



MANDALAY RESOURCES

MANDALAY RESOURCES CORPORATION

Annual Information Form

March 31, 2015

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SCHEDULE A

1. ABOUT THIS ANNUAL INFORMATION FORM

The information in this Annual Information Form is presented as at December 31, 2014, unless otherwise indicated, and except for information in documents incorporated by reference that have a different date. All dollar amounts in this document are in US 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, silver, copper, antimony and other metals as well as foreign exchange rates; the estimation of Mineral Reserves and resources and the related results and timing of such estimates; the performance of Mineral Reserve estimates in predicting amount and quality of ore actually mined; the timing and amount of estimated future production, costs of production, capital expenditures; estimates of expected sales volumes and associated operating and capital costs for its silver and gold production; costs and timing for the development of new deposits; success of exploration activities; and environmental permitting timelines. 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 production, capital, and/or exploration plans 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 the date of this Annual Information Form.
- 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 Costerfield gold-antimony mine (“**Costerfield**”), the Cerro Bayo silver-gold mine (“**Cerro Bayo**”), the Challacollo silver-gold property (“**Challacollo**”) and the Björkdal gold mine (“**Björkdal**”) 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 in respect of Costerfield, entitled “Costerfield Operation, Victoria Australia, NI 43-101 Report SRK Project No. PLI016” dated March 31, 2015 (the “**Costerfield Technical Report**”), was prepared by SRK Consulting (Australia) Pty Ltd. (“**SRK**”), authored by Peter Fairfield, Principal Consultant (Project Evaluation), BEng (Mining), FAusIMM (No: 106754); CP Simon Walsh, BSc (Extractive Metallurgy), MBA Hons, MAusIMM, CP, GAICD and Danny Kentwell, MSc Mathematics and Planning (Geostatistics), FAusIMM, all independent Qualified Persons under NI 43-101, and filed on March 31, 2015.

The technical report in respect of Cerro Bayo, entitled “Technical Report on the Cerro Bayo Project, Region XI (Aisén), Chile” dated March 13, 2015 (the “**Cerro Bayo Technical Report**”), was prepared by Roscoe Postle Associates Inc. (“**RPA**”), authored by Normand L. Lecuyer (P.Eng.) and Rosmery Julia Cárdenas Barzola, MAusIMM CP (Geo), both independent Qualified Persons under NI 43-101, and filed on March 31, 2015.

The technical report in respect of Björkdal entitled “Technical Report on the Björkdal Gold Mine, Sweden” and dated March 20, 2015 (the “**Björkdal Technical Report**”) was prepared by RPA and authored by Ian T. Blakley (P.Geo), and Thomas H.A. Healy (P.Eng), both independent Qualified Persons under NI 43-101, and filed on March 31, 2015.

The technical report in respect of Challacollo entitled “NI 43-101 Technical Report for the Challacollo Silver Project, Region I, Chile” dated March 31, 2015, (the “**Challacollo Technical Report**”) was prepared by Mining Plus, authored by Marek Mroczek, P.Eng. Michael Collins, P.Geo. Sean P. Butler, P.Geo. and Juan Carlos Tapia, independent Qualified Persons under NI 43-101, and filed on March 31, 2015.

The technical information contained in this Annual Information Form with respect to Costerfield, Cerro Bayo, Björkdal and Challacollo has been summarized from the Technical Reports. All summaries and references to Technical Reports are qualified in their entirety by reference to the complete text of the applicable Technical Report, which can be found under the Corporation’s profile at www.sedar.com.

4. CORPORATE STRUCTURE

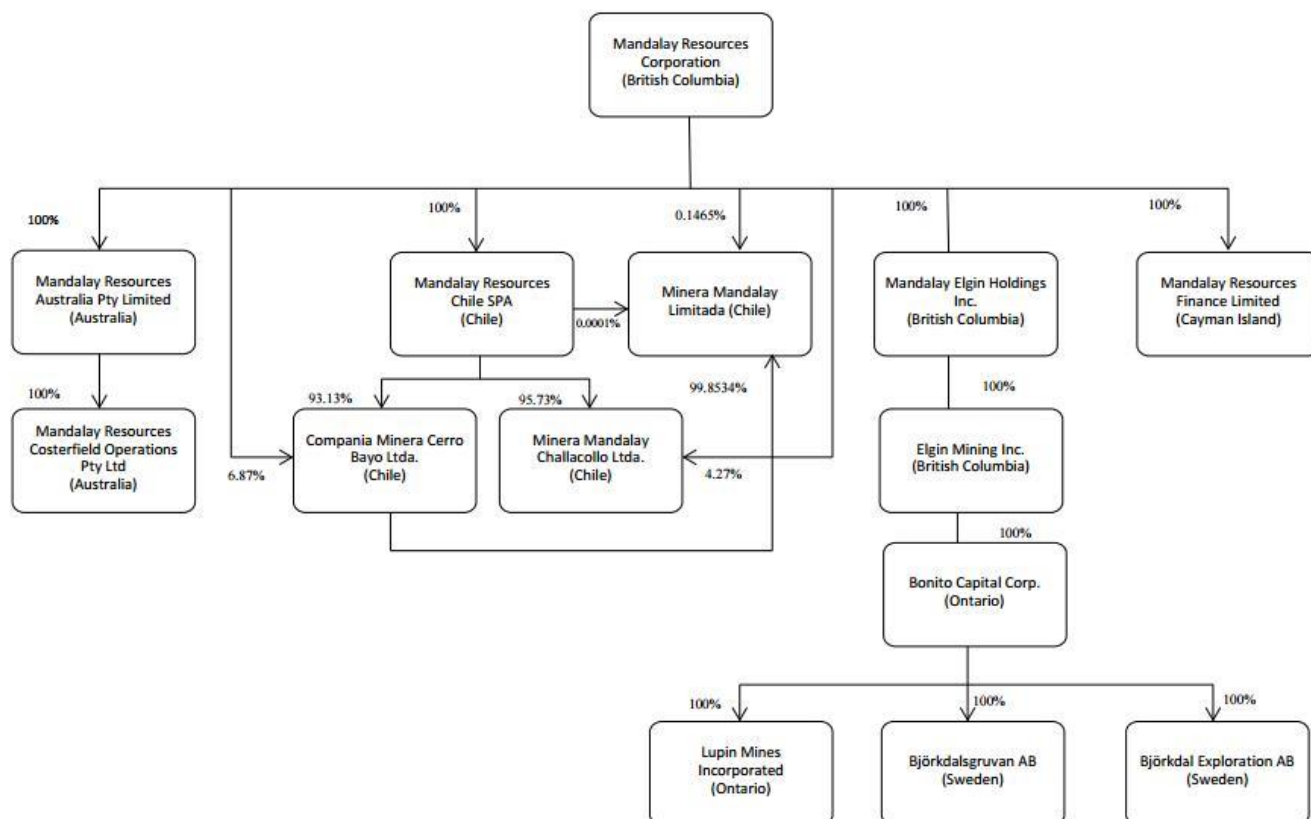
4.1 Name, Address and Incorporation

The Corporation was incorporated on January 29, 1997, as Mandalay Resources Corporation under the *Business Corporations Act* (British Columbia) (“**BCBCA**”). 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, Canada, M5C 1P1.

4.2 Intercorporate Relationships

The following chart illustrates the structure of the Corporation as at the date of this Annual Information Form. 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.



Mandalay Resources Australia Pty (“**MRA**”), formerly Australian Gold Development (“**AGD**”) a private Australian company, operates Costerfield. All of the issued and outstanding securities of its predecessor company, AGD, were acquired by Mandalay from Cambrian Mining Limited, a wholly-owned subsidiary of Western Coal Corp. (“**WCC**”) and an arms’ length third party of the Corporation on December 1, 2009. AGD was renamed MRA in February, 2013. MRA is governed by the laws of *The Corporations Act 2001* (Australia). MRA owns 100% of the voting securities of its sole subsidiary, Mandalay Resources Costerfield Operations Pty (“**Costerfield Operations**”). Costerfield Operations is governed by the laws of *The Corporations Act 2001* (Australia).

Mandalay Resources (Chile) SPA (“**Mandalay Chile**”) is a private Chilean company, incorporated by Mandalay under the laws of Chile on March 15, 2010. The Corporation also owns a 99.9% interest in Minera Mandalay Limitada (“**MML**”), a private company, incorporated under the laws of Chile on April 12, 2010. Mandalay Chile owns the remaining 0.1% interest in MML. Compañía Minera Cerro Bayo Limitada (“**Minera Cerro Bayo**”), a private Chilean company that operates Cerro Bayo was acquired by Mandalay from Coeur d’Alene Mines Corporation (“**Coeur**”) and Coeur South America Corp. on August 10, 2010. Minera Cerro Bayo is governed by the laws of Chile.

