Mandalay Resources Corporation Commences Processing Ore on Schedule and Announces 2010 Development Progress and 2011 Production Plans at its Cerro Bayo Silver-Gold Mine

TORONTO, ON, January 10, 2011 -- Mandalay Resources Corporation ("Mandalay" or the "Company") (TSX: MND, MND.WT) commenced processing ore today at its Cerro Bayo Silver-Gold Mine in Patagonia, Chile. This milestone is on schedule with the restart plan that formed the basis for acquisition of the mine on August 10, 2010. The commencement of processing at Cerro Bayo followed a successful test run of the concentrator on waste material during the last week of December, 2010. First shipment of concentrate is expected in early February 2011.

Mandalay's restart plan for Cerro Bayo initially focuses on the development of two of the four veins included in the current life-of mine-plan, Dagny and Fabiola. By December 31, 2010, 547 metres of primary horizontal development and 856 metres of secondary horizontal development were achieved on those veins. As well, 236 metres of vertical development were completed to install ventilation and escape ways.

Total ore mined and stockpiled in front of the mill as of December 31, 2010, was 12,048 tonnes containing average grades of 0.87 g/t gold and 282 g/t silver, for total contained 336 oz gold and 109,346 oz silver. Processing during January will include this material, plus newly mined ore during the month.

The Cerro Bayo operational plan for 2011 forecasts a ramp-up in production and sales, and a decline in unit costs throughout the year.

Planned Outcomes		**Q1 2011**	**Q2 2011**	**Q3 2011**	**Q4 2011**
Tonnes of ore processed (000's)		40-45	25-30	45-50	60-65
Silver ounces sold (000's)		450-475	250-285	475-500	600-650
Gold ounces sold		~1,500	~1,500	~3,500	~4,500
Cost (US$) per ounce Silver net Gold byproduct		11.00-11.50	18.00-19.00	6.50-7.00	5.50-6.00

The mine plan is based on mining ore from the Dagny and Fabiola veins during the first three quarters of 2011. Development of the Delia vein is expected to begin in the second quarter of 2011, with ore production from the Delia vein commencing in the fourth quarter of 2011. According to the plan, 2012 and 2013 output is expected to reach approximately 3.5 million ounces of silver and 20,000 – 30,000 ounces of gold per year. Production costs in 2012 are expected to drop to between US$3 – US$4/ounce silver net of gold credits.

Exploration drilling commenced at Cerro Bayo with one rig in November 2010. Initial drilling has been focused on upgrading the Yasna vein inferred resource, which is immediately adjacent to the Fabiola vein and therefore available for mining in the near term. Results to date have been encouraging and include discovery of additional mineralization in a vein splay located between Fabiola and Yasna. Results of 2010 drilling will be included in the year-end 2010 resource and reserves update, expected to be issued with the 2010 Annual Report.

The drilling program is currently being expanded to deploy four mine-owned drill rigs during January and one or two contract rigs as soon as they are available. The planned drilling will target near-term reserve expansions at all of the known veins in the current mine plan as well as test new, identified but undrilled, veins.

Brad Mills, CEO of Mandalay, commented, “The commencement of ore processing at Cerro Bayo is a significant milestone, marking the culmination of our restart project which began in August 2010, when the mine, while on care and maintenance, was bought from Coeur d’Alene Mines Corp. Initial safety performance has been good with only one minor lost-time injury incurred so far. Our experience with the project has confirmed our assessment during due diligence of the excellence of Coeur’s care and maintenance program as well as the capability of the senior leadership team that Coeur left in place for us. In addition, Mandalay has succeeded in identifying and hiring the experienced workforce needed to operate the mine and concentrator in an efficient and safe manner. In late December 2010, our union elected to work under the existing contract for another 18 months before negotiating a new contract, so our near-term labour cost position is assured.”

“There have been no downside surprises as we have resumed mining and processing,” Mills continued. “To the contrary, the Company is well ahead of our mine development plan with respect to all important measures. Our ore stockpile at the end of the year is significantly larger than planned, containing more than US$3.5 million in metal value at today’s metal prices. This is due not only to the faster than planned development, but also to the fact that development encountered more ore than predicted by the resource model upon which our due diligence and restart plan was based. We anticipate that our resource and reserves update for year-end 2010 (expected for release with our 2010 annual report) will show incremental growth in resources and reserves reflecting the ore stockpile at year end; the impact of new mine sampling in the 2010 development advance which revealed more ore than predicted by the model, and the impact of the infill and extensional drill holes we completed during 2010 in and around the Fabiola and Yasna veins.”

“The 2011 planned production and unit cost from Cerro Bayo suggest that the Company will generate significant, if variable, margins throughout the year. While only the Dagny and Fabiola veins are expected to be producing in the first three quarters, production and therefore unit cost is variable due to the timing of bringing on mining stopes. We intend to start developing the Delia vein in the second quarter, and expect that by year end, when we believe the vein will begin producing ore, production will increase and unit cost will drop into the sub-US$6.00/ounce silver range net of gold credits. We expect to reach full production in 2012, when we anticipate selling approximately 3.5 million ounces of silver and 21,000 ounces of gold at a net cash cost per ounce of silver net of gold credits in the US$3.00 – US$4.00/ounce range. With success of our 2011 exploration program, we aim to demonstrate at least five years of mine life with similar economics by year-end."

Qualified Person:

Ronald Luethe, General Manager of Mandalay Chile Ltda. is an Idaho registered Professional Geologist and a member of the American Institute of Professional Geologists. As a Qualified Person as defined by NI 43-101, he has reviewed and approved the technical and scientific information pertaining to the Cerro Bayo mine contained in this release.

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About Mandalay Resources Corporation:

Mandalay Resources is a Canadian-based natural resource company with production and exploration assets in Australia and 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, in particular, statements regarding incremental growth of resource and reserve estimates, and expected exploration, production, sales and costs for Mandalay's Cerro Bayo mine during 2011, 2012 and 2013. 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. 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.*