total Mineral Reserves (as at December 31, 2011)**

Category	2011			2010		
	Au (cont. oz)	Ag (cont. oz)	Sb (cont. t)	Au (cont. oz)	Ag (cont. oz)	Sb (cont. t)
Proven	28,000	1,713,000	3,300	17,000	0	3,100
Probable	133,000	14,247,000	1,900	70,000	6,684,904	2,300
<b>Proven + Probable</b>	<b>161,000</b>	<b>15,960,000</b>	<b>5,200</b>	<b>87,000</b>	<b>6,685,000</b>	<b>5,400</b>

Numbers may not add due to rounding

Source of 2010 numbers: May 14, 2010 NI 43-101 technical report for Cerro Bayo completed by SRK Consulting, June 2, 2011 NI 43-101 technical report for Costerfield completed by Snowden Group.

Please refer to tables 4 and 6 in this news release for more detailed information regarding the reserve estimates for each mine.

The increased reserves are based on sharply increased resources estimated as at December 31, 2011. As indicated in Table 2 below, relative to estimated resources disclosed in previous technical reports, in the measured and indicated resource category, contained Au ounces (oz) increased by 65%, Ag oz doubled and the Sb tonnes mined (t) in 2011 were replaced. In the inferred resource category, Au oz increased by 78%, Ag oz decreased slightly and Sb t increased by 115% in 2011. The large increases in inferred Au and Sb resources are due largely to the initial inferred resource estimated for the high-grade Alison lode discovery at Costerfield, which has been renamed the Cuffley lode in honor of Brian Cuffley, the Mandalay geologist principally responsible for this discovery.

**Table 2: Mandalay Total Mineral Resources, inclusive of Mineral Reserves  
(as at December 31, 2011)**

Category	2011			2010		
	Au (cont. oz)	Ag (cont. oz)	Sb (cont. t)	Au (cont. oz)	Ag (cont. oz)	Sb (cont. t)
Measured	77,000	2,031,000	12,300	53,444	0	10,200
Indicated	201,000	17,642,000	6,100	115,509	9,321,361	7,700
<b>Measured + Indicated</b>	<b>278,000</b>	<b>19,673,000</b>	<b>18,400</b>	<b>169,000</b>	<b>9,321,000</b>	<b>17,900</b>
Inferred	198,000	5,251,000	21,100	111,000	5,485,000	9,800

Numbers may not add due to rounding

Source of 2010 numbers: May 14, 2010 NI 43-101 technical report for Cerro Bayo completed by SRK Consulting, June 2, 2011 NI 43-101 technical report for Costerfield completed by Snowden Group.

Please refer to tables 3 and 5 in this news release for more detailed information regarding the resource estimates for each mine.

Brad Mills, CEO of Mandalay, commented, "Mandalay's strategy of reinvesting operational cash flow in exploration paid off handsomely in 2011. Cerro Bayo, initially acquired in 2010 and restarted with a mine life of three years based on proven and probable reserves now has a life of more than five years after one year of production. Costerfield has again fully replaced its annual production, maintaining its nominal two year life. The Company is also excited by the early indications of significant potential for additional discoveries at both operations. We have discovered new veins or vein segments at Cerro Bayo, most importantly Delia SE Extension (and also Lucia, Trinidad and Gabriella), and at Costerfield, where an initial inferred resource estimate for the Cuffley lode discovered earlier in 2011 is disclosed in this release. The high-grade Cuffley lode, for which a preliminary economic assessment is expected to be completed in 2012, could potentially support several years of mine life at Costerfield with higher ore grades than presently being mined."

Mr. Mills further commented, "We plan to repeat the intensity of exploration on our properties in 2012. At Cerro Bayo, we begin the year with eight operating core rigs. We anticipate filling in Lucia, Trinidad and Delia SE Extension veins, and also extending ore shoots in Dagny and Fabiola veins, currently being mined, towards Laguna Verde, where bathymetry and sediment sounding suggest the structures continue under the lake. As well, we look forward to devoting significant drilling to testing and confirming the best of our blue sky targets that we developed during 2011. At Costerfield, we begin the year with three core rigs in operation. Two rigs are on the surface, drilling the Cuffley lode with the goal of extending the resource. The third rig is now underground in the Augusta mine, probing the W and N-lodes for additional resources at depth. We have commenced a comprehensive auger bedrock geochemical survey to explore extensions of existing historic mines under shallow cover throughout the Costerfield mineral district, a proven technique that discovered the Augusta deposit. Finally, we have just begun a second round of drilling at our La Quebrada copper-silver project near La Serena, Chile, where we expect to report an initial resource in the second half of 2012."

