MANDALAY RESOURCES CORPORATION

Annual Information Form

May 18, 2010

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1. ABOUT THIS ANNUAL INFORMATION FORM

The information in this Annual Information Form is presented as at May 18, 2010 unless otherwise indicated. All references to dollar amounts and to "$" or "dollar" in this document are to Canadian dollars, unless indicated otherwise. In this Annual Information Form, references to the "Corporation" or "Mandalay" refer to Mandalay Resources Corporation and its subsidiaries unless the context otherwise requires or indicates.

2. FORWARD-LOOKING STATEMENTS

Forward-looking statements look into the future and provide an opinion as to the effect of certain events and trends on the business. Forward-looking statements may include words such as "plans", "intends", "anticipates", "should", "estimates", "expects", "believes", "indicates", "targeting", "suggests", "continue", "may", "will" and similar expressions. Forward-looking statements include, but are not limited to, statements with respect to the future price of gold, copper and other metals, the estimation of mineral reserves and resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, currency fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage and the timing and possible outcome of pending litigation.

This document contains forward-looking statements about the Corporation's objectives, strategies, financial condition and results, as well as statements with respect to management's beliefs, expectations, anticipations, estimates and intentions. These forward-looking statements are based on current expectations and various factors and assumptions. Accordingly, these statements entail various risks and uncertainties.

The material factors and assumptions that were applied to making the forward-looking statements in this Annual Information Form include, among others, execution of the Corporation's existing plans or exploration programs for each of its properties which may change due to changes in the views of the Corporation or if new information arises which may make it prudent to change such plans or programs; the accuracy of current interpretation of drill and other exploration results or new information or new interpretation of existing information which may result in changes in the Corporation's expectations; and the Corporation's ability to continue to obtain qualified staff and equipment in a timely and cost-efficient manner to meet the demand.

It is important to note that:

- Unless otherwise indicated, forward-looking statements in this Annual Information Form describe management's expectations as at May 18, 2010.

- Readers are cautioned not to place undue reliance on these statements as the Corporation's actual results may differ materially from its expectations if known and unknown risks or uncertainties affect its business, or if the estimates or assumptions prove inaccurate. Therefore, no assurance can be provided that forward-looking statements will materialize.

- The Corporation assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or for any other reason, except as may otherwise be required pursuant to applicable laws.

For a description of material factors that could cause actual results to differ materially from the forward-looking statements in this Annual Information Form, see "Risk Factors".

3. TECHNICAL INFORMATION

Technical information provided herein for the La Quebrada copper-silver property ("**La Quebrada**") and the Costerfield gold-antimony mine ("**Costerfield**") is based upon information contained in the technical reports in respect of the properties, prepared pursuant to National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("**NI 43-101**") (each, a "**Technical Report**" and collectively, the "**Technical Reports**"). The Technical Report for La Quebrada was prepared under the direction of Leonardo Diaz, Principal Consultant with Antakori S.A., as the responsible Qualified Person under NI 43-101. The Costerfield Technical Report was prepared by Chris Raleigh, Principal Consultant (Mining) with SRK Consulting pty ("**SRK**") and a Qualified Person under NI 43-101. The technical information contained in this Annual Information Form with respect to La Quebrada and Costerfield has been summarized from the Technical Reports. All summaries and references to the Technical Reports are qualified in their entirety by reference to the complete text of the Technical Reports which can be found under the Corporation's profile at www.sedar.com.

4. CORPORATE STRUCTURE

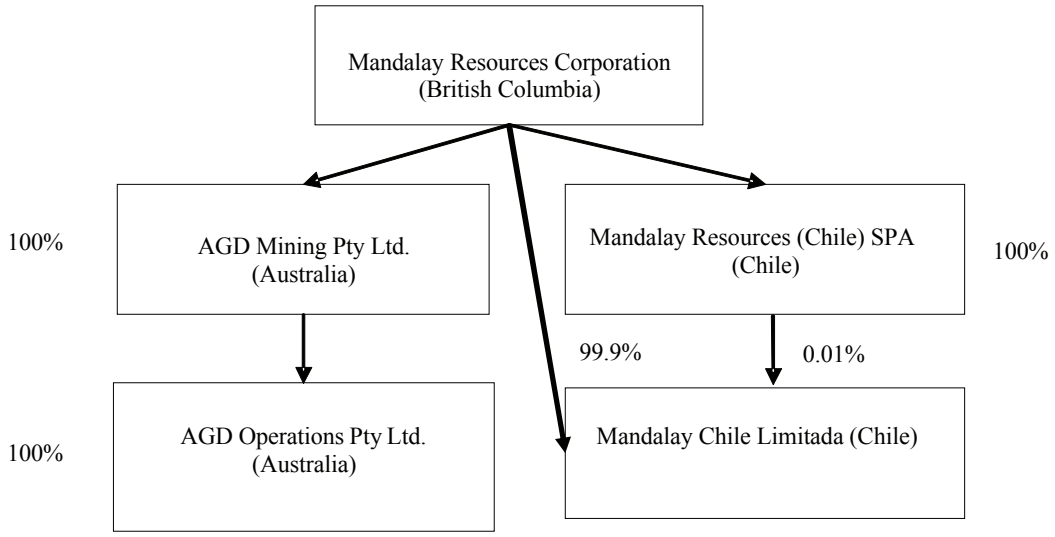
4.1 Name, Address and Incorporation

The Corporation was incorporated on January 29, 1997 as Mandalay Resources Corporation under the *Business Corporations Act* (British Columbia). The Corporation's principal business is the exploration, development, and mining of natural resource properties.

The Corporation's registered office is located at 355 Burrard Street, Suite 1900, Vancouver, British Columbia, Canada, V6C 2G8. The Corporation's head office is located at 76 Richmond Street East, Suite 330, Toronto, Ontario, M5C 1P1.

4.2 Intercorporate Relationships

The following chart illustrates the structure of the Corporation as at May 18, 2010. The chart shows the jurisdiction of incorporation of each active subsidiary and the percentage of voting securities beneficially owned by the Corporation or over which the Corporation has control or direction.



AGD Mining Pty Ltd. ("**AGD**"), a private Australian company, operates Costerfield in Victoria, Australia. All of the issued and outstanding securities of AGD were acquired from Cambrian Mining Limited, a wholly-owned subsidiary of Western Coal Corp. ("**WCC**") and an arms' length third party of the Corporation, by Mandalay on November 30, 2009. AGD is governed under the laws of *The Corporations Act 2001* (Australia). AGD's head and registered office is located at Level 9, 175 Collins Street, Melbourne, 3000, Victoria, Australia. AGD owns 100% of the voting securities of its sole subsidiary, AGD Operations Pty Ltd. ("**AGD Operations**"). AGD Operations is governed under the laws of *The Corporations Act 2001 (Australia)*.

Mandalay Resources (Chile) SPA ("**Mandalay Chile**") is a private Chilean company which was incorporated by Mandalay under the laws of Chile on March 15, 2010. The Corporation also owns a 99.9% interest in Mandalay Chile Limitada ("**MCL**"), a private company which was incorporated under the laws of Chile on April 13, 2010. Mandalay Chile owns the remaining 0.01% interest in MCL. The head and registered offices of Mandalay Chile and MCR are located at Nueva Tajamar 481, Torre Norte, Poso 21, Las Condes, Santiago, Chile.

5. GENERAL DEVELOPMENT OF THE BUSINESS

5.1 Three Year History

During fiscal 2007, 2008 and 2009, the Corporation continued to identify and access promising exploration properties and to advance exploration programs through equity and debt financings. Management's goal is to discover, delineate and develop mineral deposits into producing mines.

2007

In 2007, the Corporation raised capital through private placements. In January, the Corporation completed a private placement of 10,359,897 units. Each unit consisted of one common share of the Corporation (each, a "**Common Share**") at a price of $0.19 and one non-transferable share purchase warrant exercisable for one year at a price of $0.21 for gross proceeds of $1,968,380. In May, the Corporation completed a private placement of 12,990,000 units at a price of $0.10 per unit for gross

proceeds of $1,299,000. Each unit consisted of one Common Share and one non-transferable share purchase warrant exercisable for eighteen months at a price of $0.14. In November, the Corporation completed a private placement of 6,250,000 units at a price of $0.08 per unit for gross proceeds of $500,000. Each unit consisted of one Common Share and one non-transferable share purchase warrant exercisable for one year at $0.11. The proceeds of the financings were used to fund the ongoing exploration of the Corporation's La Quebrada project and for general working capital purposes.

The Corporation continued its exploration activities at La Quebrada. In February, the Corporation announced the results of a completed group of ten reverse circulation ("**RC**") holes from the Leoncita zone and part of the Dalmatas zone. In March, the Corporation announced additional drill results from a group of 19 RC holes from the Dalmatas zone. In April and May, the Corporation announced additional exploration results. In September, October and November, the Corporation announced results from its second drilling campaign at La Quebrada for the year and announced that it has been intersecting important copper and silver mineralization.

In March, the Corporation's board of directors (the "**Board of Directors**") approved a change of the Corporation's auditors from MacKay LLP to James Stafford Chartered Accountants.

2008

In 2008, the Corporation continued its financing activities. In February, it borrowed $50,000 from one of its directors. In August, the Corporation completed a private placement of 222,222 units at a price of $0.45 per unit for gross proceeds of $100,000. Each unit consisted of one Common Share and one non-transferable share purchase warrant exercisable for eighteen months at a price of $0.70. The proceeds of the financings were used for general working capital purposes.

In 2008, the Corporation postponed a diamond drilling campaign at La Quebrada while it sought financing. Market developments and financial constraints prevented the Corporation from continuing its exploration and drilling program during the year.

In August, the Corporation completed a share consolidation on a 10:1 basis. The number of shares post-consolidation was 7,082,850. On August 5, 2008, the Corporation changed its trading symbol on the Toronto Stock Exchange Venture ("**TSXV**") from "MLR" to "MND".

2009

In 2009, Mandalay's limited exploration activities were focused on Costerfield, which it acquired on November 30, 2009.

In April, the Corporation completed a first tranche closing of a non-brokered private placement consisting of 1,400,000 units at a price of $0.10 per unit for gross proceeds of $140,000. Each unit consisted of one Common Share and one non-transferable share purchase warrant exercisable for five years at a price of $0.20. In June**,** the Corporation also completed the second tranche of the non-brokered private placement of 600,000 units on the same terms as the first tranche for gross proceeds of $60,000. In June, the Corporation closed a private placement of 6,386,741 units at a price of $0.135 per unit for gross proceeds of $862,210. Each unit consisted of one Common Share and one non-transferable share purchase warrant exercisable for two years at a price of $0.25. As a finder's fee for this private placement, the Corporation issued an aggregate of 222,900 Common Shares to Alfred Gregorian, Zelen Consulting Ltd. (Anthony Zelen) and Birmingham Consulting Ltd. (Jason Birmingham).

In December, the Corporation completed a private placement of 24,400,000 units at a price of $0.25 per unit for gross proceeds of $6,100,000. Each unit consisted of one Common Share and one share purchase

warrant exercisable at the price of $0.465 for five years. This was in addition to 1,600,000 units that Mandalay issued on October 16, 2009 for gross proceeds of $400,000. In connection with the private placement, Mandalay issued to Audley Capital Management Limited a finder's fee consisting of non-transferable share purchase warrants to purchase up to 3,950,000 Common Shares at $0.31 per share for a period of five years. The proceeds of these private placements were used to finance the acquisition of AGD and for general working capital.

In April, the Corporation amended the terms of its option agreements with Inversiones Y Mineria Andale Ltda. ("**Andale**") and related parties in relation to the Leoncita and the La Quebrada properties, retaining its right to earn up to a 100% interest in the two properties (the "**Amending Agreement**"). The terms of the Amending Agreement included payments totalling US$750,000. The Corporation acquired its rights to obtain a 100% interest in La Quebrada in exchange for, in part, Arcourt Resources NL ("**Arcourt**") making property and other payments to Andale totalling US$650,000. As consideration for giving up the interest that Arcourt may have had in the properties, Arcourt received from the Corporation 1,500,000 Common Shares and a convertible promissory note for a total amount of US$650,000, payable 18 months from the date of TSXV approval, convertible at Arcourt's option at a price of $0.10 per share. The Corporation agreed to issue an aggregate of 800,000 Common Shares to Andale over an 18 month period (200,000 shares every 6 months), the first issuance being due within 10 days of TSXV approval. The Corporation received TSXV approval of the Amending Agreement in August 2009.

Also in April, the Corporation entered into an agreement with Andale for an option to acquire six (6) additional new properties (the "**Los Santos Ladrones Option**"). The properties known as the Los Santos Ladrones, Las Rockeras, El Garrafal, Las Marianas, Las Santas Musas and Las Gaviotas mineral projects (collectively, the "**Coastal Iron Belt Project**") are located in the Fourth Region (Central Chile), 80 kilometres north of the twin cities La Serena and the port city of Coquimbo. Total consideration for each of the six properties consisted of: (i) up to an aggregate of $1,000,000 per project in staged cash payments starting in the second year and payable over a period of up to eight years from May 14, 2009, the date the Corporation received TSXV approval of the transaction; and (ii) an aggregate of 1,000,000 Common Shares to Andale over a period of eighteen months from May 14, 2009.

In December, the Corporation completed its acquisition of AGD from WCC for consideration consisting of 44,000,000 Common Shares, share purchase warrants to acquire an aggregate of 40,000,000 Common Shares for a period of five years (50% of which have an exercise price of $0.31 per share and 50% of which have an exercise price of $0.465 per share) and a promissory note in the principal amount of $1,500,000. AGD owns and operates the Costerfield gold and antimony mine in Victoria, Australia. On February 11, 2010, WCC acquired beneficial ownership or control of an additional 4,000,000 Common Shares through the exercise of 4,000,000 of the share purchase warrants at the exercise price of $0.31 per share.

Also in December, the Corporation was granted an option to acquire a 100% interest in the El Caballo Blanco copper-iron property located in La Serena Chile for a sum of up to US$2,000,000 in cash.

At the Corporation's annual and special meeting held on June 25, 2009, Charles Pitcher, John Conlon and Gordon Watts were elected as directors. In July, Charles Pitcher resigned as director, President and Chief Executive Officer and John Byrne was appointed as director, President and Chief Executive Officer. In September, Bradford A. Mills was appointed as a director and the Chief Executive Officer. In December, Sanjay Swarup was appointed as the Chief Financial Officer and Mark Sander was appointed as the Chief Operations Officer.

In December, the Board of Directors approved a change of the Corporation's auditors from James Stafford Chartered Accountants to Deloitte & Touche LLP.

5.2 Significant Acquisitions

The Corporation made the following significant acquisition during the year ended December 31, 2009:

AGD Mining Pty Ltd.

As discussed under the heading "General Development of Business – Three Year History" in November 2009, the Corporation acquired AGD. AGD produces gold and antimony from its Augusta mine in Costerfield, Victoria, Australia (the "**Costerfield mine**"). The Costerfield mine has been in production for over two years. Full details of the AGD acquisition may be obtained from the Corporation's Business Acquisition Report which can be found under the Corporation's profile at www.sedar.com.