Minera Mandalay Challacollo S.A. (“**Mandalay Challacollo**”), formerly Minera Silver Standard Chile S.A. (“**MSSC**”), a private Chilean company that owns Challacollo, was acquired by Mandalay from Silver Standard Resources Inc. (“**SSRI**”) and Silver Standard Ventures Inc. on February 7, 2014. MSSC was renamed Minera Mandalay Challacollo Ltda. on February 7, 2014. Mandalay Challacollo is governed by the laws of Chile.

All of the issued and outstanding shares of Elgin Mining Inc. (“**Elgin Mining**”) were acquired by Mandalay on September 10, 2014, in a court-approved plan of arrangement. Elgin Mining was a public company listed on the Toronto Stock Exchange (the “**TSX**”). After the acquisition of Elgin Mining by Mandalay, Elgin Mining was delisted and continued as a private company organized under the BCBCA. In connection with the transaction, 2433119 Ontario Inc. was incorporated as a wholly-owned subsidiary of Mandalay on September 8, 2014. Following the acquisition, 2433119 Ontario Inc. was continued as a BCBCA company under the name Mandalay Elgin Holdings Inc. Elgin Mining and its subsidiaries are now held indirectly by the Corporation through Mandalay Elgin Holdings Inc. Elgin Mining owns 100% of Bonito Capital Corp. through which it holds Lupin Mines Incorporation, which owns certain interests in Nunavut, and Björkdalsgruvan AB and Björkdal Exploration AB, both of which are governed by the laws of Sweden, which own and operate the Björkdal mine in Sweden.

Mandalay Resources Finance Limited (“**Mandalay Finance**”) was incorporated on April 7, 2014, as an exempted company in the Cayman Islands with limited liability. Mandalay Finance is a wholly-owned subsidiary of the Corporation and was incorporated to be the borrower in connection with the debt financing with Gold Exchangeable Limited (“**GEL**”) described further in “General Development of the Business – Three Year History”.

5. GENERAL DEVELOPMENT OF THE BUSINESS

5.1 Three Year History

Since 2011, the Corporation has been focused on production and exploration at its Cerro Bayo and Costerfield properties as well as acquiring new properties. By the fourth quarter of 2011, the ramp-up of production at Cerro Bayo was approximately 75 percent complete and the Corporation completed its first full calendar year of profitable operations. The Corporation began paying dividends in the third quarter of 2012. By the fourth quarter of 2012, the ramp-up of production at Cerro Bayo and Costerfield had reached their initial design levels. In 2013 both properties undertook expansions, Cerro Bayo to a 1,400 tonnes per day (“**tpd**”) operating rate from 1,200 tpd and Costerfield to a 400 tpd operating rate from 325 tpd. In 2014, the Corporation acquired Challacollo in Chile which is a development stage project, and the Björkdal producing gold mine in Sweden. In 2014 the Corporation secured a \$60 million in 5.875% debt financing payable in 2019 to help fund the Elgin acquisition and to support the development of the Challacollo project.

2012

On February 23, Mandalay announced the results of its 2011 exploration programs at Cerro Bayo (8 rigs for 60,074 metres (“**m**”) drilled) and Costerfield (3 rigs for 13,365 m drilled). These results included more than doubling its contained silver (“**Ag**”) reserves, increasing its contained gold (“**Au**”) reserves by 85%, and replacing its contained antimony (“**Sb**”) reserves. For more information on these increases, reference is made to the “Mandalay Resources Corporation: Costerfield (Augusta) Gold-Antimony Mine: Mineral Resource and Mineral Reserve Estimate: Project No. 03151” and “Technical Report on the Cerro Bayo project, Chile”, both filed on March 30, 2012, which reports are no longer current and have been superseded by the Cerro Bayo Technical Report and the Costerfield Technical Report.

On February 24, civil unrest in the Aysén Province of Chile, triggered by subsidy demands by local fishermen, resulted in the closure of the port of Chacabuco, which is the primary route for concentrate

export for the Cerro Bayo mine and the primary import route for fuel and other supplies. This resulted in the delay of shipments in February and March from Cerro Bayo to its customers and the suspension of mineral processing for about 10 days during this period due to low fuel supply levels. Shipments were resumed on March 31 following a resolution between the Government of Chile and local communities.

On April 11, West Face GM exercised 12,000,000 of its 71,428,500 common share purchase warrants at a price of CDN\$0.33 per common share of Mandalay (each a “**Common Share**”), providing Mandalay with proceeds of \$3,960,000. Following the exercise of these warrants, West Face GM held 13,973,955 common share purchase warrants at CDN\$0.33 per Common Share with an expiry date of August 6, 2012, and 128,883,045 Common Shares.

On June 8, Mandalay obtained a one-year secured revolving credit facility in the amount of \$20 million from Bank of Montreal (the “**BMO Facility**”). A prior loan facility with Sprott Resource Lending Corp. of CDN\$10 million was repaid in full.

On July 4, Mandalay completed a warrant exchange offer to purchase all of its outstanding common share purchase warrants in exchange for Common Shares. A total of 67,297,777 warrants were validly tendered to the exchange offer, representing approximately 72% of the outstanding warrants. All warrants tendered to the bid were taken up by the Corporation, and an aggregate of 35,795,052 Common Shares were issued in exchange for the tendered warrants.

On October 15, the TSX approved the Corporation’s notice of intention to renew its Normal Course Issuer Bid (“**NCIB**”). Pursuant to the NCIB, the Corporation was permitted to purchase up to 15,856,786 Common Shares in the 12-month period commencing October 17, 2012, and ending on October 16, 2013, representing 5% of the Common Shares issued and outstanding as of October 3, 2012.

On November 8, the board of directors of the Corporation (the “**Mandalay Board**”) declared an initial quarterly dividend of CDN\$0.01 per Common Share, payable on December 5 to shareholders of record as of November 20, 2012.

2013

On March 6, the Corporation announced its Mineral Resources and Mineral Reserves as of December 31, 2012. Relative to year-end 2011 Reserves, contained Au in Mineral Reserves grew by 33%, contained Ag grew by 14% and contained Sb grew by 38%. The Corporation’s increased Mineral Reserves were based on increased Measured and Indicated Resources estimated for year-end 2012. In the Measured and Indicated Resource category, contained Au ounces (“**oz**”) increased by 28%, Ag oz increased by 70% and Sb tonnes (“**t**”) increased by 15%.

On March 19, Mandalay announced changes to its senior management team. Mark Sander was promoted from Chief Operating Officer of the Corporation to President and Dominic Duffy, formerly General Manager, Cerro Bayo Operations was promoted to Chief Operating Officer. Kalenci Flores was appointed General Manager, Cerro Bayo Operations.

On May 14, the Corporation modified its dividend policy, announcing a dividend policy pursuant to which the Corporation intends to pay quarterly dividends in an aggregate amount equal to 6% of the trailing quarter’s gross revenue, defined as revenue before royalty payments.

On July 3, the Corporation announced an amendment to the BMO Facility. Under the amendment, the BMO Facility’s credit limit was increased from \$20 million to \$30 million up to and including June 14, 2014, after which time the credit limit would reduce back down to \$20 million. In addition, the maturity date of the BMO Facility was extended to June 30, 2015.

On July 15, the Corporation announced a fatality at Cerro Bayo. Operations were suspended immediately and the Corporation worked closely with the authorities, employees, and the family of the deceased to respond effectively. Operations at Cerro Bayo resumed and returned to normal in the Dagny and Delia NW mines on July 18. The Fabiola mine was reopened on July 22.