## **Cerro Bayo 2011 Exploration and Updated Reserves and Resources**

During 2011, Mandalay drilled 60,074 metres (m) of diamond core in 284 holes for a cost of approximately US\$5.72 million. Virtually all the drilling occurred in the Laguna Verde area with the objective of increasing reserves and finding additional resource extensions on the veins currently within the life of mine plan. In addition, closely spaced sampling along 5,518 m of vein drive development in the Bianca, Dagny, Fabiola, Yasna, and Delia NW veins, 4,176 m of which were in mineralization, formed the basis for upgrading previously indicated and inferred resources to measured resources and then proven reserves.

The core was logged and sampled by Mandalay geologists and both core and mine level samples 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, which practices did not reveal any significant errors or discrepancies.

The resource database consists of drill core and underground channel sample assays. Wireframe models were generated to constrain vein limits. All resource work was completed using Vulcan software. Blocks were interpolated using inverse distance cubed method.

Mineral resources were estimated at a cutoff grade of 163 g/t Ag equivalent grade (using US\$1,400/oz Au and US\$26/oz Ag) over a minimum vein width of 1.2 m.

**Table 3: Year-end 2011 Mineral Resources at Cerro Bayo, Inclusive of Mineral Reserves**

<b>Category</b>	<b>Tonnes (t)</b>	<b>Au Grade (g/t)</b>	<b>Ag Grade (g/t)</b>	<b>Au (cont. oz)</b>	<b>Ag (cont. oz)</b>
Measured	121,000	2.8	520	11,000	2,031,000
Indicated	1,544,000	3.1	355	153,000	17,642,000
<b>Measured + Indicated</b>	<b>1,666,000</b>	<b>3.1</b>	<b>367</b>	<b>164,000</b>	<b>19,673,000</b>
Inferred	682,000	2.1	239	45,000	5,251,000

Notes:

1. Canadian Institute of Mining (CIM) standards were followed for estimating mineral resources.
2. The Qualified Person for the Cerro Bayo Mineral Resource estimates is Patti Nakai-Lajoie, P. Geo., Roscoe Postle Associates Inc. (RPA).
3. Mineral resources are estimated at a cut-off grade of 163 g/t Ag Eq (silver equivalent), a gold price of US\$1,400 per ounce and a silver price of US\$26 per ounce.
4. Ag Eq calculated using the formula  $AgEq = Ag + (Au \times 1400/26)$ , where Ag and Au are in grams per tonne.
5. Wireframe vein models were used to constrain the Cerro Bayo resources.
6. A minimum vein width of 1.2 m was used.
7. A bulk density of 2.63 t/m<sup>3</sup> was used.
8. Mineral resources are inclusive of mineral reserves.
9. Numbers may not add due to rounding.

Based on these resources, a mine plan was designed based only on measured and indicated resources using the same blast hole open stoping method as employed in the current operation. A cut-off grade of 197 g/t Ag equivalent and a minimum mining width of 2.4 m were used, with planned and unplanned dilution at variable grade depending on the vein.

**Table 4: Year-end 2011 Mineral Reserves at the Cerro Bayo mine**

Category	Tonnes (t)	Au Grade (g/t)	Ag Grade (g/t)	Au (cont. oz)	Ag (cont. oz)
Proven	156,000	1.9	341	10,000	1,713,000
Probable	1,859,000	2.1	238	125,000	14,247,000
<b>Proven + Probable</b>	<b>2,016,000</b>	<b>2.1</b>	<b>246</b>	<b>135,000</b>	<b>15,960,000</b>

Notes:

1. CIM standards were followed for estimating mineral reserves.
2. The Qualified Person for the Cerro Bayo Mineral Reserves estimates is Normand Lecuyer, P. Eng., Roscoe Postle Associates Inc. (RPA).
3. Mineral reserves are estimated at a cut-off grade of 197 g/t AgEq (silver equivalent) and using a long-term gold price of US\$1,200 per ounce, and a long-term silver price of US\$22 per ounce. AgEq calculated using the formula  $AgEq = Ag + (Au \times 1200/22)$ , where Ag and Au are in grams per tonne.
4. Veins are diluted to 2.4 m minimum mining width.
5. A bulk density of 2.63 t/m<sup>3</sup> was used.
6. Dilution grades vary by vein up to 0.32 gpt Au and 45 gpt Ag for the Dagny and Bianca veins.
7. Numbers may not add due to rounding.