6. DESCRIPTION OF THE BUSINESS

6.1 General Description

Mandalay is a Canadian-based natural resource company with producing assets in Australia and exploration assets in Chile. The Corporation is focused on executing a roll-up strategy and creating critical mass through the acquisition of advanced or in-production gold, copper, silver and antimony assets in Australia and the Americas. Mandalay seeks to create shareholder value through the acquisition of advanced or producing mineral properties at discounts to the value that management believes can be delivered through the application of new exploration or development insight and operating discipline. Mandalay currently owns one producing asset – the Costerfield mine in Australia. It also owns interests in a number of exploration assets, including the La Quebrada, Leoncita, Coastal Iron Belt and El Caballo Blanco properties in Chile.

The Corporation's management team consists of seasoned professionals, each with more than 20 years of industry experience and a track record of strong leadership, management integrity, and delivery of bold, inter-related initiatives to their stakeholders and employees. The Corporation is focused on commodities in which management has extensive experience, such as gold, silver, and copper. The Corporation operates in countries that have a long-standing tradition of mining, currently with low political risk and clear legal frameworks for tenure and taxation. Today, these jurisdictions include Australia and Chile.

6.2 Environmental Policy and Issues

The Corporation's environmental policy is to act in compliance with the laws of each jurisdiction in which it does business and to explore, develop and mine in accordance with environmental best practices.

The Corporation's goal is to protect human health, minimize impact on the environment and return exploration and mining sites to an environmental standard agreed with the governing jurisdictions in which it operates.

A description of certain environmental non-compliance issues associated with Costerfield can be found under the heading "Mineral Projects – Costerfield – Environmental Liabilities." The Corporation is taking steps to address these issues and does not believe that resolving them will have a material impact on the operations or profitability of Costerfield.

6.3 Material Properties

While the Corporation has several mineral properties, the Corporation's only material properties are the Costerfield gold-antimony mine in Australia and La Quebrada. Costerfield restarted production in the

third quarter of 2009, with Mandalay ownership from November 30, 2009, and La Quebrada is in the exploration stage.

6.4 Product, Customer, and Distribution

As of the date of this Annual Information Form, the Corporation had five months of production history at the Costerfield mine. Costerfield produces gold-antimony concentrates that are sold to the Corporation's principal customer, Zhongnan Antimony and Tungsten Trading Company. On January 19, 2010, the Corporation signed a 12 month extension to its concentrate off-take agreement with Zhongnan for all antimony-gold concentrate produced at Costerfield. The extended contract improves the percentage of antimony paid to an average of 60% from 55% and improves the pricing for gold contained in antimony concentrate at gold prices over US$1000/ounce. Costerfield also produces a gravity gold concentrate from its sulphide concentrating plant and gold-silver bullion from its tailings reprocessing project.

6.5 Revenues

In 2007, 2008 and the first eleven months of 2009, the Corporation's operations were limited to exploration and thus no revenues from operations were recognized. With the acquisition of Costerfield on November 30, 2009, the Corporation commenced operations as a producing company and began recording revenues. Revenues for the financial year ended December 31, 2009 were reported in the audited financial statements of the Corporation for the year ended December 31, 2009.

6.6 Competitive Conditions

The mineral exploration and mining industry is extremely competitive. The Corporation competes with other mining companies for the acquisition and development of, and production from, mineral concessions, claims, leases and other interests, as well as for the recruitment and retention of qualified employees and consultants.

6.7 Cyclicality and Seasonality

The Corporation's business and operations are not cyclical or seasonal. Demand for and the price of mineral commodities is volatile and affected by numerous factors beyond the Corporation's control. See "Risk Factors – Fluctuations in the Market Price of Mineral Commodities".

6.8 Employees

As at May 18, 2010, the Corporation had 74 full-time/part-time employees and two contract employees, including those employed by contractors of the Corporation at Costerfield.

6.9 Stages of Development

6.9.1 Producing Stage—Costerfield Mine, Australia

From November 30, 2009 to the date of this Annual Information Form, AGD has been engaged in four primary activities with respect to the Costerfield mine:

1. mining ore remaining on the upper levels of the Augusta lode, left over from an earlier episode of mining that ended under previous ownership in the fourth quarter 2008;

2. driving a development decline to access four new producing levels below the historic upper levels;

3. ramping production up as the eight new faces accessed by the decline are developed; and

4. commissioning and de-bottlenecking the tailings reprocessing project in which historic tailings are excavated and leached in a CIP circuit.

6.9.2 Exploration Stage-- La Quebrada project, Chile

Historic drilling by previous owners at the La Quebrada project has intersected potentially economic thicknesses of mineralized rock, but no NI 43-101 compliant mineral resource estimate has been generated. Work performed by the Corporation since December 1, 2009 has consisted of compilation/quality control of all previously generated data, new mapping and sampling, development of exploration models, and planning for possible drilling to begin later in 2010.

6.9.3 Exploration Stage—Coastal Iron Belt project and El Caballo Blanco

The Corporation acquired options over El Caballo Blanco and the Coastal Iron Belt project properties in April of 2009 and has conducted data compilation, preliminary reconnaissance geology and initial sampling on these projects to date.

6.10 Knowledge and Expertise

All aspects of the Corporation's business require specialized skills and knowledge. Such skills and knowledge include the disciplines of geology, geophysics, geochemistry, drilling, mineral resource estimation, mining engineering, mine planning, metallurgy and mineral processing, metal and concentrate sales, field operations, and accounting. The Corporation has successfully identified and recruited employees and consultants with the requisite skills to advance its strategy and believes it will be able to continue to do so.

6.11 Business Outlook for Fiscal 2010

The following paragraph contains forward-looking statements. Reference should be made to "Forward-Looking Statements" herein. For a description of material factors that could cause the Corporation's actual results to differ materially from the forward-looking statements, see "Risk Factors" in this Annual Information Form.

As at December 31, 2009, the Corporation had a working capital of $1,185,870 and cash and cash equivalents of $5,766,544. In 2010, the Corporation intends to increase production at both the underground mine and tailings operation at Costerfield. The Corporation has ordered narrow-width mechanized production drilling equipment that is expected to result in significantly increased mining rates and productivity at the mine starting in the third or fourth quarter of 2010. Throughput of 250 tpd ore and a monthly payable production rate of 1,500 ounces of gold (18,000 oz/yr) and 160 tonnes of antimony (1,920 tonnes/yr) is expected by the end of 2010. The Corporation intends to conduct exploration at the Costerfield mine in 2010 in prospective areas below and along strike from the existing resources and reserves. The Corporation also intends to conduct exploration drilling at the La Quebrada project in Chile.

On May 4, 2010, the Corporation announced that it had entered into an agreement with Coeur d'Alene Mines Corporation ("**Coeur**") to purchase 100% of Coeur's wholly-owned subsidiary Compañía Minera Cerro Bayo Ltda. ("**Minera Cerro Bayo**"). The principal asset of Minera Cerro Bayo is the Cerro Bayo silver-gold mine in Patagonia, Chile, currently on care and maintenance. Completion of the transaction is subject to the satisfaction or waiver of a number of conditions, including the Corporation completing a financing to fund the cash portion of the purchase price, restart costs and working capital.

On May 17, 2010, the Corporation announced that it had completed the acquisition of 100% of the La Quebrada copper-silver deposit near La Serena, Chile. The acquisition was completed by issuing Inversiones y Mineria Andale Ltda. ("Andale"), an arms' length third party, a final tranche of 400,000 Common Shares under an amended option agreement. There remains a 2% royalty to Andale on future possible production from the property.

6.12 Mineral Projects – Costerfield Mine

Information referenced in this section referring to the Costerfield mine is from the Costerfield Technical Report. This section also references the technical report prepared by Dean Fredericksen of Fredericksen Geological Solutions Pty Ltd., a Qualified Person under NI 43-101, and Chris Davis and Melanie McCarthy of AGD and Rodney Webster of AMC Consulting Pty Ltd. ("**Fredericksen Technical Report**") dated May 2009 and filed on SEDAR on January 8, 2010, which can be found under the Corporation's SEDAR profile.

The Costerfield mine located at Costerfield, Victoria, Australia is 100% owned by AGD Operations which became a 100% owned subsidiary of the Corporation on November 30, 2009.

Property Location

The Costerfield mine site is located at Costerfield, approximately 10 km northeast of Heathcote, 50 km east of Bendigo and 100 km north of Melbourne, the state capital of Victoria, Australia. The mine is located at a latitude of 36^0 52' 27" S and a longitude of 144° 47' 38" E.

Ownership

The Costerfield mine is held by AGD Operations through the following licenses: Mining License MIN4644 (area: 1219.3 hectares; renewable and valid through June 30, 2010), Exploration License EL3310 (area: 59 GRATS; renewable and valid through September 17, 2011) and Exploration License EL4848 (area: 18 GRATS; renewable and valid through January 27, 2012) issued by the Victorian State Government under the *Mineral Resources (Sustainable Development) Act 1990*. The mining license covers the current and future planned mining activity.

Permitting

Primary approval for mine operation is held through Mining License MIN4644 issued by the Victorian State Government which was last renewed in June 2008 for a further two years, and will expire unless otherwise renewed by June 30, 2010.

Royalties

Royalties apply to the production of antimony. This royalty is applied at a rate of 2.75% of the revenue realized from the sale of antimony produced, less the selling costs. For the life of the current proven and probable reserves, the total antimony revenue is estimated in the Costerfield Technical Report at A$15,169,671; the total selling costs are estimated in the Costerfield Technical Report at A$863,438 and the royalty payable is estimated at A$393,421.

There is no royalty payable on gold production.

Environmental Liabilities

Some inconsistencies between the groundwater license conditions and the current situation at the mine were found. The potential liability cost of this is unknown, but non-compliance does increase the risk of the Department of Water temporarily or permanently revoking or cancelling this right which would have a direct and adverse impact on mining operations.

Identified below are issues requiring immediate attention:

- The extraction volume entitlement is 69 ML/annum. According to mine records, abstraction over the past eleven months has been 72.8 ML. This is reportedly due to exploration/dewatering drill holes not being tapped off at the completion of the drilling program. These holes were tapped off during December of 2009 and as a result, extraction volumes have dropped significantly. The legal authorized abstraction entitlement is measured from July 1st to June 30th each year. To comply with the remaining allocation of 13.4 ML for the 2009/10 year the extraction must be up to 3.35 ML/month. The Corporation believes that future dewatering will be within the extraction license entitlement.

- First Schedule Conditions: The authorization of this right is for the extraction of groundwater from specific bores that have been numbered and identified. Each bore has an allowable extraction rate and volume. These conditions are not currently being complied with as dewatering is taking place from the underground workings and not from the designated bores, but the Corporation is in the process of addressing this issue.

- Second Schedule Conditions: There is non-compliance with the following conditions:
  Condition 1.1 (a) – Take water except by the method approved by local authorities
  Condition 4.3 (a) – Metering

Although meters are installed on the site, they are not measuring at the authorized abstraction points as listed under the above First Schedule conditions. The Costerfield Technical Report provided compliance recommendations to the Corporation, and the Corporation is in the process of implementing these recommendations to ensure compliance.

In addition, excess water stored in the Brunswick tailings dam has been used on the waste rock dumps for dust suppression purposes. In a district with possible naturally high levels of metals in surface and ground-waters, such disposal of mine water, without thorough characterization of both natural and mine waters to determine the factual net impact of such disposal, could create a potential liability for the Corporation.

Further conclusions drawn by SRK are detailed in section 18 of the Costerfield Technical Report, specifically the Augusta Lodes and Brunswick Mill, of Mandalay Resources Corporation at Costerfield, Victoria, Australia, filed on SEDAR at www.sedar.com on May 14, 2010. Recommendations by SRK appear in section 19 of the same report.

Local Resources and Infrastructure

Power

AGD Operations purchases electricity for the Costerfield mine directly from the main national electricity grid and has connections at both the Brunswick plant site and the Augusta underground mine site. AGD

Operations purchases this power under contract from Tru Energy Australia. This three-year contract expires at the end of May 2011.

Supply from the national electricity grid to the aforementioned locations is as follows:
1. Augusta mine, a 800 kW feed at a power factor of 0.8; and
2. Brunswick plant, a 758 kW feed at a power factor of 0.8.

The power to the underground mine from the Augusta mine substation is supplied through a 42 m cased borehole for 415V feed, and via a step–up transformer and a 42 m cased borehole for the 1,000V feed.

The power to the Brunswick plant supplies the gold and antimony processing plant, the administration building and the workshop.

Water

Mine water is pumped from the underground mine to a 40 ML evaporation pond adjacent to the Augusta mine facilities.

The water required by the process plant is sourced from a bore located adjacent to the plant, from standing water within the old Brunswick pit, recycled from the tailings dam, and also from the Augusta mine dewatering system.

The mine does not have a permit to discharge water from the site.

The site has a 69 ML water right for extraction from underground and from two surface bores. An application to increase this to 200 ML per annum has been submitted to the relevant authority. The site water storage capacity is approximately 40 ML excluding the tailings storage facilities.

Buildings and Facilities

At the Costerfield mine, office and ablution facilities are located on the Augusta underground mine site and at the Brunswick mill.

There is no camp site in the mining license area. All employees live in the surrounding towns with some travelling from Bendigo each day, a distance of approximately 100 km (round trip).

Tailings and Waste Rock Storage Areas

Tailings are now being deposited in the new Cell #2 of the Bombay tailings dam. The Bombay Cell #1, in which tailings from the current operation were deposited until Cell #2 was completed, is nearly full. Old tailings from the historic Brunswick tailings dam are currently being re-treated to recover gold at the adjacent Processing Plant facility; the retreated tailings are currently being stored in Bombay Cell #2.

The Corporation has commenced negotiations with the authorities to increase the permitted size of the waste (barren or low grade) rock storage area at the Augusta underground mine portal.

Workforce

The workforce for the mine operation is sourced from the surrounding area plus from as far afield as the large mining town of Bendigo. There is adequate manpower available in the area for the foreseeable expansion plans. The working roster is made up of three 8-hour shifts per day for five standard working days per week.

Accessibility

The Costerfield mine is accessed off the Heathcote-Nagambie Road at a distance of 11 km from the junction with the main McIvor / Northern Highway, at a distance of approximately 100 km north of Melbourne.

The access road to the mine off the Heathcote-Nagamie Road is a narrow width bitumen strip with gravel shoulders, which are maintained in good condition. Private transport is utilized to move the mine personnel to and from the operation.

Climate

The local climate of the Costerfield district is 'semi-arid' or 'Mediterranean' in character. The winters are cool and wet and the summers are hot and dry. There is a high probability of violent electrical storms occurring in summer and these can often yield high intensity downpours.

Annual rainfall in the area is approximately 575 mm with most occurring between April and October. The temperature ranges from -20°C in winter (May to August) to +40°C in summer (November to February).

The operating season is year-round, although occasional heavy rainfall occurring between April and October may temporarily disrupt operations.

Topography and Vegetation

The topography of the Costerfield area consists of rugged hill country, undulating rises, gentle slopes and drainages. The area has an average elevation of approximately 245 metres ASL, with the range being from about 216 metres ASL to about 268 metres ASL.

Vegetation ranges from mixed species of open forest in the valleys and gentle slopes, with shrubby box gum on the stony gravelly hills and heath and grasses on the dry slopes and ridges. Much of the undulating land and alluvial flats have been cleared of vegetation for farming purposes.

