Mandalay Resources Corporation Announces Financial Results for the Second Quarter of 2011

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ORONTO, Aug. 15, 2011 /CNW/ - Mandalay Resources Corporation ("Mandalay" or the "Company") (TSX: MND, MND.WT) 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, 2011. 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 2011, 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.

Brad Mills, Chief Executive Officer of Mandalay, commented: "The Company had a very strong second quarter this year, reaching record revenue of $24.4 million and EBITDA of $10.0 million. Net income rose to $1.9 million ($0.01 per share). Underlying net income before non-cash fair value adjustments ($4.1 million) related to our silver and gold price protection program and silver note payable has risen to a record $6.0 million ($0.02 per share). Revenue increases resulted from strong metal price realizations and the resumption of normal shipments from our Cerro Bayo mine in Chile after the lifting of force majeure by our major customer in April 2011."

Mr. Mills also commented on the Company's outlook: "The Company is on track to deliver significant earnings and cash flow over the next 18 months as Cerro Bayo ramps up to full production, unit costs decline, and reserves and mine lives at both our operations are extended through exploration and development. At the same time revenues are largely protected from any substantial declines in gold and silver prices through 2012".

On a consolidated basis, in the second quarter of 2011, the Company produced 4,408 ounces ("oz") of gold (versus 2,001 oz in the second quarter of 2010), 284,324 oz of silver (versus no silver production in the second quarter of 2010), and 413 tonnes ("t") of antimony (versus 282 t in the second quarter of 2010).

In the second quarter of 2011, Cerro Bayo produced 284,324 oz of silver and 1,552 oz of gold at a cost net of gold credits of $11/oz of silver. Costerfield produced 2,856 oz of gold and 413 t of antimony at a cost per gold equivalent oz of $906. Production quantities at both Cerro Bayo and Costerfield were down relative to the first quarter of 2011, during which stockpiled ore produced in the fourth quarter of 2010 at both mines were processed by the concentrators. Production quantities in the third and fourth quarters of 2011 are expected to ramp up significantly at Cerro Bayo as the third mine (Delia) starts to contribute. Costerfield production for the balance of 2011 is expected to be somewhat below that achieved in the second quarter due to lower grade ore being processed relative to that processed in the first half of the year.

In terms of operational milestones, the Company's ramp-up of the Cerro Bayo mine remained on track with the development on the Delia NW vein ahead of schedule and commencement of operating development in the Yasna vein. Exploration drilling continued at Cerro Bayo and Costerfield, while drilling was completed at the La Quebrada project (please see press release dated August 9, 2011).

During the second quarter of 2011, the Company's largest shareholder, West Face Capital, exercised 45,454,545 of its 71,428,500 common share purchase warrants, providing Mandalay with proceeds of C$15 million. The warrants were exercised approximately 15 months early at a price of C$0.33 per share. This enabled the Company to purchase additional gold and silver puts to protect expected revenues in 2012. Mandalay purchased put options for 1,290,000 oz of silver at $35/oz, 840,000 oz of silver at $30/oz, and 28,800 oz of gold at $1,400 per oz (see press release dated May 6, 2011).

The Company will be hosting a conference call to discuss the quarterly results on Tuesday, August 16 at 9:00 am (Toronto time). Dial-in information is below:

Local/International: 647.427.7450
Toll Free: 888.231.8191
Conference ID: 92063617

A replay of the call will be available until August 29, 2011 as follows:

Encore Toll Free Dial-in Number: 1.855.859.2056
Encore Local/International Dial-in-Number: 416.849.0833
Encore ID: 92063617

Second Quarter 2011 Financial Results

The following table summarizes the Company's financial results for the three months ended June 30, 2011 and 2010:

	June 30, 2011 $	June 30, 2010 $
Revenue	24,360,995	5,035,912
EBITDA	9,964,714	(91,980)
Profit/(loss) from mine operations	9,695,420	1,193,607
Net Income/(loss)1	1,936,478	(2,554,913)
Total assets	123,908,490	34,912,004
Total liabilities	39,273,697	8,307,898
Earnings/(Loss) per share	0.01	(0.03)

1 After fair value adjustments of $4,101,701 related to Mandalay's gold and silver puts and Coeur d'Alene Mines Corporation silver loan.

In the second quarter of 2011, the Company generated revenue of $24,360,995 versus $5,035,912 in the same period last year. EBITDA for the quarter was $9,964,714 versus negative EBITDA of $91,980 in the equivalent period last year. Profit was much improved in the second quarter of 2011 versus the same period in 2010 because Costerfield was at full production and Cerro Bayo was shipping concentrate to the Dowa smelter in Japan.

Net income for the second quarter of 2011 was $1,936,478 (gain of $0.01 per share) versus a loss in the same period last year of ($2,554,913) (loss of 0.03 per share). Net income in the second quarter of 2011 is inclusive of a non-cash charge of $4,101,701 related to the mark-to-market adjustment of our silver and gold hedge book and the Company's silver loan payable to Coeur d'Alene Mines Corporation.

During the second quarter of 2011, the Company achieved record realized metal prices on the sale of all its products of $1,469/oz of gold, $40.00/oz of silver, and $16,036/t of antimony.

Second Quarter 2011 Operational Highlights:

In the second quarter of 2011, Mandalay produced slightly less saleable gold, silver, and antimony than in the first quarter of 2011 because during the first quarter of 2011, Costerfield and Cerro Bayo processed stockpiled ore accumulated in the fourth quarter of 2010 in addition to the normal quarterly mine production. No stockpiles of similar magnitude were available for processing in second quarter of 2011.