On September 10, the Corporation announced a positive Preliminary Economic Analysis (“**PEA**”) on the Cuffley deposit at Costerfield and inception of Cuffley development. The PEA, prepared by SRK and filed October 10, 2013, suggested a four-year mine life with total potential saleable production of approximately 214,000 oz of gold equivalent (“**Au Eq.**”) and an after tax net present value (“**NPV**”) of approximately \$67 million at an Au price of \$1,300/oz, an Sb price of \$9,500/t, a 0.9 US Dollar (“**USD**”) per Australian Dollar (“**AUD**”) exchange rate, and a discount rate of 5%. The Corporation also announced that it began capital development toward Cuffley, with the goal of demonstrating short-range grade continuity and mineability of Cuffley by year-end 2013 that would support conversion of currently Indicated Mineral Resources to Mineral Reserves. The PEA was preliminary in nature and included Inferred Mineral Resources that was considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves, and there was no certainty that the PEA based on these Mineral Resources would be realized. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

In the end-of-year 2013 Mineral Reserve and Resource update announced on February 13, 2014, and documented in “Mandalay Resources Corporation: Costerfield Operation, Victoria Australia: Mineral Resource and Mineral Reserve Technical Report: SRK Project No. PLI014” filed on March 28, 2014, a portion of the Mineral Resource included in the PEA was converted to Proven and Probable Mineral Reserves.

On December 20, the Corporation announced that it signed a definitive purchase agreement with SSRI and SSVI to acquire Challacollo by purchasing all of the shares of MSSC.

2014

On February 7, the Corporation completed the purchase of Challacollo. Pursuant to the terms of the definitive purchase agreement, upon closing the Corporation delivered the following consideration: (i) \$7.5 million in cash; and (ii) 12 million Common Shares, valued at \$9,188,160 at a share price of CDN\$0.85/share and US\$/CDN\$ exchange rate of 0.9008. Contingent consideration included: (i) five million Common Shares to be issued at the end of the first quarter in which commencement of commercial production at Challacollo occurs; (ii) an aggregate cash payment equal to the equivalent of 240,000 troy oz of refined Ag, payable in eight quarterly installments equal to the cash equivalent of 30,000 troy oz of refined Ag per quarter, based on the average Ag price for each such quarter, beginning with the quarter immediately following the quarter in which commencement of commercial production at Challacollo occurs; and (iii) a 2% Net Smelter Returns royalty on Ag sold or produced from Challacollo in excess of 36 million oz, with a cap/buyout of \$5 million.

On February 13, Mandalay announced its year-end 2013 Mineral Reserves and Resources. In the Proven and Probable Reserve category, contained Au increased by 41%, contained Ag declined by 2% and contained Sb increased by 108%. In the Measured and Indicated Resource category, contained Au increased by 37%, contained Ag increased by 18%, contained Sb increased by 52% and contained Copper (“**Cu**”) was unchanged. In the Inferred Resource category, contained Au increased by 26%, contained Ag increased by 811%, contained Sb increased by 13%, and contained Cu was unchanged. All changes were net of mine depletion at year-end 2013. The large increases in Proven and Probable (and Measured and Indicated) Au and Sb were due to the conversion of much of the previously Indicated and Inferred Resource in the Cuffley lode at Costerfield to Proven and Probable. The large increase in Inferred Resource of Ag was due to the acquisition of the Challacollo Ag-Au property.

On May 14, Mandalay announced the completion of its five year, \$60 million 5.875% debt financing (the “**Debt Financing**”). The Debt Financing proceeds were raised by way of a concurrent offering (the “**Bond Offering**”) of senior exchangeable bonds (the “**Bonds**”) issued by Gold Exchangeable Limited (“**GEL**”), an unaffiliated special purpose vehicle incorporated in Jersey. The Corporation, through its wholly owned subsidiary Mandalay Finance, borrowed the proceeds of the Bond Offering from GEL under the terms of a loan agreement and related funding agreement which together mirrored the principal terms of the Bonds. The Bond Offering was completed immediately prior to the closing of the Debt Financing. Following the completion of the Debt Financing, Mandalay cancelled the BMO Facility. No amount was outstanding under the BMO Facility at the time of cancellation.

On September 9, Mandalay announced the closing of a secondary offering by a fund advised by West Face Capital Inc. (“**West Face**”) of 40,000,000 Common Shares at a price of CDN\$1.10 per Common Share. The offering was underwritten by BMO Capital Markets and following their exercise of the over-allotment option to purchase 6,000,000 Common Shares, the gross proceeds to West Face were CDN\$50,600,000.

On September 10, Mandalay completed the acquisition of Elgin Mining pursuant to a court-approved plan of arrangement (the “**Arrangement**”). Pursuant to the terms an arrangement agreement dated June 3, as amended and restated as of July 25, Mandalay acquired all of the outstanding common shares of Elgin Mining for consideration consisting of C\$0.37 cash or 0.4111 of a Common Share per common share of Elgin Mining, subject to pro ration, for a total transaction value of approximately C\$86 million.

Following the completion of the acquisition of Elgin Mining combined with the acquisition of Challacollo, the Corporation’s material properties were Costerfield, Cerro Bayo, Challacollo and Björkdal.

Mandalay allowed its NCIB to expire without renewal in October, 2014.

5.2 Significant Acquisitions

The Corporation made the following significant acquisitions during the year ended December 31, 2014:

Challacollo Project

As discussed under the heading “General Development of the Business – Three Year History” on February 7, the Corporation completed the purchase of Challacollo. Pursuant to the terms of the definitive purchase agreement which are summarised in the Three Year History section above.

Elgin Mining Inc.

As discussed under the heading “General Development of the Business – Three Year History”, in September 2014, the Corporation acquired Elgin Mining. Elgin Mining produced gold from its mine in Björkdal, Sweden. Björkdal has been in production for 27 years. Full details of the Arrangement 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 mining company whose business is to acquire or discover, and thereafter develop, mineral projects with the goal of producing mineral commodities. The Corporation 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 insight, mining

strategies, process optimisation, maintenance improvements, modernization and recapitalization of operations and/or operating discipline. Once in the portfolio, projects or operations are managed for optimising near-term cash flow and life-of-project net present value subject to strong safety, health, and environmental policies. The Corporation seeks to grow, and increase its capacity to grow, by developing a critical mass of cash flowing operating assets and technically experienced personnel.

The Corporation's management team consists of seasoned professionals with track records of strong leadership, management integrity, and delivery of value to their shareholders, employees, and communities. The Corporation is focused on commodities in which management has extensive experience, such as Au, Ag, Sb, and other base metals. The Corporation operates and has interests in countries that have a long-standing tradition of mining, low political risk and a clear legal frameworks for tenure and taxation. Today, these jurisdictions include Australia, Chile and Sweden. Other jurisdictions in which the Corporation has recently considered investing include New Zealand, Canada, the United States, Mexico, Brazil, Argentina, and Peru. Investment decisions and jurisdictions are reviewed on an ongoing basis.

Mandalay currently owns a 100% interest in three producing assets – Costerfield, Australia (producing Au and Sb), Cerro Bayo, Chile (producing Ag and Au) and Björkdal, Sweden (producing Au). The Corporation also owns a 100% interest in Challacollo, an Ag-Au development project in feasibility study.

6.2 Material Properties

The Corporation's material properties are Costerfield, Cerro Bayo, Challacollo and Björkdal. Costerfield, acquired as a shut in operation was initiating the restart of production in the third quarter of 2009, shortly before Mandalay acquired ownership on December 1, 2009. Cerro Bayo, also acquired as a shut in operation, was restarted in the third quarter of 2010, soon after acquisition by Mandalay, with commercial production commencing during the first quarter of 2011. Björkdal, acquired as an operating mine by the Corporation in September, 2014, started production in 1988 with a period of interrupted production from 1999-2001 due to low gold prices. Challacollo is a development stage project which produced ore around the period of 1900-1910. It is currently undergoing a feasibility study for potential restart.

6.3 Risk Management Systems

In 2014, Mandalay adopted a risk management system that consists of a bottom-up and top-down risk management process for the Corporation with the goal of identifying, managing, and reducing overall operational, financial and strategic risks faced by the Corporation. The identified risks, risk managers and action plans are tracked on Mandalay's risk register. The key achievements of this process include risk profiles and individual risk records for the Company as a whole, Costerfield Operations, Cerro Bayo Operations, Challacollo Operations and Björkdal Operations. In 2015, Mandalay will update the risk registers across the Company as a whole and corporate departments, and integrate new management actions into the strategic planning and budgeting process. Thereafter, risk profiles and risk registers will be monitored quarterly, and updated annually to identify any evolving risks to the Company or its assets.