Geology and Mineralization

The Costerfield Au/Sb vein district, of which the Augusta Lodes are part, is located is located on the western edge of the Melbourne Trough in the Lachlan Geosyncline. Stratigraphy in this area comprises a thick sequence of Lower Silurian to Lower Devonian shelf and flysch sediment, dominated by turbiditic siltstone, with minor sandstone and argillite. These rocks form the Murrindindi Supergroup. At the base of the Supergroup is the Costerfield Formation, which is conformably overlain by the Wappentake (sandstone / siltstone) and Dargile (mudstone) Formations, the McIvor Sandstone and the Mount Ida Formation (sandstone-mudstone).

The north trending Heathcote-Mt William Fault system marks the western boundary of the Melbourne Trough in the Costerfield area. This fault system also bounds and disrupts the Cambrian Heathcote Volcanic Belt, whilst further to the west lies the Bendigo Trough.

The Au-Sb veins in the Costerfield district are hosted within the Silurian Costerfield Siltstone unit. Within the district, four NNW-trending zones of mineralization have been identified – the R-B Zone, the Costerfield Zone (the host to the Augusta lodes being mined today), the West Costerfield Zone and the Antimony Creek Zone.

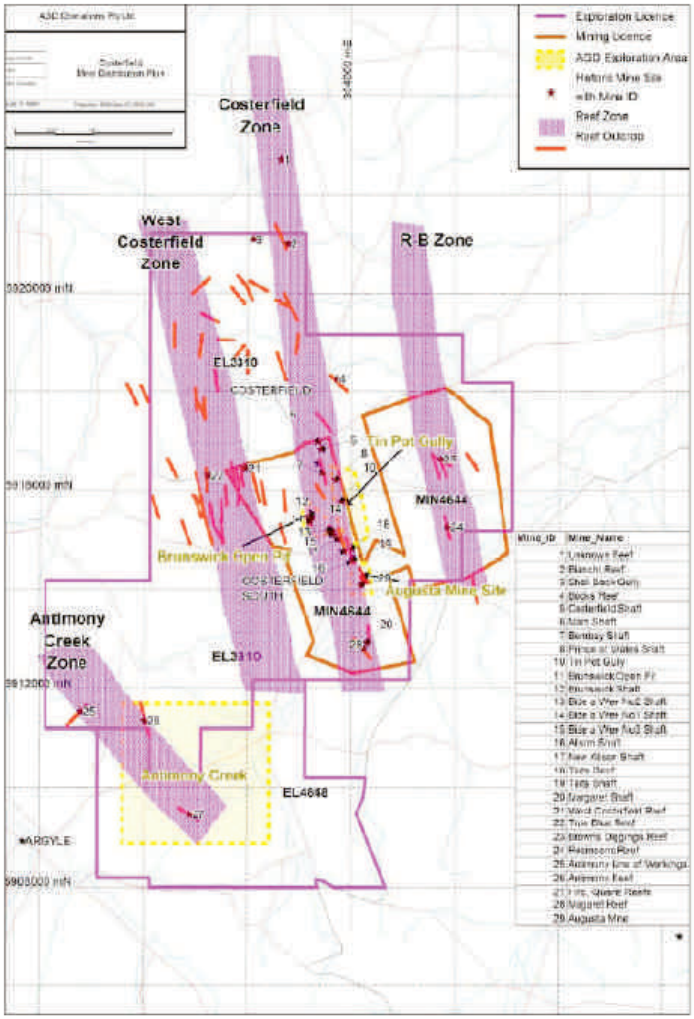


Figure 5-3: Costerfield lode systems
Source: Fredericksen (2008a)

Gold-antimony veins of the Augusta lodes typically comprise quartz (laminated to brecciated) and sulphides. The dominant sulphide mineral is stibnite (Sb_2S_3). Minor amounts of arsenopyrite and pyrite occur as well. Stibnite occurs as fine-grained, massive vein fill or as matrix support to quartz breccias. Au occurs within the massive stibnite, as well as associated with quartz and arsenopyrite.

The Augusta lodes occur within NNW-trending shear zones which dip steeply to the west. They include E and W lodes, currently being mined, and the smaller C and N lodes which host resources but not reserves. The E lode vein is approximately 0.4 metres thick with a strike length of about 500 m; it is open at depth. W lode also averages about 0.4 metres thick with and has a strike length of approximately 230 metres.

For a more detailed description of the regional, local and property geology, and mineralization of the Costerfield mine, refer to sections 5 and 7, respectively, of the Costerfield Technical Report.

History

The Costerfield mine area has had a large number of different operators since 1860 when antimony was discovered by two prospectors – called Coster and Field. Gold Exploration and Finance Company of Australia (the forerunner of Western Mining Corporation) recommenced operation in 1934.
This was followed by South Costerfield Antimony & Gold Company in 1936, then the Victoria Antimony Mines, Mid East Minerals, Metals Investment Holdings, Forsayth Mineral Exploration, Costerfield Mining, the Victoria Mines Department between 1975 and 1981, and Federation Resources NL, which bought into the project in 1983.

The current operator is AGD, a wholly owned subsidiary of the Corporation.

A Mineral Resource Estimate was established for the Costerfield Project, for the W, E, C & N lodes, as at March 31, 2009 in the Fredericksen Technical Report. This is presented in the table below.

Mineral Resource Estimate (W, E, C & N lodes) as at 31 March 2009[1]

(Source: Fredericksen Technical Report)

Resource Category	kt	Au g/t	Sb %	Au oz	Sb t	Au Eq oz	Au Eq g/t
Measured	72.9	16.1	9.6	37,700	7,000	79,700	34.0
Indicated	151.4	9.6	4.8	46,700	7,300	90,300	18.6
Measured & Indicated	224.2	11.7	6.4	84,400	14,300	170,000	23.6
Inferred	126.9	9.2	4.5	37,400	5,700	72,000	17.5

[1] The reader is cautioned that mineral resources that are not mineral reserves do not have demonstrated economic viability.

For more information on the resource estimate referred to above, reference is made to section 4.3 of the Costerfield Technical Report.

Mine production commenced from the Augusta underground mine in late 2006. This historic production is detailed in the table below.

Quarterly Historical Production from Augusta Mine

Item	Dec-06	Mar-07	Jun-07	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09
Ore t	5,500	4,400	7,000	7,800	8,300	10,900	15,100	14,500	8,000	3,300	3,653	6,870
Au g/t	10.8	10	7.5	5	7.6	7.2	5.8	6	8.1	5.6	6.27	6.97
Sb %	2.7	4.1	3.5	2.8	3.8	4	3.3	3.32	4.6	3.9	4.54	4.88
Au oz	1,700	1,496	1,750	1,530	2,150	2,500	2,700	2,800	2,100	550	682	1,425
Sb t	110	196	256	215	300	425	495	497	370	120	169	318

For more information in respect of the historic production at the Augusta mine, reference is made to section 4.3 of the Costerfield Technical Report.

Exploration

The Costerfield Antimony-Gold deposits were discovered in the 1860s. At that time, prospectors Coster, Field and Youlle named and mined the Main Costerfield Reef. Further exploration led to the Minerva and Bombay deposits between 1860 and 1883. From 1936, the south Costerfield deposit was defined and mined. This deposit is the northern extent of the Augusta deposits. Mid East Minerals discovered the Brunswick line of antimony and gold mineralization in 1966. This deposit was further explored and mined by the Forsayth Mineral Exploration & Costerfield Mining Pty Ltd. from 1973 to 1975. The Augusta mineralization was discovered by the Victoria Mines Department between 1975 and 1981. Continued exploration and resource definition drilling resulted in the completion of a successful feasibility study and development of the Augusta underground mine in 2006.

Recent exploration by the Corporation has been by surface drilling and has been focused on the Augusta underground mine area.

Drilling

Drilling at the Costerfield mine is largely done by diamond drilling methods with excellent drill recoveries. Core sizes vary and include PQ, HQ, HQ3 and NQ2. Drill lengths vary from 20 metres to over 350 metres. The Fredericksen Technical Report reports that drilling dates back to 1966 in the Costerfield area. The table below presents the drilling history at the Augusta deposit.

Drilling history at Costerfield (1960 – 2009)

Period	Company	Drill hole identification	RC Percussion (m)	Diamond (m)
1966 – 1971	Mid-East Minerals	TA01-06 (Tait's Reef)		809
		AL01-08 (Allison Reef)		1170
		P		169
		D		69
		E		83
		J		93
		N		169
		A		67
		EAL1		82
		2		64
		BR01-10		770
1971	Metals Investment Holdings	MIH01-12		1760
1977 – 1978	Victoria Mines Department	M01-M32 (Brunswick, Bombay, Augusta)		3213
1983 – 2000	Federation Resources NL	CSR01-22 (Browns, Robinsons, Margaret)	1998	
		MH001 – MH178 (Augusta)		17566
		AG1 -13		1680
		ANC01 -21	1349	
2000 – 2009	AGD Operations	BD001 – 231 (Brunswick)	5950	5948
		TP01 – 13 (Tin Pot Gully)		1188
		AC01 – 23	725	
		Total	10,022	34,907

Drilling Procedure

Diamond drilling is carried out by experienced contract drillers. Drillers record drilling activities on daily drilling reports. Drilled core is placed into drill core storage boxes. Each block is labeled with the drill hole number and the metreage. Core blocks listing the hole number and metreage are placed at the end of each core run. Additional blocks marking the location of lost core and the end of hole are included by the drillers as required.

Drilling is carried out in a staged fashion with initial exploration drilling occurring at 100 metre sections along strike. Resource drilling is then carried out at 40 metre along strike and 30 m down dip. In some places, drilling is as at tight as 10 x 10 metres should complexity of the geology warrant the additional drilling.

Mineralization at Augusta dips to the west. Drilling is designed to drill from the hanging wall to the footwall (east dipping holes). Drilling is designed to be the lode perpendicular to the lode. In the case of underground drilling, the drill holes are drilled from the footwall to the hanging wall.

For more information on drilling, reference is made to section 9 of the Costerfield Technical Report.

Sampling Method and Approach

Sampling occurs from both the drill core and directly from underground face samples. Diamond holes are orientated so that the drill holes are as close as possible to being perpendicular. Diamond drill core is logged using a standardized procedure and legend. Geotechnical, lithological, structural, mineralogical and alteration logs are produced using a touch-screen Tough Book computer installed with DrillKing® software.

All geological logs are populated by AGD geology personnel. Data collected on paper prior to implementation of this system has been digitally captured and appears in the drill hole database.

Loss of drill core is initially noted on core blocks by the drilling contractor. This is then verified by the geologist at the logging stage. The data is recorded within the geotechnical database. In order to maximize core recovery and mineralized sample size, 80% of the core drilled at AGD Operations drilling program is of HQ3 size.

McArthur Ore Deposits Assessments Pty Ltd. (MODA) 2005 reported for Augusta holes MH001 – MH064 lode recovery was 88%, holes MH065 – M091 lode recoveries were 97%. For the Augusta deposit, much of the current Mineral Resource estimate is based on recent drilling information (holes MH092 – MH178) where core recovery of the lodes is very high (in excess of 95%).

There are a few general rules that are applied in the selection of sample intervals, as listed below:

- All stibnite-bearing veins are sampled
- A waste sample is taken either side of the mineralized vein
- Areas of stock work veining are sampled
- Laminated quartz veins are sampled
- Massive quartz veins are sampled
- Silt stone is sampled where disseminated arsenopyrite is prevalent
- Puggy fault zones are sampled at the discretion of the geologist

AGD staff sample the core. The diamond drill core is cut in half with a diamond saw along the top or bottom mark of orientated core. By this means a representative sample of the core is taken.

Sampling intervals for drill core are no smaller than 5 centimetres in length and no greater than 2 metres in length. The average sample length for drill core samples within the Augusta drill program is 61 centimetres. Some drill holes were designed and drilled for metallurgical analysis. Some sample intervals from these holes exceed 2 metres in length.

Sample Security

Most of the recent drilling at Augusta has used Aminya Laboratories (Onsite Laboratories) in Bendigo for the assaying of Au and Sb. However, Genalysis (Brisbane and Perth) and ALS (Brisbane) have been used.

After dispatching the samples (core or face samples), it is understood that only staff employed by the assay labs are responsible sample and chemical analysis. Results are returned to AGD staff who in turn, manage the database.

A search of the National Association of Testing Authorities (NATA) indicates that:

- Aminya Laboratories is not certified to NATA standards
- ALS is NATA-certified (825) for Au and Sb
- Genalysis is NATA-certified (3244) for Au and Sb

Sample Quality

This discussion on sample quality is based on information prepared by Fredericksen (2009a). The author of this section has not independently verified the results. Fredericksen (2009a) presents results for the three standards AGD07-01 (Figure 12-2), G902-2 (Figure 12-3) and G901-8 (Figure 12-4). GD902-2 and GD901-8 are commercially available standards from Geostats Pty Ltd.

For Au, the charts indicate a reasonable level of accuracy is achieved. For Sb, the first quarter of the data set appears to be high biased, while the later three quarters appears to be assayed to a reasonable level of accuracy.

For more information on Sampling and Analysis, reference is made to sections 10 and 11 of the Costerfield Technical Report.

Data Verification

Historic data in the Costerfield area has not been subjected to modern Quality Assurance Quality Control (QA/QC) procedures. Fredericksen (2009a) reports that holes prior to hole MH064 were not subjected to any QA/QC analysis.

In 2005, MODA developed standard reference material. The material was sourced from the Brunswick stockpiles.

Subsequent to this, Geostats Pty Ltd. prepared a set of standards for use. At Augusta, four QA/QC protocols are in place:

- Submission of standards to measure analytical accuracy
- Review of laboratory preparation repeats
- Blind re-submission of sample pulps
- Submission of blanks

For more information on Data Verification, reference is made to section 12 of the Costerfield Technical Report.

Mineral Resources and Reserves

In May 2010, the Corporation completed a detailed review of the mineral inventory at its Costerfield gold-antimony mine. This work, conducted under the supervision of Mandalay's independent consultants, SRK Consulting, is detailed in the Costerfield Technical Report. The resource estimate section in the Costerfield Technical Report was prepared by Bruce Sommerville, a Qualified Person under NI 43-101, and reserve estimate section was prepared by Chris Raleigh, Principal Consultant (Mining) with SRK and a Qualified Person as defined by NI 43-101.

Resources[12]

Resources (as at 31-Mar-09)					
Resource Type	**Tonnes ('000)**	**Au (g/t)**	**Sb (%)**	**Au (oz)**	**Sb (t)**
Measured	72.9	16.1	9.6	37,713	6,994
Indicated	151.4	9.6	4.8	46,721	7,266
Measured & Indicated	**224.2**	**11.7**	**6.4**	**84,434**	**14,260**
Inferred	126.9	9.2	4.5	37,402	5,687
Less Resource Mined from W& E Lodes from 1-Apr-09 to 28 Feb-10					
Measured & Indicated	**(5.7)**	**7.1**	**4.3**	**1,301**	**245**
Resource Remaining (as at 1-Mar-10)					
Measured & Indicated	**218.5**	**11.8**	**6.4**	**83,133**	**14,015**
Inferred	126.9	9.2	4.5	37,402	5,687

[1]The reader is cautioned that mineral resources that are not mineral reserves do not have demonstrated economic viability.
[2]Resources include Augusta E, W, N, and C lodes. Resources are reported on a diluted, in-situ basis using a 4.6 g/t Au equivalent cutoff grade calculated at US$1,000/oz Au and US$6,000/t Sb and a minimum width of 1.2 metres. Resources are reported inclusive of reserves.