Neither Mandalay nor the Qualified Persons responsible for the Cerro Bayo disclosure are aware of any environmental, permitting, legal, title, taxation, socio-economic, marketing or political issues exist that would adversely affect the mineral resource and reserve estimates presented above in respect of the Cerro Bayo Mine.

### **Costerfield 2011 Exploration and Updated Reserves and Resources**

During 2011, Mandalay drilled 13,365 m in 52 holes for approximately US\$2.77 million. Approximately three quarters of the metres extended and in-filled resources along the Augusta and Cuffley (formerly Alison) lodes with the remainder testing brownfields targets. In addition, the Company completed 4,027 m of operating development in the Augusta mine, 3,332 m of which were in mineralization.

Drill core was logged and sampled by Costerfield geologists, who also performed mine sampling. All samples were sent to commercial labs for sample preparation and assay. Site geological and metallurgical personnel have implemented a QA/QC process that includes the regular submission of standard reference materials and blanks with drill and face samples submitted for assay to Onsite Labs in Bendigo, Victoria, Australia. Standard reference materials have been certified by Geostats.

Core and mine sampling data were entered into Minesight software and composited to true vein width, with a top cut of 150 g/t applied to the gold grade of face samples. A two dimensional block model (2.5 x 5 m blocks) of the lodes was produced by ordinary kriging with anisotropic variograms.

**Table 5: Year-end 2011 Mineral Resources at the Costerfield Mine, Inclusive of Mineral Reserves**

Category	Tonnes (t)	Au Grade (g/t)	Sb Grade (%)	Au (oz)	Sb (t)
Measured E,W,N lode*	158,400	13.0	7.8	66,000	12,300
Indicated E,W,N*	164,400	6.8	3.7	36,000	6,100
Indicated Brunswick**	38,300	9.5	3.7	12,000	1,400
<b>Measured + Indicated</b>	<b>361,100</b>	<b>9.8</b>	<b>5.5</b>	<b>114,000</b>	<b>19,800</b>
Inferred E,W,N Lode*	120,000	9.0	5.1	35,000	6,100
Inferred C-lode**	27,100	8.2	3.0	7,000	800
Cuffley Lode*	108,000	25.0	9.0	87,000	9,700
Inferred Brunswick**	118,800	6.3	3.8	24,000	4,500
<b>Total Inferred</b>	<b>373,900</b>	<b>12.7</b>	<b>5.6</b>	<b>153,000</b>	<b>21,100</b>

\* Estimates verified for year-end 2011 by Snowden Group.

\*\* Estimates produced in previous years by independent Qualified Persons and not updated by Snowden Group in 2011

Notes:

1. CIM standards were followed for estimating mineral resources.
2. The Qualified Persons for the Costerfield mineral resource estimates are Dr Simon Dominy FAusIMM(CP) and FAIG(RPGeo); and Ms Cindy-Lee Cox MAusIMM(CP) both of Snowden Group.
3. Mineral resources are estimated at a cut-off grade of 4.6 g/t AuEq (gold equivalent) using the formula  $AuEq = Au + (Sb\% \times 2.36)$ . Metal prices of US\$1,600 per oz for Au and US\$12,000 per tonne for Sb were used.
4. Veins are diluted to 1.2 m minimum width with material of zero grade.
5. A bulk density of ore was calculated from grade using the stoichiometry of stibnite and waste bulk density was set at 2.65 t/m<sup>3</sup>.
6. Mineral resources are inclusive of mineral reserves.
7. Numbers may not add due to rounding.

Based on these resources, a mine plan was designed based only on measured and indicated resource blocks using the same mix of cemented rock fill stoping and cut and fill mining methods as employed in the current operations. A cut-off grade of 4.6 g/t Au Eq. and minimum mining widths of 1.8 m for development drives and 1.2 m for long hole stopes were used, with planned and unplanned dilution at zero grade. Financial viability of proven and probable mineral reserves was demonstrated at US\$1,600/oz Au and US\$12,000/t Sb prices.