6.4 Products, Customers, and Distribution

As of the date of this Annual Information Form, the Corporation has over 5 years of production and sales history at Costerfield since it was acquired on December 1, 2009. Costerfield produces Au-Sb concentrates that are sold to the operation's principal customer, Zhongnan Tungsten and Antimony Trading Company. Since 2010 until the end of 2014, the Corporation has signed yearly or bi-yearly extensions to its concentrate off-take agreement with Zhongnan in respect of all of the Au-Sb concentrate produced at Costerfield. In late 2014 the off-take agreement with Zhongnan was extended for an additional term of two years and a new Asian customer was introduced for the first time. Since 2013, Costerfield has also produced a gravity

Au concentrate which contains approximately 35-40% of the gold produced at Costerfield. This material is sold to Focus Metals Pty. Ltd., based in Melbourne, Victoria, Australia.

As of the date of this Annual Information Form, the Corporation has 48 months of mine production sales history from Cerro Bayo. Cerro Bayo currently produces a single Ag-Au concentrate for four Asian customers: Dowa Mining and Metals Corporation in Japan, Pan Pacific Copper Corporation in Japan, Mitsubishi Metals Corporation in Japan, and LS Nikko in South Korea.

As of the date of this Annual Information Form, the Corporation has had six months of production history at Björkdal with six months of sales. Björkdal produces four different products: A gravity Au concentrate, a Nelson Au concentrate, a middling Au concentrate, and an Au flotation concentrate. The majority of concentrate sales are to two customers: Aurubis AG in Germany and Boliden Comercial AB in Sweden. Björkdal also has sold some concentrate in the spot market to customers in Europe and Asia. Starting in 2015, Björkdal will also sell its Nelson Au concentrate to a new Asian customer.

6.5 Revenues

Revenue for the financial year ended December 31, 2012, was \$171,805,623.

Revenue for the financial year ended December 31, 2013, was \$166,905,598. The decrease in revenue during 2013 was due to lower metal prices, partially offset by higher volumes sold at both the mines.

Revenue for the financial year ended December 31, 2014, was \$184,628,553. The increase in revenue during 2014 was due to higher volumes sold at both mines and the acquisition of Björkdal, partially offset by lower metal prices during 2014.

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 mineral concessions, claims, leases and other interests, as well as for smelter capacity for its concentrates and the recruitment and retention of qualified employees and consultants. The Company competes for experienced personnel. Price for the Company's products are set in large highly competitive global markets where Mandalay is a very small producer. See "*Risk Factors – Competition*" for further discussion.

6.7 Cyclicity and Seasonality

The Corporation's business and operations are not seasonal. Demand for and pricing of the Corporation's mineral commodities fluctuate throughout the year without any obvious seasonality. All of the Corporation's properties can be operated year-round.

Demand for and pricing of mineral commodities the Company produces are volatile and affected by numerous social, political, economic, and event-driven factors beyond the Corporation's control. These factors impact different commodities in different ways. For example, Au, as a traditional store of value, is affected differently than an industrial metal such as Sb. The interaction of supply and demand for mineral commodities leads to periods of high and low metal prices related to high and low metal inventories. Varied interpretations of "price cycles" are common, with the tops and bottoms of cycles often only apparent in hind-sight. See "*Risk Factors – Fluctuations in the Market Price of Mineral Commodities*" for more discussion.

6.8 Employees and Contractors

As at February 1, 2015 the Corporation had a total of 764 employees and 249 contractors, as set out in the chart below.

Site	Employee	Contractor	TOTAL
Cerro Bayo	429	120	549
Costerfield	163	64	227
Björkdal	145	65	210
Challacollo	6	0	6
Santiago Shared Services	5	0	5
Corporate ¹	11	0	11
TOTAL	764	249	1,013

1. Includes business development staff and exploration staff not specifically assigned to the Corporation's projects.

6.9 Stages of Development

6.9.1 Producing Stage – Costerfield Mine

From December 1, 2009, to the date of this Annual Information Form, the Corporation has been engaged in seven primary activities with respect to Costerfield:

1. mining ore remaining on the upper levels of the Augusta Lodes, left over from an earlier episode of mining that ended under previous ownership in the fourth quarter of 2009;
2. driving primary development to access deeper levels of the mine;
3. ramping up production and sales as the new faces accessed by the decline are developed; and
4. drilling exploration holes to delineate new resources below existing workings in the Augusta Lodes, the Cuffley Lode and to discover new veins nearby;
5. drilling exploration holes to delineate the Cuffley lode; and
6. driving primary development to access the Cuffley lode.
7. production from the Cuffley Lode

The following table summarizes 2014 production, sales, capital, and costs at Costerfield:

	Unit	Year ended December 31, 2014	Quarter Ended December 31, 2014	Quarter Ended September 30, 2014	Quarter Ended June 30, 2014	Quarter Ended March 31, 2014
Mining Production and Mining Cost						
Operating development	m	5,063	1,395	1,305	1,241	1,121
Mined ore	t	167,145	43,112	43,995	41,539	38,499
Ore mined Au grade	g/t	9.09	10.02	9.95	8.08	8.15
Ore mined Sb grade	%	3.80	3.76	4.05	3.74	3.60
Mined contained Au	oz	48,844	13,888	14,074	10,792	10,090
Mined contained Sb	t	6,345	1,622	1,782	1,554	1,387
Mining cost per tonne ore	\$/t	176	154	170	201	180
Processing and Processing Cost						
Processed ore	t	149,338	37,030	39,017	36,088	37,202
Mill head grade Au	g/t	9.55	11.48	9.99	8.37	8.31
Mill head grade Sb	%	3.98	4.13	4.29	3.84	3.65
Recovery Au	%	89.96	90.98	88.79	89.22	90.75
Recovery Sb	%	94.58	94.75	94.44	94.75	94.19
Sulfide concentrate produced	dry t	10,500	2,660	2,969	2,474	2,397
Sulfide concentrate grade Au	g/t	64.44	74.41	62.95	60.36	59.32
Sulfide concentrate grade Sb	%	53.56	54.47	53.30	53.14	53.29
Saleable Au produced in sulfide concentrate	oz	28,758	6,845	8,831	6,879	6,203
Saleable Au produced in gravity concentrate	oz	19,305	6,027	5,050	3,827	4,400
Total saleable Au produced	oz	35,751	11,126	9,454	7,256	7,915
Saleable Sb produced in sulfide concentrate	t	3,639	926	1,000	855	858
Saleable Au equivalent produced	oz	62,889	18,078	16,792	13,628	14,391
Processing cost per tonne ore	\$/t	49.79	43.92	53.12	54.73	47.67
Sales						
Sulfide concentrate sold	dry t	10,400	3,352	2,570	2,633	1,844
Sulfide concentrate Au grade	g/t	63.48	69.36	64.59	57.99	59.08
Sulfide concentrate Sb grade	%	53.52	54.51	52.65	52.95	53.70
Au sold sulfide concentrate	oz	15,911	5,826	4,083	3,506	2,498
Au sold gravity concentrate	oz	19,422	6,272	4,808	3,793	4,549
Total Au sold	oz	35,333	12,098	8,891	7,298	7,046
Sb sold	t	3,506	1,151	852	879	624
Benchmark Unit Cost						
Site cash operating cost/ tonne ore processed	\$/t	319.27	292.39	315.32	367.44	303.68
Cash cost per oz Au equivalent produced ⁽¹⁾	\$/oz	772	608	747	989	772
Site all-in cost/oz Au eq. oz produced ⁽¹⁾⁽²⁾	\$/oz	1036	885	1047	1278	1052
Capital Spending						
Capital development	m	2,741	58	920	1,274	490
Capital development cost	\$000	14,274	666	5,050	6,010	2,548
Capital development cost/ meter	\$/m	5,208	11,544	5,492	4,718	5,206
Capital purchases	\$000	8,536	2,647	486	2,695	2,708
Capitalized exploration	\$000	3,609	415	850	1,277	1,066

During the 12 months ended December 31, 2014, the Costerfield mine completed 7,803 m of operating development and produced 167,145 t of ore. Through the year, mined ore averaged 9.09 g/t Au and 3.80% Sb; grades remained approximately constant through the year. Mining cost averaged \$176/t, considerably lower than in 2013.

During the 12 months ended December 31, 2014, the Costerfield plant processed 149,338 t of ore, producing 35,751 oz of saleable Au and 3,639 t of saleable Sb. These are record annual production volumes since the operations restarted in late 2009. Cost of processing ore was \$49.79/t in 2014, compared to \$53.93/t in 2013, due to higher production rate and favourable exchange rate.

Sales of both Au and Sb reached record amounts in 2014 with 35,333 oz of Au and 3,506 t of Sb.