Based on a cutoff grades calculated based on US$1,000/oz Au and US$6,000/t Sb, budgeted operating costs, historical metallurgical recoveries, and the current smelter contract, detailed and scheduled mine designs were developed on W-lode and E-lode using a base case cut and fill mining technique to extract measured and indicated resource. Proven and probable reserves were derived from the mined resource by applying varying mining recovery factors (depending on vein and mining geometries), planned dilution to a minimum mining width of 1.5 metres at zero grade, and unplanned dilution at zero grade.

Reserves[1]

Reserve Type	Tonnes ('000)	Au (g/t)	Sb (%)	Au (oz)	Sb (t)
Proven	20.1	16.9	9.7	10,937	1,953
Probable	45.4	11.4	5.8	16,656	2,636
Proven & Probable	65.6	13.1	7.0	27,594	4,588

[1]Reserves include Augusta E and W lodes only and are reported on a mined and diluted basis using 1.5 metres minimum mining width and planned and unplanned dilution of zero grade. Reserves are calculated at US$1,000/oz Au and US$6,000/t Sb.

For more information in respect of the key assumptions, parameters and methods used to estimate the mineral resources and mineral reserves presented above, reference is made to section 15 of the Costerfield Technical Report.

SRK considers that this estimate of the Mineral Reserve is unlikely to be affected by the social, legal, title and marketing modifying factors. There is a risk that environmental issues left unresolved may impact the mine operating results.

Mining Operations—History and Life of Mine Plan

Production commenced at the Augusta Mine in 2006.

From April 1, 2009, total production from the mine, as reported by AGD, has been 21,300 t @ 7.1 g/t Au and 4.3% Sb to February 28, 2010.

The underground mine is accessed by a 4 metre wide and 4 metre high decline mined at a gradient of 1 in 8 (12.5%). This decline development has been mined to approximately 1,070 metres RL or 100 metres below surface. There is horizontal access to the E and W lodes at approximately 20 metre level intervals. The orebody width is variable – from 0.1 metres up to 1.2 metres in width. The dip of the orebody is 69° on average.

Access to the lower levels of the lodes is being achieved by extending the decline to the lower horizons at the rate of about 20 metres per week.

Mining Methods

A variety of mining methods has been deployed at the Augusta mine, and such methods are described below.

Uphole Airleg Stoping

This mining method has been applied to areas of the upper mine to recover remaining ore on already developed levels, and also to the crown pillar recovery in the cut and fill areas. Approximately 9% of all stoping in the Life of Mine Plan is uphole airleg stoping.

At present, uphole airleg stope strike is 4 metres, with a 2 metre rib pillar between stopes. The stope is then fired toward the access minimizing the need for remote bogging. Additionally, prior to firing, a waste bund is also placed in the stope to help ensure fired rock is able to be bogged manually.

- Planned Dilution
    - Calculated by diluting the lode tonnes and grade to a minimum mining width of 0.6 metres. This has been done by designing each stope in Mine2-4D at 0.6 metres wide and the interrogation uses this design shape to calculate tonnes.

- Unplanned Dilution
    - Unplanned dilution will be the sum of the unplanned hanging wall dilution and dilution during stope bogging. Due to the short strike of the uphole airleg stope's hanging wall dilution has been predicted as 20%. Historically, the hanging wall dilution has been greater than this but the stope strike lengths were up to 10 metres in length. The overall dilution for uphole airleg stopes will be 30%.

- Mining Recovery
    - Due to the short strike stope length and placing of a bund in the stope prior to firing the ore loss during bogging is assumed to be zero. Bogging dilution has been assumed to ensure recovery is 100%. The ore loss during firing however has been assumed to be 10% due to some current uphole stopes not pulling to designed dimensions. This figure is based on observations from stopes that have been mined this year. Ore loss due to the leaving of pillars is based on taking a 4 m stope and leaving a 2 m pillar which lowers the recovery to 60%.

Blasthole Stoping

The open stoping method of extraction has previously been widely employed at Augusta. With issues of ground conditions at shallow depths, orebody dip and width, plus drill accuracy all increasing in frequency, there was a resultant increase in dilution. With the currently successful trial of Cut & Fill mining, approximately 2% of the ore is now planned to be mined by Blasthole Stoping. The areas of the as built mine that are suitable for conventional blast hole stoping are those where top and bottom access is available and the orebody is located in the existing drive to allow longhole drilling.

The poor historical success of the blasthole stoping method is attributed to several factors, including poor ground conditions in the upper levels of the mine, relatively wide development headings, poor drilling accuracy and lack of good engineering support for blasting and backfilling. Ground conditions are improving at the new lower levels of the mine, and narrow-width LHDs currently on order will permit reduction of development headings to a width of 1.5 m late in the second quarter of 2010. When already approved mechanized blasthole drilling equipment arrives in the third quarter of 2010, drilling accuracy will be improved. When all these improvements are in place, it may be desirable to implement a test blast hole stope with tightly engineered blasting and backfilling, to determine if conditions for feasible and economical implementation of the method are now present.

Cut & Fill

The Cut & Fill method is the current base-case method of choice in the current mine plan. In practice, cut and fill method has resulted in approximately a 20% reduction in dilution from that resulting from the open stoping method previously employed. The parameters that must be quantified to establish the efficiency of the Cut & Fill operation are Planned Dilution, Unplanned Dilution and Mining Recovery (Ore Loss) are:

- Planned Dilution
    - Planned dilution in the cut and fill areas is a function of orebody width versus drive width.

- Unplanned Dilution
    - Unplanned dilution has been included to account for drive overbreak during mining, and fall off due to structure. This figure is measured and documented onsite by the survey department. The total unplanned dilution for all development and flat backing is currently at 16%.

- Mining Recovery (Ore Loss)
    - The first sill drive on a level has been assigned a mining recovery of 100% as this is a full-face development heading. For subsequent levels, the mining recovery is 95% to allow for ore loss during blasting and bogging of waste fill.

With the application of this improved production plan, SRK sees no major threats to the target tpm scheduled production rate for the rest of the mine life through November 2011.

Metallurgical Processing and Recoverability

The main processing facility comprises a two-stage crushing process, two-stage milling with classification and gravity concentration in closed circuit followed by a flotation plant including rougher, scavenger and cleaner flotation. The plant is in fair condition for its age. The flotation concentrate contains antimony and gold in a single concentrate. The gravity circuit produces a gold only concentrate and accounts for approximately 30% of the gold recovered. The SRK projected average total gold recovery is 84% (based on a constant tail grade of 1.4 g/t Au) versus the 92% recovery used in the Mandalay economic model (based on a constant tail grade of 0.7 g/t Au). The SRK projected average antimony recovery is 94% (based on a constant tail of 0.3% Sb), as used in the Mandalay economic model.

Historically the plant has operated at up to 5,000 tonnes per month throughput. With the ongoing implementation of proper concentrator maintenance practices, SRK sees no reason that the plant cannot process the material at rates planned to be delivered by the mine and achieve the recoveries mentioned. Forecast operating costs are A$55-60/t compared to the recent costs in excess of A$100/t when the plant was operating at lower rates during mine and plant production ramp-up.

Due to location near residences and concerns about noise, the operating license only allows plant operation on a 5.5 days per week schedule.

With proper concentrator maintenance practices, SRK sees no reason that the plant cannot process the material at rates planned to be delivered by the mine.

Markets

Approximately 100,000 tonnes of antimony are produced and consumed annually. The Costerfield mine at full production represents about 2% of this market.

There is an agreement in place between AGD and Hunan Zhongnan Antimony & Tungsten Trading Co. Ltd. for the sale of the antimony-gold concentrate produced from the Costerfield mine. This contract has been extended and expires on December 31, 2010. The schedule requires the monthly delivery of between 150 wet metric tonnes and 410 wet metric tonnes between February and December 2010. For more information on this agreement, refer to Section 15 of this Annual Information Form.

Contracts

The underground mining activity is now carried out solely by internal AGD personnel, and therefore there are no mining contracts in place.

Environmental

Reference is made to the Environmental Liabilities portion of the Costerfield description, and Section 6.2 of this Annual Information Form.

Mandalay anticipates placing an additional environmental reclamation bond of approximately AUD1.2 million within the next few months.

Taxes

There is more than A$40 million in tax loss carryforwards for AGD that will effectively eliminate any income tax being paid in the short life of the current Mineral Reserves.

Income tax on an Australian company's profits is set at 30%. The Australian Federal Government has recently announced possible changes to the taxation rates for companies which will decrease the tax rate to 28% in future years as well as an additional Resources based tax on profits that exceed 6%. These tax changes are yet to be approved and take effect.

Capital Costs

The base case life of mine plan requires about A$800 thousand in capital purchases and A$1.2 million in capital development for the current proven and probable reserves to be extracted over the SRK base case life of mine through November, 2011.

Operating Costs

The total base case operating costs for the life of mine is about A$24 million, or A$380/t ore mined and milled, including mining, processing, commercial, and overhead costs.

The table below summarizes the key financial measures of the SRK base case Life of Mine Plan. Small differences between these numbers and those contained in the SRK report result from immaterial improvements in the financial model since completion of the Costerfield Technical Report and rounding. SRK evaluated the sensitivity of the mine to, among other things, gold price, antimony price, exchange rates and mine productivity. Information on the sensitivity studies and results can be found at section 17.12 of the Costerfield Technical Report, specifically the Augusta Lodes and Brunswick Mill of Mandalay Resources Corporation at Costerfield, Victoria, Australia, filed on SEDAR at www.sedar.com on May 14, 2010.

Life of Mine Summary – SRK NI-43-101 Base Case Plan				
		Mar-2010 to Dec-2010	Jan-2011 to Nov-2011	Total
Gold Price	**US$/oz**	1,000	1,000	
Antimony Price	**US$/t**	6,000	6,000	
FOREX	**US$/A$**	0.90	0.90	
Ore Mined	**t**	40,400	25,200	65,600
Ore Milled	**t**	40,400	25,400	65,800
Au Sold	**oz**	12,300	8,400	20,700
Sb Sold	**t**	1,500	1,000	2,500
Revenue	**A$**	22,300	15,900	38,200
Total Operating Cost		(12,900)	(11,700)	(24,600)
EBITDA	**A$**	9,400	4,200	13,600
After Tax Oper. Cash Flow	**A$**	8,200	5,300	13,500
Capital	**A$**	(800)		(800)
Capital Development	**A$**	(1,100)	(100)	(1,200)
Bonding	**A$**	(1,200)		(1,200)
Borrowings	**A$**	(500)	(400)	(900)
After Tax Free Cash Flow	**A$**	3,800	5,100	8,900

Notes

1. Gold sold Mar 2010 to Dec 2010 = 12115 ozs (ref 'Augusta SRK Model 100413')
2. Gold sold Jan 2011 to Nov 2011 = 8514 ozs (ref 'Augusta SRK Model 100413').
3. The units are A$k.
4. The Total Operating Cost, EBITDA and Cash Flows are totalled to March 2012.

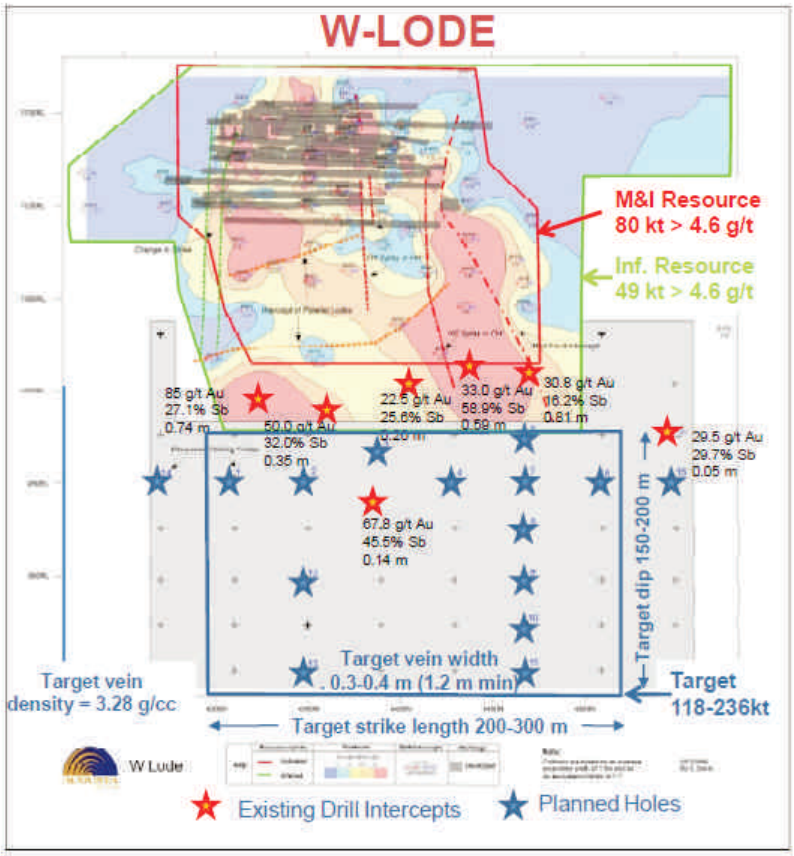
Major Improvements Being Implemented by Mandalay

There are four major improvements not included in the SRK base case mine plan that are being implemented or tested at Costerfield. Mandalay believes that with these improvements, an annualized production rate of 18,000 oz Au and 2,000 t Sb is possible by the fourth quarter of 2010 and mine life could be significantly extended.

1. Mandalay has approved the purchase of a narrow-width, mechanised production drilling fleet for A$863 thousand. This equipment, planned to arrive in late Q3, 2010, will allow the mine to achieve markedly greater safety and productivity for the same staffing levels from Q4 2010 onward. The increased annual production rate of contained metal also comes with reduced

dilution, so that the net increased ore throughput at the mill is not proportionately higher. Neither the cost nor the benefit of this equipment is included in the base case SRK plan.

2. The Corporation intends to drill 5,625 metres of diamond holes to define down-dip extensions of E and W lodes adjacent to and below the current workings. Currently, these ore shoots are open and, indeed, the grade and width of W-lode is increasing downward (see figure below). The Corporation has approved the budget based an exploration target of between 118-236 kt at grades comparable to those of the Inferred Resources. The Corporation derived the exploration target from calculating the potential range of volume of the target ore shoot (at 1.2 metres minimum width for consistency with existing declared resources) as suggested by existing drill intercepts plotted on a long section as below and a density of 3.28 g/cc.



Should this program prove successful, immediate access to potentially significant mine life extension would be achieved. The potential quantity and grade of this target is conceptual in nature and there has been insufficient exploration to define a mineral resource. It is uncertain if further exploration will result in the target being delineated as a mineral resource, and, if delineated, will prove economically feasible to mine.

3. Costerfield brownfields drilling—Mandalay is currently conducting a surface exploration and top-of-bedrock sampling program to develop core drilling targets on other veins in the Costerfield district. As shown in the figure near the beginning of the Costerfield section, there are numerous outcropping veins both north and south of the Augusta underground mine, several within reach of the current underground workings. The Corporation plans to reach a drilling decision later in 2010.