**Table 6: Year-end 2011 Mineral Reserves at the Costerfield mine**

Category	Tonnes (t)	Au Grade (g/t)	Sb Grade (%)	Au (oz)	Sb (t)
Proven	41,900	13.2	7.9	17,717	3,300
Probable	46,500	6.4	4.0	9,558	1,860
<b>Proven + Probable</b>	<b>88,400</b>	<b>9.6</b>	<b>5.9</b>	<b>27,275</b>	<b>5,160</b>

## Notes:

1. CIM standards were followed for estimating mineral reserves.
2. The Qualified Persons for the Costerfield mineral reserve estimates are Dr Simon Dominy FAusIMM(CP) and FAIG(RPGeo); and Ms Cindy-Lee Cox MAusIMM(CP), both of Snowden Group.
3. Mineral Reserves are estimated at a cut-off grade of 4.6 g/t AuEq (gold equivalent) using the formula  $AuEq = Au + (Sb\% \times 2.36)$ . Metal prices of US\$1,600 per oz for Au and US\$12,000 per tonne for Sb were used.
4. Minimum mining widths of 1.8 m for development drives and 1.2 m for long hole stopes were used, with planned and unplanned dilution at zero grade.
5. A bulk density of ore was calculated from grade using the stoichiometry of stibnite and waste bulk density was set at 2.65 t/m<sup>3</sup>.
6. Mineral Resources are inclusive of mineral reserves.
7. Numbers may not add due to rounding.

Neither Mandalay nor the Qualified Persons responsible for the Costerfield disclosure are aware of any environmental, permitting, legal, title, taxation, socio-economic, marketing or political issues exist that would adversely affect the mineral resource and reserve estimates presented above in respect of the Costerfield Mine.

**Planned 2012 Exploration Program**

Mandalay's planned 2012 exploration program is summarized below:

**Table 7: Planned 2012 Drilling**

Project	Holes	Metres	Spending (US\$ MM)
Cerro Bayo	200	70,250	10.3
Costerfield	51	13,300	3.5
La Quebrada	34	6,570	1.6
<b>TOTAL</b>	<b>285</b>	<b>90,120</b>	<b>15.4</b>

Drilling at Cerro Bayo is expected to focus on:

- completing infill and extensional drilling of Delia SE and Marcela veins, each planned for mining through stand-alone declines in coming years;
- extending Dagny, Fabiola and Yasna veins, currently being mined, towards Laguna Verde, where bathymetry and sediment soundings suggest the structures continue;

- the next round of extensional and infill drilling on several satellite veins (e.g. Lucia, Trinidad) in the Laguna Verde area to convert them to them to a size large enough to mine incrementally from existing declines; and
- initial drill testing of at least five new targets outside the Laguna Verde mining area, where virtually all drilling was concentrated in 2011.

Drilling at Costerfield is expected to focus on:

- surface drilling to extend and fill in the inferred resource on the Cuffley lode announced in this release;
- underground drilling to extend resources along the W-Lode and N-Lode; and
- testing compelling brownfields targets that emerge from bedrock auger sampling, which is currently underway.

Drilling at La Quebrada is expected to focus on:

- in-filling the Casa de Piedra mantos to support a maiden inferred resource estimation anticipated for the second half of 2012; and
- extending and in-filling (if warranted) the Leoncita target where two previously announced holes of the 2011 program generated high-grade intercepts.

**Qualified Persons:**

*For Cerro Bayo:* Normand Lecuyer, P.Eng. and Patti Nakai-Lajoie, P. Geo., both of Roscoe Postle Associates Inc, have reviewed and approved the technical and scientific information, and verified the data, relating to Cerro Bayo contained in this release.

*For Costerfield:* Dr Simon Dominy, Executive Consultant at Snowden Group, FAusIMM(CP) and FAIG(RPGeo), and Ms, Cindy-Lee Cox, Senior Consultant at Snowden Group MAusIMM(CP), have reviewed and approved the technical and scientific information, and verified the data, relating to Costerfield contained in this 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 the Company's mineral resources, mineral reserves, its planned 2012 exploration program, the expectation of declaring an initial resource at La Quebrada, and the anticipated results and timing of a Preliminary Economic Assessment in respect of the Cuffley Lode. 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 31, 2011, 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 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.*