Details are shown in the table below:

Units	Quarter ended June 30, 2011	Quarter ended March 31, 2011	Q
PRODUCTION			
Gold (oz)	4,408	5,978	2,001
Silver (oz)	284,324	339,366	-
Antimony (t)	413	512	282
SALES			
Gold (oz)	4,526	4,945	2,051
Silver (oz)	270,404	69,037	-
Antimony (t)	433	476	278
EQUIVALENT Au Ozs.*			
Produced (oz)	16,660	19,920	4,022
Sold (oz)	16,582	11,597	4,049

**Equivalent Au Ozs for silver is calculated by converting silver to equivalent gold oz by taking the average* *silver price realized during the period and multiplying it by the oz of silver produced or sold during the period and dividing the resultant number by the realized gold price and adding these two number to the actual number of gold produced or sold. Equivalent Au Ozs for antimony is calculated by converting antimony to equivalent gold oz by taking the average antimony price realized during the period and multiplying it by the t of antimony produced or sold during the period and dividing the resultant number by the realized gold price and adding these two number to the actual number of gold produced or sold.*

Costerfield gold-antimony mine, Victoria, Australia

During the second quarter of 2011, the Costerfield mine delivered 18,683 t of ore to the plant and completed 1,128 metres ("m") of operating development. The plant processed 18,922 t of ore in the period, producing 2,856 saleable oz of gold versus 2,001 oz gold in the second quarter of 2010 and 4,528 oz in the first quarter of 2011. Saleable antimony production for the second quarter of 2011 was 413 t versus 282 t in the second quarter of 2010 and 512 t in the first quarter of 2011. Lower saleable gold and silver production in the second quarter of 2011 versus the first quarter of 2011 can be attributed to lower grades than in previous quarters due to the delays in capital development of the high grade, deeper W-lode levels.

Cash cost per oz of gold equivalent produced at Costerfield in the second quarter of 2011 was $906/oz versus $759/oz in the first quarter of 2011 and $732/oz in the fourth quarter of 2010. The higher unit costs in the current quarter are due mostly to the lower grade of material mined and processed, leading to less gold and antimony production for similar operating cost. The Company expects the cash cost to decline toward its previous 2011 guidance of $500 to $600/oz of gold equivalent in future quarters as the mine accesses higher grade ore from the lower levels of the mine.

Cerro Bayo silver-gold mine, Patagonia, Chile

During the three months ended June 30, 2011, the Cerro Bayo mine produced 41,254 t of ore while also mining 10,786 t of waste and completing 1,133 m of operating development. Performance with respect to all these measures was higher in the second quarter of 2011 than the first quarter of 2011, when development activities in Dagny and Fabiola mines were still ramping up. A total of 284,324 saleable oz of silver were produced in the second quarter of 2011 versus 339,366 oz in the first quarter of 2011. Saleable gold production in the second quarter of 2011 was 1,552 oz versus 1,450 oz in the first quarter of 2011. There was no production in prior periods. The lower silver production in the second quarter was due to the processing of ore stockpiles in the first quarter accumulated during mine development in 2010.

For the second quarter of 2011, cash cost per oz of silver net of gold credits was $11/oz versus $17/oz in the previous quarter. These costs are in line with the Company's previous 2011 guidance of $10 to $11/oz as production continues to ramp up, and are expected to decrease further.

Second Quarter 2011 Exploration Update

During the second quarter of 2011, exploration drilling continued at the Cerro Bayo and Costerfield mines and at the La Quebrada project.

During the second quarter of 2011, the Company released the results of an updated resource and reserve estimate at the Costerfield mine as of December 30, 2010. This estimate included the impact of all drilling on the Augusta Deeps target completed during 2010 and was verified and documented by Snowden Mining Industry Consultants in an independent, NI 43-101 compliant Technical Report on April 18, 2011. As documented in the report, 2010 drilling not only replaced 2010 production, but also increased reserves slightly. Drilling continues on the Augusta Deeps with two rigs, and a third is testing high priority targets elsewhere in the district for additional ore shoots.

During the second quarter of 2011, the Company released the results of a maiden resource and reserve estimate on the Yasna vein at Cerro Bayo. The addition of the Yasna vein reserves to reserves previously reported for the Dagny, Fabiola, Delia, and Marcela Sur veins, represented increases of 12% in ore tonnes, 7% in contained gold oz, and 15% in contained silver oz, respectively, to the previous total reserves. Drilling continues at Cerro Bayo with six rigs and has expanded to test the highest priority new vein targets as well as infill and extend already known ore shoots.

The Company plans to release periodic updates of drilling results at Costerfield and Cerro Bayo as these results become material.

During the second quarter of 2011, the Company completed its planned 19-hole drill program at La

Quebrada. The 3,276 m program consisted of seventeen infill and step-out holes (2,932 m) in the Casa de Piedra target, and two exploratory holes (344 m) in the Leoncita North target. At Casa de Piedra, average copper grades of the manto intercepts in each hole range from 0.15% to 1.59% and average silver grades from 1 to 27 grams/tonne ("g/t"). At Leoncita North the two holes drilled intersected several thin (

Outlook

With the completion of the second quarter, the Company is providing updated, revised production and sales guidance for full-year 2011. The Company currently expects to produce 20,000 to 25,000 oz of gold with sales of approximately 20,000 oz of gold, 1,500,000 to 1,900,000 oz of silver with sales of approximately 1,500,000 oz and 1,500 to 2,500 t antimony with sales in this same range. Production and sales guidance for 2012 is unchanged with respect to previous communications.

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 earnings and cash flow over the next 18 months and cash costs of gold and silver production over the balance of 2011. 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. 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 2011.

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.

For further information:

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