4. A fourth major improvement is re-introduction of a tightly engineered blast hole stoping mining method as the mine gets deeper. The poor historical success of the blasthole stoping method is attributed to several factors, including poor ground conditions in the upper levels of the mine, relatively wide development headings, poor drilling accuracy and lack of good engineering support for blasting and backfilling. Ground conditions are improving at the new lower levels of the mine, and narrow-width LHDs currently on order will permit reduction of development headings to a width of 1.5 m late in the second quarter of 2010. When already approved mechanized blasthole drilling equipment arrives in the third quarter of 2010, drilling accuracy will be improved. When all these improvements are in place, the Corporation intends to implement a test blast hole stope with tightly engineered blasting and backfilling, to determine if conditions for safe, feasible and economical implementation of the method are now present. If the test is positive, and exploration is successful in delineating more ore, implementation of the method could yield dramatically lower dilution, higher mining recovery, lower costs, and faster production rates.

For more information on the Corporation's Mining Operations in respect of the Costerfield mine, reference is made to sections 17, 18 and 19 of the Costerfield Technical Report.

6.13 Mineral Projects – La Quebrada Copper-Silver Property

Information referenced in this section referring to La Quebrada is from the La Quebrada Technical Report filed on SEDAR on April 15, 2010. It can be accessed at www.sedar.com. The report was prepared by Leonardo Diaz (PhD and MAusIMM), Principal Consultant with Antakori S.A. and a Qualified Person under NI 43-101.

Location

The 100% owned La Quebrada property is located approximately 40 km northeast of La Serena, in Northern Chile's Fourth Region. La Serena is located approximately 400 km north of Santiago (500 km by road) and is linked by daily flights to and from Chile's capital city.

Area

The property comprises 63 mining claims which total 7,418 hectares.

Ownership

The property is 100% owned by Mandalay, with a 2% NSR to the previous owner, Andale. See "Description of the Business."

The surface rights belong to "Comunidad Agricola Hoya de Caldera de Elqui". Mandalay has a verbal agreement with the community that allows the exploration and passage within the property. Mandalay intends to formalize this agreement and to extend it to drilling, road construction and possible camp building.

Permitting

A "Declaración de Impacto Ambiental" (Environmental Impact Assessment) is required for all ground-disturbing exploration activities. The Corporation intends to complete the work to obtain this permit as soon as possible.

Climate

The property is located in the Costal Cordillera at altitudes from 1,000 to 1,500 metres above sea level. Weather is dry, with occasional morning fogs, allowing for work year round.

Local Resources and Infrastructure

There is no infrastructure located on the property other than gravel roads and exploration adits. Underground water has been intercepted in drillholes, but its quantity and quality has not been assessed. Nearby mines haul water from about 25 km from a source at the Elqui river valley. The Corporation believes that the property has suitable sites for dumps, tailing areas and potential processing plants due to the mostly gently sloping landscape.

It is anticipated that power will be obtained from the high voltage power line that runs along the Elqui river valley (about 25 km) that forms part of the national grid system and currently feeds neighbouring mines and local industries.

Experienced labour force, as well as service facilities, are available at La Serena (population 200,000). The Chilean mining industry is well-developed, with the country being a major copper, iron ore and other metals producer. Mining supplies and equipment, as well as highly trained technical and professional workforce are available in Chile. International engineering and mining service companies operate in Chile and provide support to foreign companies.

Topography and Vegetation

The property is located between 1,000 and 1,500 metres above sea level within the Cordillera Principal. Relief is moderate except where drainage incision has formed local canyons.

The area is arid but frequently subject to low-level clouds and mist drifting into the valleys from the nearby coast. There is no surface water available. Vegetation comprises sparse desert grasses, shrubs and cactus.

Soil is considered to be mostly alluvial-colluvial, with coarse size particles and little displacement produced mostly by in-situ erosion. Organic soil cover is low to non-existent.

Accessibility

Access is via paved and gravel roads, with an approximate driving time of 2 hours from La Serena. A network of drilling pad access roads provides to path to most of the property. A commercial port, Coquimbo, is located in the vicinity of La Serena.

Environmental Liabilities

There are no known environmental liabilities on the La Quebrada property. Small dumps near exploration adits are considered to present no major environmental liability.

Geology and Mineralization

The Lower Cretaceous Arqueros Formation hosts the Cu-Ag mineralization at La Quebrada. The Arqueros Formation has been mapped and described by previous workers. It comprises five members in a conformable sequence with an approximate aggregate thickness of 1,250 metres. The base of the

Arqueros Formation is not exposed in the region. At its top, it is concordant with the overlying Quebrada Marquesa Formation.

A 1:10,000 scale map was prepared by Mandalay geologists defining the distribution of sedimentary horizons of the Arqueros formation. A similar nomenclature, as used by previous authors, was employed with five members (Ka1 to Ka5, Ka1 being the oldest) being defined.

In general terms, Ka1, Ka3 and Ka5 are volcanic or lava units and Ka2 and Ka4 sedimentary. Mineralization in the form of copper oxides (on surface) and secondary sulphides occurs at the base of the Ka2 and Ka4 units. The volcanic units do show copper mineralization, but it seems to be more discontinuous and localized.

In the lower unit (Ka2), the mineralization appears related to brecciated calcareous sandstones and chart levels that occur mainly in the Leoncita area.

In the upper horizon (Ka4), the mineralization is related to limestone and sedimentary breccias, and extends into the top of the underlying andesites.

Previous work on the property has identified six styles of mineralization within the immediate area of La Quebrada:

- Epigenetic Cu mineralization (steeply-dipping veins and related manto deposits) within the Marquesa Formation of the Talcuna district 15 kilometres SSE of La Quebrada
- Stratiform hydrothermal manganese deposits hosted by the Arqueros and Marquesa Formations throughout a N-S belt 25 kilometres wide and 70 kilometres long
- Epigenetic barite-calcite-silver veins of the Arqueros district located about 5 kilometres south of La Quebrada
- Numerous barite-calcite-quartz-chalcopyrite veins distributed within Arqueros Formations in and around the La Quebrada property
- Contact Cu skarn mineralization of the San Antonio district located about 12 kilometres to the SW of La Quebrada
- Cu mineralization hosted by limestones and calcareous sediments of the Arqueros Fm. on the La Quebrada property

History

Over the past 40 years, the property has been explored sporadically by various mining companies including the United Nations – ENAMI joint venture, Placer Dome, Noranda and Teck and Mandalay This work has generated rock chip, trench, reverse circulation drilling, and core drilling data that suggests the possibility of economically significant Cu-Ag mineralization. However, the data has never been compiled, verified for quality, or tied to detailed surface maps so that NI 43-101 compliant estimates of resources can be made.

United Nations-ENAMI

The Tugal concessions (covering approximately 200 hectares and presently owned by a local group) were first investigated by a United Nations-ENAMI joint venture from 1967 to 1970. They drilled eight short core holes, excavated several shallow shafts and short drifts, and performed limited preliminary metallurgical tests on bulk samples extracted from the underground workings.

Drill intersections included:

UN-ENAMI Drill Results

Hole	Interval (m)	% Cu
DDH-1	10.0	1.07
DDH-2	3.0	1.07
DDH-3	2.4	1.22
DDH-5	4.0	1.07
DDH-6	9.0	1.01
DDH-7	4.6	1.11
DDH-8	9.0	1.06

The then owner of the Tugal property commissioned metallurgical tests in 1967. This work included four flotation tests that were carried out on a 50 kg sample. The best results yielded a Cu recovery of 96% after grinding to a 56%-100 mesh.

Further testing was carried out in 1969 and 1970 by the Denver Equipment Company Laboratory and by the Universidad de Concepcion. The former lab processed an 80 kg sample and the latter a 45 kg sample. The results have shown that a relatively fine primary grind (100-150 mesh) followed by regrinding to approximately 90% -325 mesh was required to achieve Cu recoveries of up to 85%. Silver recoveries of up to 88% were achieved.

Placer Dome

Placer Dome optioned part of La Quebrada property in 1981 and drilled an additional six core holes totaling 415 metres. Intersections included:

Placer Dome Drill Results

Hole	Interval (m)	% Cu	G/t Ag
81-1	6.99	1.47	23.5
81-2	9	1.47	58.1
81-3	No Limestone Intersected		
81-4	No Limestone Intersected		
81-5	5.35	0.14	9.4
81-6	5.8	0.59	9.8

Noranda

Noranda optioned the adjacent La Quebrada property from Inversiones y Mineria Andalé Ltda. In 1995 and in 1996 Noranda carried out a program of rock chip, soil and stream sediment geochemistry, ground magnetic survey, and a single line of IP. Noranda reported assays of 0.64% Cu over 19.5 metres and 0.54% Cu over 43.5 metres from exposures of volcanics, and 1.06% Cu over 26.25 metres, 2.8% Cu over 10 metres, 2.07% Cu over 10 metres and 1.44% Cu over 7 metres (all reported as true thicknesses) from carbonate members overlying the volcanics.

Noranda concluded that the size potential of the mineralization was limited, and terminated their option agreement in January of 1997.

Minera Teck Chile

Minera Teck Chile S.A. optioned the La Quebrada property in 1998. Teck's exploration work covered a period from 1998 to 2000. The initial program involved the collection of 230 channel samples from outcropping carbonate beds and the underlying altered volcanics. This zone, the Casa de Piedra sector was chosen because the entire stratigraphic section of the prospective host formation was preserved between footwall and hanging-wall volcanic units along the east slope of a deeply incised drainage and afforded the opportunity to test the stratigraphic continuity with the mineralized horizons.

The stratigraphic thickness-weighted average grades of the 93 channel samples of mineralized horizons within the carbonate package over 1.2 kilometres strike length were 1.30% Cu and 14.0 g/t Ag. The assays that comprised this average ranged from 0.13 to 3.06% Cu and from 1.6 to 77.4 g/t Ag. The stratigraphic thicknesses represented by these samples were between 0.6 and 3.4 metres (average of 1.65 metres). The distance between adjacent samples varied between 10 and 75 metres depending on the distribution of available outcrop. Reconnaissance mapping and prospecting of the La Quebrada Property revealed the recognition of sulfide and metal zoning.

Mandalay Resources Corporation 2003

Information about exploration conducted by Mandalay was taken mainly from the Sandidge and Cox (2005) technical report.

In 2003, Mandalay undertook an exploration program consisting of RC and diamond (DD) core drilling, logging, assaying, and subsequent geological mapping and outcrop sampling throughout areas of the La Quebrada property.

Mineralized intervals were calculated at a 0.2 % Cu cut-off, with a minimum 3 metre interval length and two metres maximum internal dilution.

Below are the mineralized intervals from the 2003 drilling campaign:

Casa de Piedra mineralized intervals (2003)			
Hole_ID	Location X	Location Y	Interval
PQ-03	314,950	6,708,100	4 m (22-26) @ 0.47 Cu %, 3.5 gpt Ag 6 m (34-40) @ 0.6 Cu %, 5 gpt Ag
PQ-04	314,547	6,707,616	6 m (19-25) @ 0.76 Cu %, 6.7 gpt Ag 5 m (31-36) @ 0.27 Cu %, 2.7 gpt Ag 4 m (46-50) @ 1.05 Cu %, 7.5 gpt Ag
PQ-05	314,435	6,707,484	5 m (9-14) @ 0.76 Cu %, 8.6 gpt Ag 7 m (20-27) @ 0.19 Cu %, 4.2 gpt Ag 4 m (36-40) @ 0.69 Cu %, 6 gpt Ag
PQ-06	314,435	6,707,176	6 m (23-29) @ 0.93 Cu %, 9 gpt Ag
Cerro Colorado mineralized intervals (2003)			
Hole_ID	Location X	Location Y	Interval
PQ-09	312,025	6,704,925	3 m (12-15) @ 0.64 Cu %, 2 gpt Ag
PQ-10	311,683	6,705,105	3 m (4-7) @ 0.86 Cu %, gpt Ag 4 m (15-19) @ 0.37 Cu %, gpt Ag 7 m (25-32) @ 0.58 Cu %, gpt Ag
PQ-11	311,477	6,705,347	6 m (5-11) @ 0.31 Cu %, gpt Ag
PQ-12	311,851	6,705,643	3 m (0-3) @ 0.37 Cu %, gpt Ag 3 m (10-13) @ 0.36 Cu %, gpt Ag
Dalmatas mineralized intervals (2003)			
Hole_ID	Location X	Location Y	Interval
PQ-13	309,393	6,698,233	4 m (41-45) @ 0.7 Cu %, gpt Ag 5 m (47-52) @ 0.85 Cu %, gpt Ag 4 m (63-67) @ 0.29 Cu %, gpt Ag
PQ-15	309,482	6,696,817	9 m (5-14) @ 0.62 Cu %, gpt Ag

Mandalay also undertook geological mapping and sampling of outcrops in the areas of Las Dálmatas and Barrancones – Quebrada Casa de Piedra – Loma Gruesa – Cerro Colorado – Quebrada Totoritas.The objective was to support previously obtained data from the channel and chip sampling programs and to locate viable sites for a new stage of exploration drilling. These areas were selected for the phase two drilling program and the main focus of further exploration.

Mandalay Exploration- Recent

In 2006, Mandalay conducted a trenching and drilling campaign on the La Quebrada property. During this time, 132 shallow hand-dug trenches were dug and 101 RC holes and 11 core recovery holes were drilled across the property. In October 2009, Mandalay started detailed mapping of the property to complement previous work and gain a better understanding of the tectonically complex locality. At the same time, the drilling data was recovered and compiled by Leonardo Diaz (PhD and MAusIMM), Principal Consultant with Antakori S.A. and a Qualified Person under NI 43-101 and included in the La Quebrada Technical Report. Exploration work found below refers to this report.

<u>Mapping</u>

Geological mapping at the La Quebrada property was led by Richard Jeanne of Richard A. Jeanne Ltd. and is currently in process. Stratigraphic work at La Quebrada was initiated on the Leoncita-Dálmatas properties, as the best exposures of the Arqueros Fm are located there. These more complete and detailed stratigraphic sections are the basis for the entire project area stratigraphy. At Casa de Piedra,

approximately 15 square km was mapped at a scale of 1:5000 and an additional 20+ km was reconnoitered and, locally, reconnaissance mapped.

At Dálmatas, two sections of the upper sedimentary sequence, unit Ka4, were measured in detail. Good lateral continuity of facies over several kilometres was observed. The area has been subjected to NE-SW extension resulting in northwest trending normal faults with intervening blocks that dip gently southwestward. The sedimentary sequences are, therefore, repeated a number of times within the property.

Geologic maps prepared by Mandalay in 2006 appear to have been interpreted from aerial photographs with spot field checks. The current detailed field studies of unit Ka4 show that substantial error was introduced by using that method. At Leoncita, observations were made of unit Ka2, the lower sedimentary sequence. Work is underway to prepare measured sections of that unit.