During the year at Costerfield, the Corporation invested approximately \$14.274 million in capital development (generating 5,208 m in capital advance), \$8,536 million in property, plant and equipment and \$3,963 million in exploration. For the exploration spending, the Corporation almost replaced 2014 depletion for a net slight decrease in Reserves. The mine life decreased to three years due to the increase in production rates.

For more information on Costerfield, refer to section 6.12 of this Annual Information Form.

6.9.2 Producing Stage – Cerro Bayo

From August 10, 2010, to the date of this Annual Information Form, the Corporation has been engaged in the following activities with respect to Cerro Bayo:

1. hiring and training the workforce necessary to restart operations;
2. developing six of nine veins included in the current life-of-mine plans, Dagny, Dalila, Fabiola, Delia NW, Yasna, and Bianca beginning in September, 2010;
3. restarting the Cerro Bayo plant in January, 2011;
4. ramping-up production and sales to a full production rate of 1,200 tpd in the fourth quarter of 2012;
5. expanding production to an increased rate of 1,400 tpd by the fourth quarter of 2014;
6. exploration drilling, primarily to extend and infill resources along the nine veins included in the current life- of-mine plan, and also to test new vein targets on the property; and
7. capital development in the Delia Southeast mine.

The following table summarizes 2014 production, sales, capital, and costs at Cerro Bayo:

	Unit	Year ended December 31, 2014	Quarter Ended December 31, 2014	Quarter Ended September 30, 2014	Quarter Ended June 30, 2014	Quarter Ended March 31, 2014
Mining Production and Mining Cost						
Operating development	m	6,719	1,698	1,850	1,708	1,464
Mined ore	t	459,802	116,991	120,192	117,403	105,216
Ore mined Au grade	g/t	2.16	2.47	2.07	2.23	1.86
Ore mined Ag grade	g/t	255.92	273.99	261.14	236.35	251.70
Mined contained Au	oz	32,000	9,288	8,003	8,425	6,284
Mined contained Ag	oz	3,783,248	1,030,584	1,009,115	892,123	851,427
Mining cost per tonne ore	\$/t	53.51	58.41	52.09	52.26	51.08
Processing and Processing Cost						
Processed ore	t	452,429	134,274	99,190	114,296	104,668
Mill head grade Au	g/t	2.19	2.39	2.30	2.19	1.84
Mill head grade Ag	g/t	258.97	265.50	288.83	232.15	251.56
Recovery Au	%	88.65	90.03	90.11	86.94	86.96
Recovery Ag	%	91.61	92.38	92.63	90.07	91.03
Concentrate produced	dry t	9,383	2,968	2,331	2,001	2,084
Concentrate grade Au	g/t	93.70	97.14	88.03	108.72	80.73
Concentrate grade Ag	g/t	11,440	11,093	11,391	11,948	11,501
Saleable Au produced	oz	27,600	9,052	6,445	6,823	5,280
Saleable Ag produced	oz	3,329,519	1,021,189	823,379	741,382	743,569
Saleable Au equivalent produced	oz	77,372	23,065	19,138	18,111	17,058
Processing cost per tonne ore	\$/t	27.77	24.58	33.85	28.09	25.76
Sales						
Concentrate sold	dry t	9,004	3,145	1,320	2,329	2,209
Concentrate Au grade	g/t	89.44	90.07	94.51	104.79	69.30
Concentrate Ag grade	g/t	11,344	11,149	11,420	11,635	11,267
Au sold	oz	25,278	8,894	3,921	7,659	4,804
Ag sold	oz	3,168,211	1,087,776	467,606	840,713	772,116
Benchmark Unit Cost						
Site cash operating cost/ tonne ore processed	\$/t	96.93	89.74	113.75	95.46	91.81
Cash cost/oz Ag equivalent produced ⁽¹⁾	\$/oz	5.30	3.95	6.26	5.83	5.81
Site all-in cost net of gold credit/oz Ag produced ⁽¹⁾⁽²⁾	\$/oz	11.36	10.37	12.23	12.08	11.31
Capital Spending						
Capital development	m	2,220	652	583	485	500
Capital development cost	\$000	6,839	2,207	1,654	1,406	1,571
Capital development cost/ meter	\$/m	3,081	3,384	2,840	2,899	3,144
Capital purchase	\$000	7,413	1,350	1,972	2,695	1,396
Capitalized exploration	\$000	3,464	894	802	944	824

Cerro Bayo production continued approximately on plan through 2014, with 6,719 m of total operating development and 459,802 t of ore mined, representing a significant increase compared to 2013 results. Mining costs and processing costs per tonne of ore were well controlled throughout the year, with the mining costs reducing from 2013 to an average of \$53.51/t in 2014 versus \$58.41/t in 2013. Processing costs remaining similar to 2013, at \$27.77/t, compared to \$27.99/t in the previous year. Au recovery in 2014 improved to an average of 89.44% (87.75% in 2013) while Ag recovery improved to an average of 91.61% (90.87% in 2013). The increase in Au and Ag recoveries in 2014 is related to fine tuning of the automated mill control system introduced in 2013.

Sales of concentrate reached 9,004 dry t in 2014, containing 25,278 oz of saleable Au and 3,168,211 oz of saleable Ag.

During 2014, the Corporation invested approximately \$8.950 million in capital development (achieving 2,220 m of advance), \$6.246 million in property, plant, and equipment, and \$1.788 million in exploration. The exploration drilling resulted in the Corporation approximately replacing depleted Proven and Probable Mineral Reserves for the year.

For more information on Cerro Bayo, refer to section 6.13 of this Annual Information Form.

6.9.3 Producing Stage – Björkdal

The Corporation acquired Björkdal on September 10, 2014. The Corporation's plans for Björkdal include:

1. reasserting best practice, which is expected to reduce total exploration cost by accelerating wide-spaced and infill drilling while reducing the previous practice of expensive exploration by large-scale drifting across and on veins;
2. increasing the delivered grades from the mine to the mill so that more Au will be produced from the current capacities;
3. increasing the grade of mill feed through a combination of more selective mining and sorting technologies, allowing the production of more gold at reduced cost per ounce from the same, largely fixed-cost operation, without the need for a plant expansion; and
4. increasing the rate of drilling to infill currently defined inferred resources and extending mineralization along strike and down dip.

For more information on Björkdal, refer to section 6.14 of this Annual Information Form.

6.9.4 Development Stage – Challacollo

The Corporation acquired Challacollo on February 7, 2014. The Corporation's plans for advancing development at Challacollo include:

1. Development of an Environmental Impact Statement for submittal in 2015;
2. carrying out exploration field work to identify primary exploration targets and prepare a exploration drill program to test the targets;
3. engineering studies for the infrastructure needed for the development of the project;
4. completing a Mineral Resource Estimate, mining and metallurgical studies as inputs to preparing a feasibility study for the development of the property due in 2015.

For more information on Challacollo, refer to section 6.15 of this Annual Information Form.

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, tax, and accounting. To date, the Corporation has successfully identified and recruited employees and consultants with the requisite skills to advance the Corporation's strategy and the Corporation believes it will be able to continue to do so.

6.11 Business Outlook for Fiscal 2015

The following section 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, 2014, the Corporation had working capital of \$24,920,320 and cash and cash equivalents of \$49,004,000. The Corporation began 2014 with no metal price hedging instruments in place.

On December 15, 2014, the Company entered into a crude oil call for a notional amount of 120,000 barrels of crude oil at an exercise price of \$60.50 per barrel. As at December 31, 2014 the derivative has a carrying value of \$552,431.

At Costerfield in 2015, the Corporation plans to mine and mill approximately 12,000 tonnes per month ("tpm") of mineralized material throughout the year from which it expects to recover and sell Au and Sb in the volumes and for the costs summarized in the following table:

Costerfield Plan	2014 Actual	2015 Estimate
Saleable Au Produced (oz)	35,751	32,000 – 37,000
Saleable Sb Produced (t)	3,639	3,200 – 3,500
Cash Cost/ oz Au Eq	772	625 – 750
Capital Expenditure - PP&E (\$M)	8.5	16 – 18
Capitalized Exploration (US\$M)	4	1

This plan is based on continuing capital development of the Cuffley Lode to allow for more production headings. Capital spending will also include construction of the terraced evaporation facility with water storage dam, increasing the capacity of the Brunswick tailings storage facility and purchase of a new mobile crushing unit.