Stratigraphic Summary of Leoncita-Dálmatas and Casa Piedra

Unit Ka2 is comprised of a lower sequence of chert up to 15 metres thick, overlain by at least 50 to 60 metres of sandstone, siltstone and conglomerate interbedded with sandy-pebbly limestone, containing fossil shells of oysters. Ka2 rests on an undetermined thickness of ocoite andesite of unit Ka1. Ka2 is overlain by Ka3, consisting of ocoite andesite of undetermined thickness. Above Ka3 is Ka4, comprised of 80 metres to 90 metres of interbedded siltstone, sandstone, conglomerate and limestone containing rudist fossils. Overlying Ka4 is an undetermined thickness of ocoite andesite of unit Ka5.

Unit Ka2 rests on an undetermined thickness of ocoite andesite of unit Ka1. Ka2 ranges from 0 to 40 metres of calcareous sandstone, limestone and sandy to pebbly limestone. The clastic content decreases and the carbonate content increases toward the top of this unit and the uppermost limestone beds contain fossil oyster shells. Ka2 is overlain by Ka3, consisting of an unknown thickness of ocoite andesite. Ka4 is up to 70 metres of interbedded calcareous sandstone and conglomerate and sandy to pebbly limestone. At Casa de Piedra, unit Ka5 is not present, and unit Ka4 is overlain by basalt, basaltic agglomerate and volcanoclastic sediments of the Quebrada Marquesa Formation. Evidence indicates a period of erosion occurred prior to deposition of the Marquesa that removed unit Ka5 and the upper portions of Ka4.

Exposures of Ka2 and Ka4 units at Casa de Piedra are separated by several major faults with offsets that have not been determined. This has prevented determining the thickness of ocoite andesite that lies between units Ka2 and Ka4. Since it can be assumed that the mineralization observed at Casa de Piedra is related to the upper (Ka4) manto, there is a target at depth (Ka2 manto) that cannot be predicted until the first hole penetrates it.

Drilling

Diamond Drilling

Eleven core recovery holes were drilled during the 2006 campaign. The drilling contractor, Geo-operaciones Limitada, used a Diamond Drilling Geostar rig. Total metreage was 1,301.45 metres and the deepest drill hole was 200 metres deep. All but two of the drill holes were inclined (-60 to -65 degrees) and the azimuth was northeast (30 to 50 degrees). All core is NQ diameter with the exception of the first metres of each hole where casing was needed.

None of the drill holes was surveyed down hole. This may not be a problem with relatively short holes, but in future campaigns to establish resource categories, appropriate down holes surveys to measure the inclination and azimuth should be implemented. All diamond drill holes were drilled between November and December 2006. A total of 814 samples were assayed at 1-metre intervals.

RC Drilling

One hundred and one reverse circulation, chip recovery holes were drilled by Geo-Operaciones Limitada between November 2005 and May 2006 for a total length of 12,628 metres. The deepest hole was 264 metres, and most of the holes were between 100 and 150 metres long. Most of the holes were drilled with azimuth between 30 and 50 degrees (perpendicular to the beds dip) and with inclinations between -60 to -70 degrees. Only two holes were drilled vertically. The hole diameter was mostly 5 ½ with only six holes drilled with a slightly lesser diameter of 5 3/8. The following table lists the coordinates, length and attitude of the core recovery holes.

Hole ID	Location X	Location Y	Location Z	Length	Az	Dip
RC-001	307,075	6,701,130	1,094	60	30	-60
RC-002	306,830	6,701,120	1,071	60	30	-60
RC-003	306,685	6,701,090	1,068	120	30	-60
RC-004	306,890	6,701,190	1,068	60	30	-60
RC-005	306,800	6,701,225	1,054	60	30	-60
RC-006	306,740	6,701,165	1,056	60	30	-60
RC-007	306,770	6,701,040	1,076	130	30	-60
RC-008	306,915	6,701,075	1,090	100	30	-60
RC-009	307,255	6,701,645	1,085	60	35	-65
RC-010	307,105	6,701,755	1,070	70	35	-65
RC-011	307,035	6,701,825	1,064	60	35	-65
RC-012	307,565	6,701,225	1,018	120	35	-65
RC-013	307,485	6,701,180	1,043	120	35	-65
RC-014	307,545	6,701,095	1,016	100	35	-65
RC-015	307,595	6,701,025	994	100	35	-65
RC-016	307,670	6,701,085	986	100	35	-65
RC-017	309,690	6,700,720	1,122	100	30	-65
RC-018	309,710	6,700,840	1,081	60	30	-65
RC-019	309,610	6,700,715	1,079	100	30	-65
RC-020	309,530	6,700,755	1,072	100	210	-65
RC-021	307,777	6,699,465	1,182	80	40	-65
RC-022	308,127	6,699,097	1,152	100	40	-65
RC-023	308,700	6,701,869	1,062	80	30	-60

Summary of drilling results from 2006: Mineralized intervals were calculated at a 0.2 % Cu cut-off, with a minimum 3 metre interval length and two metres maximum internal dilution.

Casa de Piedra drill hole mineralized intervals (2006)			
Hole_ID	Location X	Location Y	Interval
RC-096	314,774	6,707,734	9 m (32-41) @ 0.15 Cu %, 3.4 gpt Ag
RC-097	315,155	6,707,573	6 m (146-152) @ 0.35 Cu %, 6.4 gpt Ag 4 m (159-163) @ 0.83 Cu %, 8.4 gpt Ag 12 m (170-182) @ 0.38 Cu %, 4.3 gpt Ag
DDH-11	312,263	6,709,320	3 m (11-14) @ 0.5 Cu %, 9.2 gpt Ag
Dalmatas mineralized intervals (2006)			
Hole_ID	Location X	Location Y	Interval
DDH-07	307,902	6,699,239	3 m (4-7) @ 0.46 Cu %, 5.7 ppt Ag
DDH-08	307,007	6,699,514	5 m (22-27) @ 0.31 Cu %, 0.8 gpt Ag
RC-021	307,777	6,699,465	3 m (4-7) @ 0.4 Cu %, 4.9 gpt Ag 7 m (12-19) @ 0.49 Cu %, 4 gpt Ag
RC-038	306,990	6,699,768	3 m (57-60) @ 3.3 Cu %, 9 gpt Ag
RC-039	307,060	6,699,655	3 m (20-23) @ 0.26 Cu %, 1.4 gpt Ag
RC-057	309,326	6,697,849	12 m (12-24) @ 1.08 Cu %, 3.6 gpt Ag
RC-060	309,485	6,698,150	8 m (33-41) @ 0.34 Cu %, 3.2 gpt Ag
RC-063	309,290	6,698,064	5 m (91-96) @ 0.58 Cu %, 5.7 gpt Ag
RC-065	309,562	6,697,870	7 m (6-13) @ 0.36 Cu %, 3.5 gpt Ag 4 m (125-129) @ 0.18 Cu %, 1.5 gpt Ag 6 m (193-199) @ 0.22 Cu %, 0.2 gpt Ag
RC-067	309,887	6,698,367	6 m (7-13) @ 0.28 Cu % 0.3 gpt Ag
RC-068	309,821	6,698,634	17 m (146-163) @ 0.76 Cu %, 12.3 gpt Ag
RC-078	307,762	6,699,700	5 m (0-5) @ 0.59 Cu %, 8 gpt Ag
RC-079	307,893	6,699,650	3 m (12-15) @ 0.44 Cu %, 4.6 gpt Ag 4 m (37-41) @ 0.64 Cu %, 3.9 gpt Ag
RC-084	309,665	6,699,314	3 m (6-9) @ 0.27 Cu %, 1.53 gpt Ag
RC-098	307,005	6,699,512	3 m (0-3) @ 0.3 Cu %, 2.5 gpt Ag
Leoncita mineralized intervals (2006)			
Hole_ID	Location X	Location Y	Interval
DDH-01	306, 980	6,701,176	5 m (0-5) @ 0.95 Cu %, 1.7 gpt Ag
DDH-02	307,605	6,701,189	18 m (4-22) @ 0.69 Cu %, 0.9 gpt Ag
DDH-05	309,420	6,700,846	4 m (68-72) @ 0.34 Cu %, 2.2 gpt Ag
RC-001	307,075	6,701,130	4 m (4-8) @ 0.46 Cu %, 2.7 gpt Ag 4 m (13-17) @ 0.31 Cu %, 1 gpt Ag
RC-009	307,255	6,701,645	5 m (50-55) @ 0.15 Cu %, 1.2 gpt Ag
RC-028	307,004	6,701,748	10 m (58-68) @ 0.62 Cu %, 2.3 gpt Ag
RC-031	307,164	6,700,828	7 m (7-14) @ 0.8 Cu %, 2.3 gpt Ag 10 m (27-37) @ 0.79 Cu %, 7.1 gpt Ag
RC-032	307,231	6,700,774	5 m (8-13) @ 0.29 Cu %, 1.5 gpt Ag 7 m (47-54) @ 0.33 Cu %, 0.6 gpt Ag 10 m (85-95) @ 0.25 Cu %, 0.25 gpt Ag
RC-046	309,323	6,700,495	3 m (73-76) @ 0.29 Cu %, 2.2 gpt Ag
RC-075	308,376	6,701,731	5 m (133-138) @ 0.83 Cu %, 6 gpt Ag
RC-077	308,154	6,701,695	3 m (147-150) @ 0.39 Cu %, 5.1 gpt Ag
RC-099	306,982	6,701,178	3 m (0-3) @ 0.39 Cu %, 0.97 gpt Ag
RC-101	309,422	6,700,846	3 m (83-86) @ 0.26 Cu %, 2.5 gpt Ag

The Corporation intends to drill the most favourable targets in Q2/Q3 2010 and bring all the data together to deliver an NI 43-101 compliant resource estimation and report by Q4.

Geographic/Grid Control

All coordinate data has been taken with hand held GPS, therefore, they are low precision. The Horizontal Datum used is Provisional South America 1956, with Mean Sea Level being used as the Vertical Datum. The projection is UTM on Zone 19 South.

Bulk Density Determinations

No density sampling or assaying has been produced at the project. For the internal, back-of-the envelope tonnage calculations, a 2.65 value was used.

Preliminary Environmental Study

No environmental study has been prepared by Mandalay. Neither was the required "Declaración de Impacto Ambiental" presented for the drilling in 2003 or 2006. This represents an environmental liability that should be addressed by a qualified consultant.

Sampling Analysis

Two different sample types were used during this exploration phase: trenching and drilling. Samples of trenches were obtained as rock chip samples after the trench was cleaned of soil and meteorized rock. Drilling samples were obtained from both core and RC drilling. In total, 7,471 drill samples were analyzed. Most of them from the RC campaign (5,807) with the rest (1,664) from the two-hole diamond core campaign.

Core Logging and Sampling Procedure

The La Quebrada Technical Report describes the core handling procedure as follows:

The geologist on site logged and photographed the drill cores. A standardize drill log form was used to record the observed data including collar data, survey data, intervals, rock type, mineralization, alteration type and other relevant characteristics.

Samples were marked by the geologist at one meter intervals. Initially only the sedimentary units were analyzed. On a second pass, more and different lithologies were sampled and assayed. No reference or standard samples were introduced in the core sampling or assaying stream except for laboratory standards.

The La Quebrada Technical Report summarizes the RC logging and sampling procedures as follows: The RC drilling samples were collected at 1-metre intervals using a Jones splitter to split the sample return from the cyclone into two duplicated samples. The geologist recorded the rock type, alteration, and mineralization in a standard drill log sheet, and retained a small quantity of the chips for reference in a plastic box, which also were stored in the samples storage place. The entire hole was sampled but the geologist selected samples to be sent to the lab based on the presence of visible mineralization or some lithological features that presumably can correspond to hosting horizons.

Reference samples were introduced at a fixed position every 20 samples, i.e. samples ending in 00, 20, 40 60 and 80 are special samples. One of the three standards, one blank or a duplicate was introduced in the sampling stream. The standard to be inserted was selected randomly and not according to the expected

grade of the interval. Control of the sample numbers for the reference samples and duplicates was not kept carefully and the information is partial or incomplete in that regard.

The following are a list of factors that may affect the reliability of the results:

- Mineralized intervals were calculated at a 0.2 % Cu cut-off, with a minimum 3 metre interval length and two metres maximum internal dilution.

- During the drilling, it was noted that fines were being lost on the cyclon smoke-stack. Samples from the emitted dust were sampled and assayed. Returned values were above or similar to the original samples.

Some steps to control possible loss of fines in the RC drilling were put in control. For more information on these controls, reference is made to section 11.2 of the La Quebrada Technical Report.

Three RC holes were twinned with core holes as a way to test the assay differences. The holes used for this exercise were, however, barren or very low grade. The assays, being near the detection limit, were too noisy to make a useful comparison. It is recommended to repeat this exercise in some of the known mineralized holes, as the finer grade ore loss in the dust can be significant causing an increase in the grade and reducing the need for grinding.

Sample Quality

The La Quebrada Technical Report concluded that the sampling and assaying methods are concordant with the industry standards. The RC drilling tended to underestimate the grades as part of the ore minerals. Unless methods are developed to control these losses, the La Quebrada Technical Report recommended avoiding RC drilling.

The La Quebrada Technical Report concluded that samples were representative of the mineralization; however, a better geological control of the boundaries of each sample would provide a better representation of the mineralized bodies. In future drilling campaigns, it is recommended to sample according to the geological boundaries when possible.

Quality Control Measures

Simple analytical quality control procedures were put in place at the start of the drilling program. This included the preparation of reference materials and the use of duplicates at regular intervals in sampling. The laboratory was monitored by the use of laboratory internal quality control procedures that were provided to Mandalay at its request. There is no indication that the standard and duplicates assay data was used for control and monitoring other than in a very informal and un-reported way.

Standards were prepared with local material except for the quartz blanks that was bought. Blanks, duplicates and/or standards were introduced at a rate of every twenty samples (5%).

During the first five weeks, no standards were available. Duplicates were inserted in the assaying stream at a rate of 1 every 20 samples.

No duplicates samples were prepared or reference material assayed on the core recovery drilling. There is no mention of the insertion of blank material after batches of mineralized material as to control cross sample contamination. The quality control measures were not implemented properly, even when attempting to use methods and systems according to industry standards. A thorough system needs to be applied in the next drilling campaign.

Data Verification

All the geology data was verified as correct by either comparing the field observations with the logs or information in the database.

Assay data has not been verified as no second laboratory was used. The author was not able to independently verify the assay data for lack of time, but the identified mineralized zones coincide with visible mineralization in both field and core observations by the author. The drilling campaign was well controlled but the data management was not followed on its entirety. The data, as it stands now, can be considered to industry standards even if crosschecks are necessary. Refer to Section 13 of the La Quebrada Technical Report for more information.