The Corporation plans to sell the following volumes of Ag and Au from Cerro Bayo at the estimated operating and capital costs summarized in the table below:

Cerro Bayo Plan	2014 Actual	2015 Estimate
Saleable Au Produced (oz)	27,600	23,000 – 27,000
Saleable Ag Produced (oz)	3,329,519	2,700,000 – 3,100,000
Cash Cost/oz Ag net Au Credit	5.30	\$6.00 – \$8.00
Capital Expenditure – PP&E (\$M)	7.4	12 – 14
Capitalized Exploration (\$M)	4	3

The Corporation plans to spend \$3 million at Cerro Bayo on core drilling to extend the current Mineral Reserves of the Yasna, and Coyita veins under Laguna Verde. The Corporation also plans to test the highest priority targets for entirely new veins with initial holes. The goal is to significantly increase Mineral Resources and Mineral Reserves in 2015, as well as to stock the target portfolio with confirmed targets ready for continued infill drilling in 2016.

At Björkdal, the Corporation plans to increase the production of saleable Au throughout the course of the year, with estimated volumes and costs summarized in the following table:

Björkdal Plan	2015 Estimate
Saleable Au Produced (oz)	46,000 – 52,000
Cash Cost/ oz Au Eq	850 – 950
Capital Expenditure – PP&E (\$M)	10 – 12
Capitalized Exploration (\$M)	3

6.12 Mineral Projects – Costerfield

Information referenced in this section referring to Costerfield is based on the Costerfield Technical Report.

Property Location

The Costerfield Operation is located within the Costerfield mining district of Central Victoria. The operations are located approximately 10 kilometres (“**km**”) northeast of the town of Heathcote and 50 km east of the City of Bendigo.

The Augusta Mine is located at latitude of 36° 52’ 27” south and longitude 144° 47’ 38” east. The Brunswick Processing Plant is located approximately 2 km north west of Augusta. The Cuffley Deposit is located approximately 500 m north-northwest of the Augusta workings and is accessed via decline from Augusta.

Ownership

Tenure information for the two Mining Licences, four Exploration Licences and one application is shown in the following table:

Granted Tenement Details

Tenement	Name	Status	Company	Area	Grant Date	Expiry Date
MIN4644	Costerfield	Granted	AGD Operations P/L	1219.3 Ha	25/02/1986	30/06/2014
EL3310	Costerfield	Granted	AGD Operations P/L	59.0 GRATS	17/09/1993	17/09/2015
EL4848	Antimony Creek	Surrendered	AGD Operations P/L	18.0 GRATS	28/01/2005	Surrendered June 2014. Reapplied 25/07/2014 Refer to ELA5519
ELA5519	Antimony Creek	Application	Mandalay Resources Costerfield Operations Pty Ltd	11.0 GRATS	Under Application	See note below
EL5432	Peels Track	Granted	AGD Operations P/L	10.0 GRATS	23/08/2012	22/08/2017
MIN5567	Splitters Creek	Granted	AGD Operations P/L	30 Ha	20/02/2013	21/02/2023
EL5464	Antimony Creek	Granted	Mandalay Resources Costerfield Operations Pty Ltd	0.96 Ha	13/2/2014	12/2/2016
EL5452	Antimony Creek	Granted	Mandalay Resources Costerfield Operations Pty Ltd	2.07 Ha	26/6/2013	27/1/2016

1 GRATS is equivalent to 1 km²

Mandalay manages Costerfield Operations and holds a 100% interest in tenements MIN 4644, MIN 5567, EL 3310, EL 5432, EL 5464 and EL 5452.

On March 24, 2014, Mandalay requested that ‘exceptional circumstances’ be granted by the Victorian State Government Department of State Development, Business and Innovation (“**DSDBI**”) and that tenement ELA 5519 be renewed for a further 2 years. The Mine Minister for Victoria did not grant ‘exceptional circumstances’ and as a result Mandalay decided to surrender the licence and re-apply for the tenement. Mandalay re-applied for the same area of ground on June 25, 2014, and at the date of this Annual Information Form, the application remains under review.

The mining licenses cover the current and future planned mining activity.

Permitting

Primary approval for operation of Costerfield is held through Mining License MIN4644, this licence has expired and will be reissued by the Victorian State Government once a moratorium is lifted following Victorian state elections during 2015.

Royalties

Royalties to the state of Victoria apply to the production of Sb. This royalty is applied at a rate of 2.75% of the revenue realized from the sale of Sb produced at Costerfield, less the selling costs. There is no royalty payable on Au production. There are no private royalties on production of Au and Sb from Costerfield.

Royalties are also payable to the Victorian State Government through the DSDBI if waste rock or tailings are sold (or provided to) to third parties, because they are deemed to be ‘quarry products’. The royalty rate is AUD\$0.87/t.

Environmental Liabilities

The Costerfield operation is currently in compliance with all permits and authorizations.

The rehabilitation bond is currently set at AUD\$2.51M and is reviewed by the DSDBI every two years or when a Work Plan Variation is approved. There is also a further AUD\$10,000 bond for each of the EL3310 and EL4848 tenements with Vic Roads for licenses relating to pipelines crossing roads. The total bond is AUD\$2.541M.

Rehabilitation is undertaken progressively at Costerfield, with the environmental bond only being reduced when rehabilitation of an area or site has been deemed successful by the DSDBI. The amount of this rehabilitation bond is based on the assumption that all rehabilitation will be undertaken by an independent third party. Therefore, various project management and equipment mobilisation costs are incorporated into the rehabilitation bond liability calculation. In practice, rehabilitation costs may be less if Mandalay chooses to utilise internal resources to complete rehabilitation.

Local Resources and Infrastructure

Power

Costerfield purchases electricity directly from the main national electricity grid. Costerfield has an existing arrangement for high voltage electrical supply of 2,353 kilovolt amperes (“**kVA**”) shared between the Augusta Mine and Cuffley Mine and a 1,000 kVA supply at the Brunswick Processing Plant.

Water

Water for the Augusta underground and surface operations is sourced from the Augusta Evaporation Facility which is fed from the Brunswick Pit. The Brunswick Pit is supplied with mine water (groundwater inflows and mine process water) via a rising main that extends from the permanent 945 Pump Station into which all mine water is fed from the underground pump system.

The Brunswick Processing Facility sources water from a number of sources including recycled process water from the Bombay TSF as well as standing water within the old Brunswick Pit.

The site is licenced to extract 700 megalitres (“ML”) per year from the Augusta and Cuffley underground workings.

Mandalay has a permit to discharge permeate water from the Reverse Osmosis (RO) Plant situated at the Brunswick site. The permit permits the discharge of up to 360 ML of permeate into the Mountain Creek South diversion, which runs into the Wappentake system, over a nine month period of the calendar year. A no-flow period of 90 consecutive days per annum must occur as part of the permit which reflects the natural drying out of the creek in the dry part of the year. Permeate from the RO plant is utilised across site for a number of uses including dust suppression on roads and washing vehicles.

Buildings and Facilities

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

There is no accommodation for employees in the mining license area. All employees live in the surrounding towns and commute to work in private vehicles, with some travelling from as far as Bendigo each day, a distance of approximately 100 km (round trip).

Tailings and Waste Rock Storage Areas

Two tailings storage facilities (“TSF”) have been constructed and operated:

- (i) Brunswick TSF; and
- (ii) Bombay TSF. Bombay TSF is currently operational.

Both TSFs were constructed based on a conventional paddock style/turkey’s nest type design with earthen embankments.

All tailings are currently deposited in the Bombay TSF, on which a two metre lift was completed in the second half of 2013. This expansion brings the total storage capacity of the Bombay TSF to 361,000 m³ and will enable tailings to be deposited until the second quarter of 2015.

TSF storage capacity is to be increased during 2015 with a 3.5 m embankment raise to be completed on the Brunswick TSF in the second quarter of 2015 which will provide an additional 197,000 m³ of tailings storage.

An expansion of the waste rock storage facility located within the Augusta Mine footprint was approved by the regulatory authorities during 2014. Permission was granted to increase the height of the Augusta Waste Rock Storage Facility by 3 m which has provided approximately 70,000 m³ of additional storage capacity. This volume reflects the temporary rock storage requirements of the current Life of Mine (“LOM”) plan.

Workforce

The workforce for Costerfield is sourced from the surrounding area and the large mining town of Bendigo. There is adequate manpower available in the area for the foreseeable operating plans.

Accessibility

Costerfield 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-Nagambie Road is a narrow-width bitumen strip with gravel shoulders.

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 millimetres ("**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. Elevation ranges from 178 to 288 m above sea level, and averages approximately 245 m above sea level.

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 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 sedimentary rocks, 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.

The Au-Sb veins in the Costerfield district are hosted within the Silurian Costerfield Siltstone unit. Within the district, four north-northwest ("**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 (see Figure below).

Au-Sb 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 vein-quartz breccias. Au is finely dispersed within the massive stibnite. As well, coarse Au is contained in the older quartz veins.

The Augusta Lodes occur within NNW-trending shear zones, which dip steeply to the west. They include E, W and N Lodes, currently being mined, and the smaller C-Lode. The E-Lode vein is approximately 0.4 m thick with a strike length of about 500 m. W-Lode also averages about 0.4 m thick and has a strike length of approximately 230 m.

The Cuffley Lode lies approximately 200 m to the west of E Lode. The lode dips at about 85° to the east and occurs over a strike length of approximately 750 m, with a down-dip extent of approximately 250 m. It has an average true thickness of approximately 0.53 m. At present, the lode is open at depth

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

Figure: Mineralized structures of the Costerfield District



History

A large number of different operators have worked the Costerfield district since 1860, when antimony was discovered by two prospectors – Messrs. Coster and Field. Mining was halted during World War 1, when miners left to fight in the conflict.

Gold Exploration and Finance Company of Australia (the forerunner of Western Mining Corporation) recommenced operation in 1934. Other operators followed: South Costerfield Antimony & Gold Company in 1936, then Victoria Antimony Mines, Mid-East Minerals, Metals Investment Holdings, Forsayth Mineral Exploration, Costerfield Mining, the Victoria Mines Department between 1975 and 1981, Federation Resources NL, and AGD.

The current operator is Costerfield Operations, a wholly owned subsidiary of the Corporation. In September, 2009, Mandalay entered into an agreement with Cambrian Mining Limited, a wholly owned subsidiary of WCC (a company with two common directors), to acquire all of the outstanding common shares of AGD, the predecessor to Costerfield Operations. The transaction closed on November 30, 2009. Since then, the mine has been restarted and ramped-up to a production level of 11,000 to 13,000 tpm.

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 found 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 Sb and Au mineralization in 1966. This deposit was further explored and mined by 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 Lode underground mine by AGD in 2006.

Costerfield Operations has continued exploration in the mine area. Mandalay drilled the Augusta E and W Lodes below the existing mine workings with a single rig from June to December, 2010. Good results of that program led the mine to commit a 12 month, two rig continuation of the Deeps drilling, plus inaugurate a single-rig, 8 month program to explore the district for new mineralized shoots (the Brownfields program). The 2011 drilling program yielded a number of intercepts in the Augusta E and W-Lodes and discovery of the Cuffley (formerly Alison Deeps) Lode. These results encouraged Mandalay to execute a three-rig program in 2012 that extended W, N, and Cuffley Lode resources.

During 2013 Costerfield Operations focussed on extending mine life by infill drilling to convert previously established Inferred Resource to Indicated Resource. Exploration drilling also extended the previous Inferred Resource limits along strike and at depth, effectively bounding the potentially economic limits of N-Lode and Cuffley Lode. Brownfield exploration was largely put on hold during 2013 in favour of infill drilling. In 2014, Costerfield operations continued extending and infill drilling Cuffley lode and tested several new targets along the principal strike of the district.

Mineralization

Veins at Costerfield typically comprise quartz (laminated to brecciated) and sulphides. The dominant sulphide mineral is stibnite (Sb_2S_3). In addition to stibnite, arsenopyrite and pyrite occur in minor amounts.

The veins occur within discrete shear systems. The following paragenesis has been interpreted:

1. sericitization of host rock sediments with minor pyrite deposition;
2. faulting with associated open-space deposition of quartz, locally with coarse gold, and partial replacement of pyrite by auriferous arsenopyrite – only minor replacement of sericite-altered host rock by quartz occurs, with some remobilization of sericite into convoluted cross-cutting veinlets;

3. open-space deposition of carbonate in quartz vugs;
4. influx of Sb-rich solutions, resulting in massive stibnite infill and replacement of brecciated quartz- carbonate veins. The massive stibnite contains finely-disseminated Au; and
5. re-crystallization / annealing of stibnite.

Ore shoots in the veins are typically 0.25-1.0 m thick and extend for 200 m or more along strike. They are typically displaced by flat faults so that they appear flat-bottomed. However, as with Cuffley Lode, the Corporation is having success finding the offset parts of ore shoots below the flat faults; the deepest intercept in the district, approximately 500 m below surface in the Cuffley Lode, is also one of the highest grade intercepts.

Drilling

Drilling at Costerfield is largely accomplished by diamond drilling methods with excellent core recoveries. Core sizes vary and include PQ, HQ, HQ3 and NQ2. Drill holes vary in length from 20 m to over 400 m. The table below presents the drilling history at the Augusta deposit.

Drilling Procedure

Experienced contract drillers perform all diamond core drilling. Drillers record drilling activities on daily drilling reports. Drilled core is placed into drill core storage boxes, each labeled with the drill hole number and the depth. Core blocks listing the hole number and depth 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 on 100 m sections along strike. Resource drilling is then carried out at 40 m spacing along strike and 30 m spacing down dip. In some places, drilling is as closely spaced as 10 m x 10 m, should complexity of the geology warrant the additional drilling.

Veins at Augusta dip to the west, so drilling is designed to drill from the hanging wall to the footwall (east dipping holes) and intersect the lode perpendicular to the structure. In the case of underground drilling, the drill holes are drilled from the footwall to the hanging wall.

Company	Year	# Holes	Core (m)	Rotary (m)
Mid East Minerals	1966-1971	33	3,676	
Metals Investment Holdings	1971	12	1,761	
Victoria Mines Department	1975-1981	32	3,213	
Federation Resources N.L.	1983-2000	27		2,398
AGD/Planet Resources J.V.	1987-1988	23		1,349
AGD N.L.	1987-1988	14		1,681

AGD	1994-1995	142	1,369	5,536
	1996	59	196	2,310
	1997	23		725
	2001	27	3,361	
	2002	7	908	
	2003	30	1,522	
	2004	27	3,160	
	2005	31	4,793	
	2006-2007	67	4,763	
	2007-2008	11	2,207	
2008-2009	19	2,586		
Total Pre-Mandalay		584	33,514	13,999

Mandalay	2009-2010	117	459	547
	2010-2011	248	10,623	732
	2011-2012	2,680	18,581	7,296
	2012-2013	1,468	25,448	3,838
	2013-June 30 2014	1,486	16,398	3,906
	June 30 2014 - 2015	33	6,355	0
Total Mandalay		6,032	77,864	16,319

For more information on drilling, reference is made to section 10 of the Costerfield Technical Report.

Sampling and Analysis

Samples are taken from both the drill core and from underground face samples. Diamond holes are oriented so that the drill holes are as close as possible to being perpendicular to the lode. Diamond drill core is logged by Costerfield Operations geology staff 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. Data collected on paper prior to implementation of this system has been digitally captured into 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 and recorded within the geotechnical database. In order to maximize core recovery and mineralized sample size, 80% of the core drilled at Costerfield Operations is of HQ3 size.

In 2005, McArthur Ore Deposits Assessments Pty Ltd. (“**MODA**”) reported core recoveries in lode intercepts for Augusta holes MH001 – MH064 as 88% and for holes MH065 – M091 as 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 for assaying, as listed below:

- all stibnite-bearing veins are sampled;
- a waste sample is taken each 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; and
- puggy fault zones are sampled at the discretion of the geologist.

Costerfield Operations staff samples the core. The diamond drill core is cut in half with a diamond saw along the top or bottom mark of oriented core and a representative sample of the core is taken.

Sampling intervals for drill core are no smaller than 3 cm in length and no greater than 2.7 m in length. Some drill holes were designed and drilled for metallurgical analysis where sample intervals exceed 2 m in length.

Data Verification

On November 18, 2014, SRK full-time employee Danny Kentwell (QP for Sections 6 to 12 and Section 14 of the Costerfield Technical Report) visited the Augusta and the Brunswick Mine sites and was escorted by Chris Davis, Resource Manager for Costerfield Operations. All drill-core for Costerfield is processed at the Brunswick exploration core shed. For data verification purposes, Messrs. Kentwell and Davis had discussions with site geologists regarding:

- sample collection;
- sample preparation;
- core mark-up;
- core recovery;
- core cutting procedures;
- sample storage;
- QA/QC;
- data validation procedures;

- collar survey procedures;
- downhole survey procedures;
- geological interpretation;
- exploration strategy and
- grade control sampling and systems; and
- inspection of Brunswick core shed facilities and drill core intersections (Augusta and Cuffley).