Security of Samples

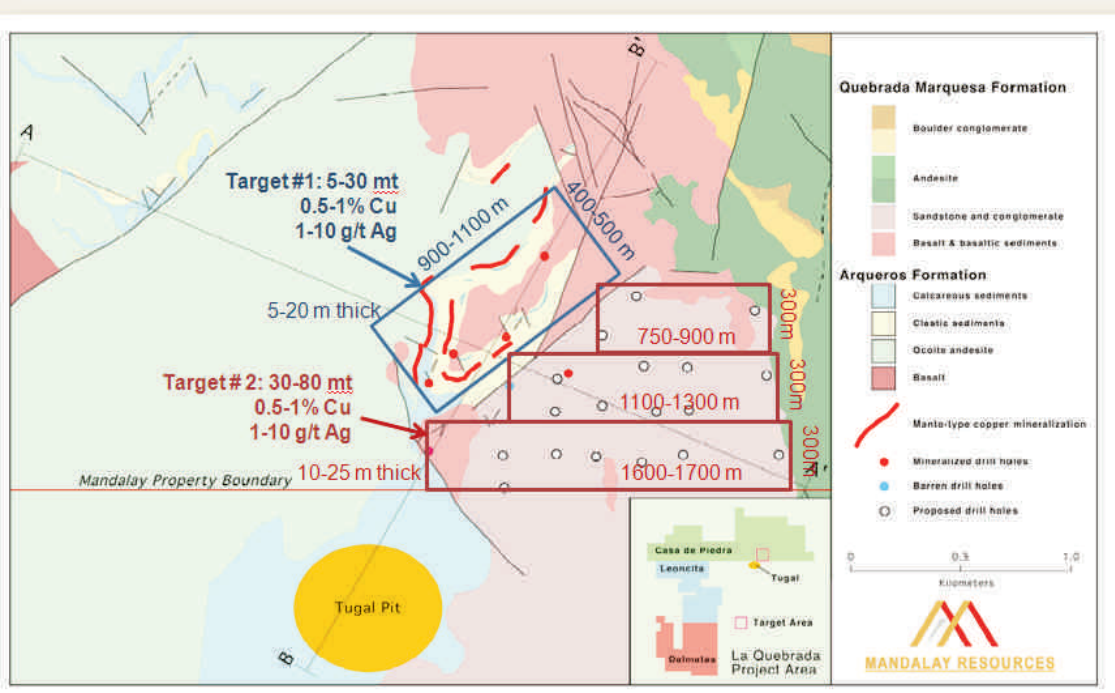
After the cutting or splitting procedure, samples were kept at an on-site camp until shipped to the lab. The samples had continued surveillance for 24 hours a day until the time shipped. Samples were sent packed in large canvas bags with a work order stating the number of samples on each bag. There is no record of lost samples in the company logs.

Mineral Reserves and Resources

There are no known mineral resources or reserves within the property limits.

Exploration Targets

Mandalay intends to drill the Casa de Piedra target later in 2010. The Corporation is targeting 35-100 million tonnes of rock that could contain grades of 0.5 to 1% Cu and 1-10 g/t Ag. This target tonnage was estimated by calculating the volume of rectangular prisms drawn to approximate the favorable geology in plan view), using a range of vertical thickness and grades as revealed in a few historic drill holes that penetrate the target (see figure below).



This target is not an inferred resource. The quantity and grades expressed above are theoretical and conceptual in nature and there has been insufficient exploration to define a mineral resource. It is uncertain if further exploration will result in this target being delineated as a mineral resource.

6.14 Risk Factors

The Corporation is exposed to a variety of risks in the normal course of operations that could significantly affect its performance and could cause its actual results to differ in material respects from its anticipated results. These risks are discussed below and are in addition to those outlined elsewhere in this Annual Information Form and in the Corporation's public filings with the Canadian securities regulatory authorities, including the Corporation's management's discussion and analysis of financial condition and results of operations for the year ended December 31, 2009 available on SEDAR at www.sedar.com under the Corporation's profile.

As a result of any one or more of these risks, the Corporation's operating results and Common Share price may be subject to a significant level of volatility.

Risks Factors of the Business

The Corporation's operations will be subject to all of the hazards and risks normally incidental to exploring, developing and exploiting natural resources. Some of these risks include: environmental hazards; industrial accidents; labour disputes; unusual or unexpected geologic formations or other geological or grade problems; unanticipated changes in metallurgical characteristics and metal recovery; unanticipated ground or water conditions, rock falls, seismic activity, cave-ins, pit wall failures, flooding, rock bursts; periodic interruptions due to bad or hazardous weather conditions and other acts of God; and unfavourable operating conditions.

Any of these risks and hazards could adversely affect the Corporation's exploration activities or mining activities resulting in any of the following: an increase in the cost of exploration, development or production to a point where it is no longer economically feasible to continue; the Corporation writing down the carrying value of one or more properties or mines; delays or a stoppage in the exploration, development or production of the projects; damage to or destruction of mineral properties or processing facilities; environmental damage; and/or personal injury, death and/or legal liability. Although precautions to minimize risk will be taken, operations are subject to hazards that may have a material adverse impact on the business, operations and financial performance of Mandalay.

Mining Industry Risks

The exploration for and development of mineral deposits involves a high degree of risk, which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties that are explored are ultimately developed into producing mines. Substantial expenses may be required to locate and establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. There is no certainty that the exploration programs planned by the Corporation will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, such as the following: the particular attributes of the deposit, including size, grade and proximity to infrastructure; metal prices, which are inherently cyclical and cannot be predicted with certainty; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. As a result, it is possible that financial performance of mineral properties will differ from plans and forecasts made in advance by the Corporation.

In addition, it is also common for mining operations to experience unexpected problems both during the start up and during ongoing operations. To the extent that unexpected problems occur affecting the production in the future, the Corporation's revenues may be reduced, costs may increase and the Corporation's profitability and ability to continue its mining operation may be adversely affected.

Fluctuations in the Market Price of Mineral Commodities

If the Corporation seeks to bring a property to production, the profitability of its operations will be dependent in part upon the market price of mineral commodities and precious metals. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of the Corporation. The level of interest rates, the rate of inflation, the world supply of and demand for mineral commodities, and exchange rate stability can all cause significant price fluctuations. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The price of mineral commodities has fluctuated widely in recent years, and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on the Corporation's business, financial condition and results of operations. Fluctuations in market price of mineral commodities subsequent to the date of any estimate of mineral reserve or mineral resource may require revision of such estimate. An adverse fluctuation in the market price of mineral commodities may cause a re-evaluation of the economic feasibility of any project. If the economic feasibility is subsequently questioned, the Corporation may be adversely affected and may have to write-off costs previously incurred.

Project Development, Expansion Targets and Operational Delays

There can be no assurance that Mandalay will be able to manage effectively the expansion of its operations or that Mandalay's current personnel, systems, procedures and controls will be adequate to support Mandalay's operations. Some of Mandalay's projects may be operated and managed by contractors. Any failure of management to effectively manage Mandalay's growth and development could have a material adverse effect on Mandalay's business, financial condition and results of operations.

Mandalay's operational targets are subject to the completion of planned operational goals on time and according to budget and are dependent on the effective support of Mandalay's personnel, systems, procedures and controls. Any failure of these may result in delays in the achievement of operational targets with a consequent material adverse impact on the business, operations and financial performance of Mandalay.

The location of all of Mandalay's current activities dictate that climatic conditions have an impact on operations and, in particular, severe weather could disrupt the delivery of supplies, equipment and fuel. It is, therefore, possible that exploration and mining activity levels might fluctuate. Unscheduled interruptions in Mandalay's operations due to mechanical or other failures, industrial relations related issues or problems or issues with the supply of goods or services could have a serious impact on the financial performance of those operations.

Environmental Risks and Hazards

All phases of the Corporation's operations are subject to environmental regulation in the jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that existing or future environmental regulations will not materially adversely affect the Corporation's business, financial condition and results of operations. Environmental hazards may exist on the properties where the Corporation holds interests that

are unknown to the Corporation at present and which have been caused by previous or existing owners or operators of the properties. Government approvals and permits are currently, or may in the future be, required in connection with the Corporation's operations. To the extent such approvals are required and not obtained, the Corporation may be curtailed or prohibited from proceeding with planned exploration or development of mineral properties.

Failure to comply with applicable laws, regulations and requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations, including the Corporation, may be required to compensate those suffering loss or damage by reason of mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Corporation and cause increases in exploration expenses, capital expenditures or production costs, reduction in levels of production at producing properties, or abandonment or delays in development of new mining properties.

Requirement of Additional Financing

The exploration and development of the Corporation's properties, including continued explorations and development projects, the construction of mining facilities and the commencement of mining operations in the future, may require substantial additional financing. Failure to obtain sufficient financing may result in a delay or indefinite postponement of exploration, development or production on any or all of the Corporation's properties and may lead to a loss of an interest in a property. Additional financing may not be available when needed. Even if such additional financing is available, the terms of the financing might not be favourable to the Corporation and might involve substantial dilution to existing shareholders or sale or other dispositions of an interest in any of the Corporation's assets or properties. Failure to raise capital when needed could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Health and Safety

Mandalay's activities are and will continue to be subject to health and safety standards and regulations. Failure to comply with such requirements may result in fines and/or penalties being assessed against Mandalay or its officers.

Uncertainty as to Calculations of Mineral Deposit Estimates

There is a significant degree of uncertainty attributable to the calculation of mineral deposit estimates and corresponding mineralization grades. Until the mineralized material is actually mined and processed, mineral deposit estimates, mineralization grades and recovery rates must be considered as estimates only. Consequently, there can be no assurance that any mineral deposit estimates or ore-grade information contained herein (including in the documents incorporated herein by reference) will prove accurate. In addition, the value of mineral deposits may vary depending on mineral prices and other factors. Any material change in ore grades, stripping ratios or other mining and processing factors may affect the economic viability of the Corporation's projects. Furthermore, mineral deposit estimate information should not be interpreted as any assurance of mine life or of the potential profitability of existing or future projects.

Marketability

The marketability of the minerals owned by Mandalay, or which may be acquired or discovered by Mandalay, will be affected by numerous factors beyond the control of Mandalay. These factors include market fluctuations, the proximity and capacity of markets and governmental regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting and environmental protection. A combination of one or more of these factors may result in Mandalay not receiving an adequate return on invested capital.

Licenses and Permits

The operations of the Corporation may require licenses and permits from various governmental authorities. Obtaining necessary permits and licenses can be a complex, time consuming process and the Corporation cannot be certain that it will be able to obtain necessary permits on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining necessary permits and complying with these permits and applicable laws and regulations could stop, delay or restrict the Corporation from proceeding with the development of an exploration project or the development and operation of a mine. Any failure to comply with applicable laws and regulations or permits could result in interruption or closure of exploration, development or mining operations, or fines, penalties or other liabilities. The Corporation could also lose its mining concessions under the terms of its existing agreements.

Title Matters

The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral concessions may be disputed. Although the Corporation believes it has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to any of its properties will not be challenged or impaired. Third parties may have valid claims underlying portions of the Corporation's interests.

Governmental Regulation of the Mining Industry

The mineral exploration activities of the Corporation are subject to various laws governing prospecting, development, production, taxes, labour standards, employment and occupational health, mine safety, use of water, toxic substances and waste disposal, environmental and other matters. Mining and exploration activities are also subject to various laws and regulations relating to protection of the environment. Although the Corporation believes that its exploration and production activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail production or development. Amendments to current laws and regulations governing the operations and activities of the Corporation or more stringent implementation thereof could have a material adverse effect on the business, financial condition and results of operations of the Corporation.

Current Global Financial Conditions

Current global financial conditions have been subject to increased volatility and numerous commercial enterprises have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to public financing has been negatively impacted by both sub-prime mortgages and the liquidity crisis affecting the asset-backed commercial paper market. These factors may impact the ability of Mandalay to obtain equity or debt financing in the future and, if obtained, on terms acceptable to Mandalay. If these increased levels of volatility and market turmoil continue, Mandalay's operations could be adversely impacted. In addition, general economic indicators, including employment levels, announced corporate earnings, economic growth and consumer confidence, have deteriorated. Any or all

of these economic factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. If such increased levels of volatility and market turmoil continue, Mandalay's operations could be adversely impacted and the trading price of the Common Shares may be adversely affected.

Securities of mining companies have experienced substantial volatility in the past, and especially during 2008 and early 2009, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in the countries where Mandalay carries on business globally and market perceptions of the attractiveness of particular industries. The price of the Common Shares is also likely to be significantly affected by short term changes in commodity prices, coal prices or other mineral prices, currency exchange fluctuation and the political environment in the countries in which Mandalay does business globally.

Currency Risk

The Corporation's operations will incur most of its expenditures in Australian and US dollars. The Corporation will also incur some of its expenditures in Chilean Pesos. The Corporation usually conducts its financing activities and reports its financial performance in Canadian dollars. As a result of the use of these different currencies, the Corporation may be subject to foreign currency fluctuations, which may materially affect the financial position and results of the Corporation. The Corporation does not engage in currency hedging to offset any risk of currency fluctuations.

No History of Profitability

The Corporation has been an exploration and development stage company until November 30, 2009. Mandalay's recent advance into production has only produced one quarter of reported results. There can be no assurance that the operations of the Corporation will be profitable in the future.

Uninsured Risks

The Corporation does not carry insurance to protect against certain risks. Risks which are not insured include environmental pollution, earthquake damage, mine floodings or other hazards against which the Corporation, and in general, mining exploration corporations, cannot insure or against which the Corporation may elect not to insure because of high premium costs or for other reasons. Failure to have insurance coverage for any one or more of such risks or hazards could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Competition

The mining industry is intensely competitive in all of its phases and the Corporation will compete with many companies possessing greater financial and technical resources. Competition in the mining industry is primarily for: mineral rich properties which can be developed and produced economically; the technical expertise to find, develop, and operate such properties; the labour to operate the properties; and the capital for the purpose of funding such properties. Many competitors not only explore for and mine precious metals, but also conduct refining and marketing operations on a world-wide basis. Such competition may result in the Corporation being unable to acquire desired properties (due to the auction process involved in property acquisition), to recruit or retain qualified employees or to obtain the capital necessary to fund its operations and develop its properties. Existing or future competition in the mining industry could materially adversely affect the Corporation's prospects for mineral exploration and success in the future. An inability to obtain the capital necessary to fund its operations and develop its properties may cause the Corporation to not satisfy the requirements under option agreements pursuant to which Mandalay holds its interest in properties. Further, increased competition can result in increased costs and lower prices for

metal and minerals produced which, in turn, reduces profitability. Consequently, the revenues of the Corporation, its operations and financial condition could be materially adversely affected.

Repatriation of Earnings

There is no assurance that Chile, Australia, or any other foreign country in which the Corporation or its subsidiaries may operate in the future will not impose restrictions on the repatriation of earnings to foreign entities.

Properties without Known Mineable Reserves

The activities of the Corporation will continue to be directed towards the search for, evaluation of and development of mineral deposits. There is no assurance that the expenditures of the Corporation will result in discoveries of commercial ore bodies. Furthermore, there can be no assurance that the Corporation's estimates of future exploration expenditures will prove accurate, and actual expenditures may be significantly different than currently anticipated.

Dependence upon Key Management Personnel and Executives

The Corporation will be dependent upon the continued support and involvement of a number of key management personnel. The loss of the services of one or more of such personnel could have a material adverse effect on the Corporation. The Corporation's ability to manage its exploration and development activities and, hence, its success, will depend in large part on the efforts of these individuals. The Corporation faces competition for qualified personnel and there can be no assurance that the Corporation will be able to attract and retain such personnel.

Dependence on Major Customers

The mining industry is characterized by a relatively small number of customers worldwide. A loss of, or a significant reduction in, purchases by one or more of Mandalay's largest customers could have a material adverse impact on the financial performance of Mandalay.

Infrastructure

Development and exploration activities depend on adequate infrastructure, including reliable roads, power sources and water supply. The Corporation's inability to secure adequate water and power resources, as well as other events outside of its control, such as unusual weather, sabotage, government or other interference in the maintenance or provision of such infrastructure, could adversely affect the Corporation's operations and financial condition.

Litigation

Legal proceedings may arise from time to time in the course of Mandalay's business. There have been a number of cases where the rights and privileges of mining and exploration companies have been the subject of litigation. Such litigation may be brought against Mandalay in the future from time to time or Mandalay may be subject to another form of litigation.

Potential Volatility of Market Price of Common Shares

Securities traded on the TSXV have, from time to time, experienced significant price and volume fluctuations unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the market price of the Common Shares. In addition, the market price of

the Common Shares is likely to be highly volatile. Factors such as metals prices, the average volume of shares traded, announcements by competitors, changes in stock market analyst recommendations regarding the Corporation, and general market conditions and attitudes affecting other exploration and mining companies may have a significant effect on the market price of the Corporation's shares. Moreover, it is likely that during future quarterly periods, the Corporation's results and exploration activities may fluctuate significantly or may fail to meet the expectations of stock market analysts and investors and, in such event, the market price of the Common Shares could be materially adversely affected. In the past, securities class action litigation has often been initiated following periods of volatility in the market price of a company's securities. Such litigation, if brought against the Corporation, could result in substantial costs and a diversion of management's attention and resources, which could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Possible Conflicts of Interest of Directors and Officers of the Corporation

Certain of the directors and officers of the Corporation also serve as directors, officers and/or advisors of and to other companies involved in natural resource exploration and development. Consequently, there exists the possibility for such directors and officers to be in a position of conflict. The Corporation expects that any decision made by any of such directors and officers involving the Corporation will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Corporation and its shareholders, but there can be no assurance in this regard. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest.

Absence of Dividends

The Corporation has never paid a dividend on its Common Shares. Any future determination by the Corporation to pay dividends will be at the discretion of the Board of Directors and will depend on the capital requirements of the Corporation, results of operations and such other factors as the Board of Directors considers relevant. Accordingly, it is likely that investors will not receive any return on their investment in the Common Shares other than possible capital gains.

Risk of Dilution

Under applicable Canadian law and the rules of the TSXV, shareholder approval is not required for the Corporation to issue Common Shares in a number of circumstances. Moreover, the Corporation has commitments that could require the issuance of a substantial number of additional Common Shares, in particular, warrants exercisable into Common Shares and options to acquire Common Shares under the Stock Option Plan (as defined below). The future business of the Corporation will require substantial additional financing which will likely involve the sale of equity capital. The Corporation can also be expected to issue additional options, warrants and other financial instruments, which may include debt. Future issuances of equity capital may have a substantial dilutive effect on existing shareholders. The Corporation is not able at this time to predict the future amount of such issuances or dilution.

Payment Obligations Relating to Properties

It is estimated that Mandalay will be required to make aggregate expenditures of approximately $500,000 in fiscal year 2010 to keep its interests in its properties in good standing. Failure to make these payments or any required exploration expenditures could require Mandalay to forfeit interests in certain of its properties. There can be no assurance that funds will be available in the future to permit the Corporation to satisfy these obligations.

Instability of Political and Economic Environments

The mining interests of the Corporation may be affected in varying degrees by political or economic stability. Associated risks include, but are not limited to: terrorism, military repression, extreme fluctuations in currency exchange rates and high rates of inflation. Any change in regulations or shifts in political attitudes are beyond the control of the Corporation and may materially adversely affect its business, financial condition and results of operations. Operations may also be affected in varying degrees by such factors as government regulations (or changes thereto) with respect to the restrictions on production, export controls, income taxes, expropriation of property, repatriation of profits, land use, environmental legislation, water use, land claims of local people, and mine safety. The effect of these factors cannot be accurately predicted.

One of the Corporation's material properties is currently located in Chile and, as such, a substantial portion of the Corporation's business is exposed to various degrees of political, economic and other risks and uncertainties. Although Chile has a mature and stable political system and enjoys one of the best country risk ratings of the region, there is always the potential for changes in mining policies or shifts in political attitude towards foreign investment in natural resources. Changes, even if minor in nature, may adversely affect the Corporation's operations.

7. DIVIDENDS

The Corporation has not declared or paid dividends on any shares since its inception. The Board of Directors may declare from time to time such cash dividends out of the monies legally available for dividends as the Board of Directors considers appropriate. Any future determination to pay dividends will be at the discretion of the Board of Directors and will depend on the capital requirements of the Corporation, results of operations and such other factors as the Board of Directors considers relevant.

8. CAPITAL STRUCTURE

General Description of Capital Structure

Mandalay became a reporting issuer on December 14, 2000 and had its Common Shares listed, posted and called for trading on the TSXV on March 28, 2001.

Common Shares

The authorized capital of Mandalay is an unlimited number of Common Shares, of which 99,392,850 were issued as at May 17, 2010. The holders of Common Shares are entitled to receive notice of and attend all meetings of shareholders, with each Common Share entitling the holder to one vote on any resolution to be passed at such shareholder meetings. The holders of Common Shares are entitled to dividends if and when declared by the Board of Directors. The holders of Common Shares are entitled, upon the liquidation, dissolution or winding up of Mandalay, to receive the remaining assets of Mandalay available for distribution to shareholders.

Stock Options

Pursuant to the 10% rolling stock option plan of the Corporation (the "**Stock Option Plan**") which authorizes the directors of the Corporation to grant options for up to 10% of the issued and outstanding Common Shares, as at the date of this Annual Information Form, the following options were outstanding under the Stock Option Plan, each option exercisable to purchase one Common Share. For additional information on the Stock Option Plan, see the Corporation's management information circular dated March 24, 2010 on its SEDAR profile. The total number of outstanding options is 8,090,946.

Number of Options	Date of Issue	Exercise Price ($)	Expiry Date
20,000	January 25, 2007	$0.50	January 25, 2012
35,000	May 9, 2007	$0.50	May 9, 2012
10,000	July 17, 2007	$0.50	July 17, 2012
20,000	November 1, 2007	$0.50	November 1, 2012
100,000	August 21, 2008	$0.50	August 21, 2013
100,000	August 21, 2008	$0.50	August 21, 2013
50,000	August 21, 2008	$0.50	August 21, 2013
50,000	June 24, 2009	$0.50	February 24, 2011
50,000	June 24, 2009	$0.50	February 24, 2011
87,480	June 24, 2009	$0.50	November 20, 2011
24,380	June 24, 2009	$0.50	May 9, 2012
80,000	June 24, 2009	$0.50	November 1, 2009
7,464,086	December 7, 2009	$0.255	December 7, 2014

Share Purchase Warrants

As at the date of this Annual Information Form, the following warrants to purchase Common Shares were outstanding. Holders of warrants are not entitled to any rights as a shareholder of the Corporation, including without limitation, voting rights. The total number of outstanding warrants is 73,746,741.

Number of Warrants	Date of Issue	Exercise Price ($)	Expiry Date
1,160,000	22/04/2009	0.20	22/04/2014
6,036,741	24/06/2009	0.25	24/06/2014
600,000	21/07/2009	0.20	21/07/2014
1,600,000	15/10/2009	0.465	15/10/2014
3,950,000	30/11/2009	0.31	29/11/2014
16,000,000	30/11/2009	0.31	30/11/2014
20,000,000	30/11/2009	0.465	30/11/2014
24,400,000	30/11/2009	0.465	30/11/2014

9. MARKET FOR SECURITIES

9.1 Trading Price and Volume

The Common Shares trade on the TSXV under the symbol "MND". Information concerning the trading prices and volumes of the Common Shares on the TSXV during fiscal 2009 is set out below:

Month	High ($)	Low ($)	Close ($)	Total Monthly Volume
January 2009	0.09	0.055	0.09	89,300
February 2009	0.145	0.085	0.145	166,100
March 2009	0.145	0.1	0.1	24,100
April 2009	0.21	0.105	0.145	90,700
May 2009	0.19	0.145	0.16	214,400
June 2009	0.25	0.165	0.22	437,200
July 2009	0.25	0.205	0.22	200,756
August 2009	0.5	0.2	0.38	640,152
September 2009	0.46	0.295	0.42	857,451
October 2009	0.45	0.31	0.34	857,936
November 2009	0.365	0.305	0.34	659,680
December 2009	0.4	0.29	0.35	941,069

10. ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

The Corporation does not have any securities subject to regulatory escrow or any securities subject to any contractual restriction on transfer.

11. DIRECTORS AND OFFICERS

The following table sets forth the name, province or state, country of residence, position held with the Corporation and principal occupation of each of the directors and executive officers of the Corporation. John Conlon and Gordon Watts were elected as directors of the Corporation at its annual and special meeting of shareholders held on June 25, 2009. John Byrne and Bradford A. Mills were each appointed as directors in July 2009 and September 2009, respectively. Robert Doyle and Sanjay Swarup were appointed directors at the Corporation's annual and special meeting held on April 21, 2010. Each director holds office until the Corporation's next annual meeting of shareholders or until their successors are duly elected or appointed. Sanjay Swarup and Mark Sander were appointed as Chief Financial Officer and Chief Operations Officer of the Corporation, respectively, in December 2009. Belinda Labatte was appointed as Corporate Secretary of the Corporation in March 2010.

Name, Province/State and Country of Residence	Position with the Corporation	Principal Occupation [1]	Director/Officer Since
John J. Byrne[2] Melbourne, Australia	Chairman and Director	Executive Chairman of Wasabi Energy Ltd.	July 2009
John Conlon Ontario, Canada	Director	Director of Cambrian Mining Plc and Xtract Energy Plc, a coal and minerals mining company	May 2008
Robert Doyle[2] Ontario, Canada	Director	Retired Business Person	April 2010
Belinda Labatte Ontario, Canada	Corporate Secretary	Principal, The Capital Lab Inc.	March 2010
Bradford A. Mills London, United Kingdom	Chief Executive Officer and Director	Chief Executive Officer of the Corporation	September 2009
Mark Sander Philadelphia, Pennsylvania	Chief Operating Officer	Chief Operating Officer of the Corporation	December 2009
Sanjay Swarup Twickenham, United Kingdom	Chief Financial Officer and Director	Chief Financial Officer of the Corporation	Officer: December 2009 Director: April 2010
Gordon Watts[2] Ontario, Canada	Director	Entrepreneur	June 2009

Notes:

(1) Information supplied by the directors and officers.
(2) Member of Audit Committee.

As of May 18, 2010, the directors and executive officers of the Corporation, as a group, beneficially owned, or controlled or directed, directly or indirectly, approximately 4,000,000 Common Shares, representing approximately 4.02% of the outstanding Common Shares. The information as to the number of Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, by the directors and executive officers, but which are not registered in their names and not being within the knowledge of the Corporation, has been furnished by such directors and officers.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

The following information has been furnished by the directors and executive officers of the Corporation. No director or executive officer of the Corporation is, as at the date hereof or has been, within the 10 years before the date hereof, a director, Chief Executive Officer or Chief Financial Officer of any company (including the Corporation), that:

(a) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days that was issued while the director or executive officer was acting in the capacity as director, Chief Executive Officer or Chief Financial Officer; or

(b) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days that was issued after the director or executive officer ceased to be a director, Chief Executive Officer or Chief Financial Officer and which resulted from an event that occurred while that person was acting in the capacity as director, Chief Executive Officer or Chief Financial Officer.

No director or executive officer of the Corporation, or shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation:

(a) is, as at the date hereof, or has been within the 10 years before the date hereof, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(b) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

No director or executive officer of the Corporation, or shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, has been subject to:

(a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Certain of the directors and officers of the Corporation and its subsidiaries also serve as directors, officers and/or advisors of and to other companies involved in natural resource exploration and development. Consequently, there exists the possibility for such directors and officers to be in a position of conflict. The Corporation expects that any decision made by any of such directors and officers involving the Corporation will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Corporation and its shareholders.

12. LEGAL PROCEEDINGS

As at the date of this Annual Information Form, there were no material legal proceedings against or by the Corporation.

13. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as described elsewhere in this Annual Information Form, since January 1, 2007, no director, executive officer or 10% shareholder of the Corporation or any associate or affiliate of any such person or company, has or had any material interest, direct or indirect, in any transaction that has materially affected or will materially affect the Corporation or any of its subsidiaries.

14. TRANSFER AGENTS AND REGISTRARS

The Corporation's transfer agent and registrar is Computershare Investor Services Inc., and its office is in Vancouver, British Columbia.

15. MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business and not required to be filed under Section 12.2 of National Instrument 51-102 – Continuous Disclosure Obligations ("**NI 51-102**"), the only contracts which are regarded as material and which were entered into by the Corporation within fiscal 2009 or before fiscal 2009 but are still in effect are:

1. The Amending Agreement. For further information, see "General Development of the Business – Three Year History" in this Annual Information Form.

2. The Los Santos Ladrones Option. For further information, see "General Development of the Business – Three Year History" in this Annual Information Form.

3. The off-take agreement with Zhongnan Antimony and Tungsten Trading Company:

   On January 19, 2010, the Corporation signed a 12 month extension to its concentrate off-take agreement with Zhongnan Antimony and Tungsten Trading Company for all antimony-gold concentrate produced at its recently acquired Costerfield mine in Australia. The extended contract improves the percentage of antimony paid to an average of 60% from 55% and improves the pricing for gold contained in antimony concentrate at gold prices over US$1000/ounce.

16. INTERESTS OF EXPERTS

16.1 Names of Experts

The persons referred to below have been named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under NI 51-102 during, or relating to, the Corporation's financial year ended December 31, 2009.

Deloitte & Touche LLP ("**Deloitte**") is the independent auditor of Mandalay. Deloitte is independent with respect to the Corporation within the meaning of the Rules of Professional Conduct of British Columbia.

The persons referred to below have been named as having prepared or certified a statement, report or valuation described or included in this Annual Information Form.

Dean Fredericksen of Fredericksen Geological Solutions Pty Ltd., Chris Davis, Melanie McCarthy and Rodney Webster of AMC Consulting Pty Ltd. are the authors responsible for the preparation of the Technical Report dated May 2009 entitled "Costerfield Gold and Antimony Project, Augusta and Brunswick Deposits Located in Costerfield, Victoria, Australia".

The May 2010 Costerfield technical report was compiled by Chris Raleigh, Principal Consultant (Mining) with SRK Consulting pty and a Qualified Person under NI 43-101. Leonardo Diaz (PhD and MSusIMM), Principal Consultant with Antakori S.A., is the author responsible for the preparation of the Technical Report dated March 31, 2010 entitled "La Quebrada Project, La Serena, Chile".

16.2 Interests of Experts

To the knowledge of the Corporation, the persons above, as a group, beneficially owned, or controlled or directed, directly or indirectly, less than 1% of the issued and outstanding Common Shares, at the time of or after such person prepared the statement, report or valuation, and none of the persons above is or is expected to be elected, appointed or employed as a director, officer or employee of the Corporation or of any associate or affiliate of the Corporation.

17. ADDITIONAL INFORMATION

Additional financial information and information regarding directors' and officers' remuneration and indebtedness, principal holders of Common Shares and securities authorized for issuance under equity compensation plans, as applicable, is contained in the Corporation's financial statements and management's discussion and analysis for the fiscal year ended December 31, 2009 and management information circular dated March 24, 2010 which is available on the Corporation's SEDAR profile.