Security of Samples

Sample bags containing sample material and a ticket stub with a unique identifier are placed in heavy duty plastic bags in which the sample submission sheet is also included. The plastic bags are sealed with a metal twisting wire. This occurs for both underground face samples and drill core samples. The bags are taken to a storage area that is under constant surveillance. A private courier collects samples twice daily and transports them directly to Onsite Labs in Bendigo, Victoria, Australia (“Onsite”) where they are accepted by laboratory personnel. Sample pulps from Onsite are returned to Mandalay for storage. The pulps are stored undercover, wrapped in plastic.

Sample Assays

The sample preparation practices and standard analytical techniques for Costerfield samples are deemed appropriate by SRK. No directors, staff or other associates of Costerfield Operations or Mandalay are involved in the commercial preparation or assaying of samples from Costerfield.

Assay results are returned to Costerfield Operations staff, which manages the database. The Onsite Laboratory is not certified to NATA standards, but has ISO9001:2008 accreditation. ALS is NATA-certified (825) for Au and Sb. Genalysis is NATA-certified (3244) for Au and Sb.

Assay Quality

Five standards that are currently in use have been made from material collected underground at Augusta (AGD08-01, MR11-01, MR 0.2, MR04-06 and MR30-20), and are routinely submitted to Onsite. Mandalay also routinely sends three commercially available, gold-only standards or Certified Reference Material (CRM), G901-8, G906-8 and G907-6 (sourced from Geostats Pty Ltd) to Onsite. A standard is sent with each batch of exploration samples (on average 1 standard per 15 samples) and with each batch of the underground face samples (on average 1 standard per 10 samples).

SRK considers that the level of compliance and bias displayed by the standards is good and demonstrates the reliability of the Au and Sb grades used to inform the block model estimate.

For more information on Sampling and Analysis, reference is made to sections 11 and 12 of the Costerfield Technical Report.

Mineral Resources and Reserves

Au and Sb grades and lode thickness were estimated using the two dimensional (“2D”) accumulation method. The 2D accumulation method requires that Au and Sb grades are multiplied by true thickness to give an Au accumulation and Sb accumulation. This method correctly assigns weights to composites of different lengths during estimation. The interpolation method used was ordinary kriging with the exception of Cuffley Deeps and Alison South, in which inverse distance squared was used. The estimated grade is

then back-calculated by dividing estimated Au accumulation and estimated Sb accumulation by estimated true thickness.

Statistical analysis was undertaken on the accumulated data to test for capping requirements for both Au accumulation and Sb accumulation. No capping requirement was found to be needed for Sb accumulation, whereas statistical analysis of Au grades resulted in an Au grade cap (or top cut) of 150 g/t before accumulation.

Mineral Resources have been classified in accordance with CIM guidelines, with due regard to Mandalay's experience in mining the deposit and the good reconciliation observed between previous block model resource estimates and the processing plant head grade during 2013 and 2014.

- the Measured Resources are located within, and are defined by the developed areas of the mine. This criteria means that the estimate is supported by close spaced underground channel sampling and mapping;
- the Indicated Resources are located where drilling spacing on a nominal 40 m x 40 m grid and there is good geological confidence in the geological model; and
- the Inferred Resources have irregular or widely-spaced drill intercepts, are difficult to interpret due to multiple splays, or the structure does not have a demonstrated history of predictable mining.

The reader is cautioned that Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

Table: Mineral Resources at the Costerfield mine as of December 31, 2014, inclusive of Mineral Reserves

	Lode Name	Resource Category	Tonnes (t)	Au Grade (g/t)	Sb Grade (%)	Contained Au (oz)	Contained Sb (t)
Augusta Deposit	E Lode	Measured	55,000	5.4	2.9	10,000	1,600
		Indicated	53,000	4.1	2.4	7,000	1,300
		Inferred	86,000	3.1	2.7	9,000	2,400
	B Lode	Indicated	33,000	4.4	2.6	5,000	800
	W Lode	Measured	20,000	6.0	2.7	4,000	500
		Indicated	25,000	5.3	2.8	4,000	700
		Inferred	29,000	5.1	2.3	5,000	700
	NM Lode	Measured	54,000	11.5	6.0	20,000	3,300
		Indicated	242,000	7.3	3.8	57,000	9,100
		Inferred	121,000	4.6	2.3	18,000	2,800

	NE Lode	Measured	1,000	3.6	2.1	100	30	
		Indicated	52,000	3.4	1.6	6,000	800	
		Inferred	68,000	3.9	1.1	8,000	700	
	NSW Lode	Indicated	9,000	3.7	2.4	1,000	200	
	P1 Lode	Measured	14,000	9.8	2.5	4,000	300	
		Indicated	10,000	10.0	2.7	3,000	300	
	P2 Lode	Indicated	12,000	6.9	3.2	3,000	400	
		Inferred	6,000	3.1	1.6	1,000	100	
	K Lode	Indicated	29,000	2.9	2.0	3,000	600	
	Cuffley Deposit	CM Lode	Measured	40,000	17.7	6.9	23,000	2,800
Indicated			274,000	8.7	3.8	76,000	10,300	
CE Lode		Measured	11,000	16.9	5.2	6,000	600	
		Indicated	20,000	10.2	3.6	7,000	700	
		Inferred	6,000	13.7	6.5	2,000	400	
CD Lode		Inferred	56,000	8.9	3.4	16,000	1,900	
AS Lode		Indicated	28,000	4.8	3.7	4,000	1,000	
		Inferred	9,000	0.8	2.3	200	200	
Brunswick Deposit		Inferred	139,000	6.7	3.3	30,000	4,600	
Stockpiles		Measured	17,000	6.0	2.6	3,000	400	
Total Measured + Indicated			999,000	7.5	3.6	242,000	35,900	
Total Inferred			519,000	5.3	2.6	89,000	13,700	

Notes:

1. Mineral Resources estimated as of December 31, 2014, and depleted for production through December 31, 2014.
2. Mineral Resources stated according to CIM guidelines.
3. Mineral Resources are inclusive of Mineral Reserves.
4. Tonnes and contained gold (oz) are rounded to the nearest thousand; contained antimony (t) rounded to nearest hundred.
5. Totals may appear different from the sum of their components due to rounding.
6. A 3.8 g/t Au Equivalent (“**AuEq**”) cut-off grade over a minimum mining width of 1.2 m is applied where AuEq is calculated at an Au price of \$1,400/oz, Sb price of \$12,000/t and exchange rate USD: AUD of 0.85.
7. AuEq is calculated using the formula: $AuEq = Au \text{ g/t} + 2.03 * Sb\%$.
8. The Brunswick Mineral Resource has not been re-estimated since it was reported in Frederickson, 2009, Costerfield Gold and Antimony Project, Augusta and Brunswick Deposits. Frederickson Geological Solutions Pty Ltd.
9. The Brunswick resource reporting methodology has been reviewed and is now consistent with that of the Augusta and Cuffley Deposits.
10. The Mineral Resource estimation for Augusta and Cuffley deposits was performed by Chris Davis BSc, MAusIMM, who is a full-time employee of Mandalay and was independently verified by Danny Kentwell MSc, BAppSc, FAusIMM, a full-time employee of SRK who is a qualified person under NI 43-101 and is the Competent Person for the Augusta and Cuffley Mineral Resource Estimates.

11. Danny Kentwell MSc, BAppSc, FAusIMM, full-time employee of SRK is a qualified person under NI 43-101 and is the Competent Person for the Brunswick Mineral Resource Estimate.

From the Mineral Resource, a mine plan was designed based only on Measured and Indicated Resource blocks using predominantly the cemented rock fill blast hole stoping method. A cut-off grade of 5.0 g/t AuEq and minimum mining widths of 1.8 m for development and 1.2 m for stoping were used, with planned and unplanned dilution at zero grade.

Table: Mineral Reserves at the Costerfield mine, as of December 31, 2014

Category	Tonnes (t)	Au Grade (g/t)	Sb Grade (%)	Contained Au (oz)	Contained Sb (t)
Proven	98,000	10.4	4.5	32,000	4,400
Probable	336,000	7.4	3.3	80,000	11,200
Proven + Probable	434,000	8.1	3.6	112,000	15,600

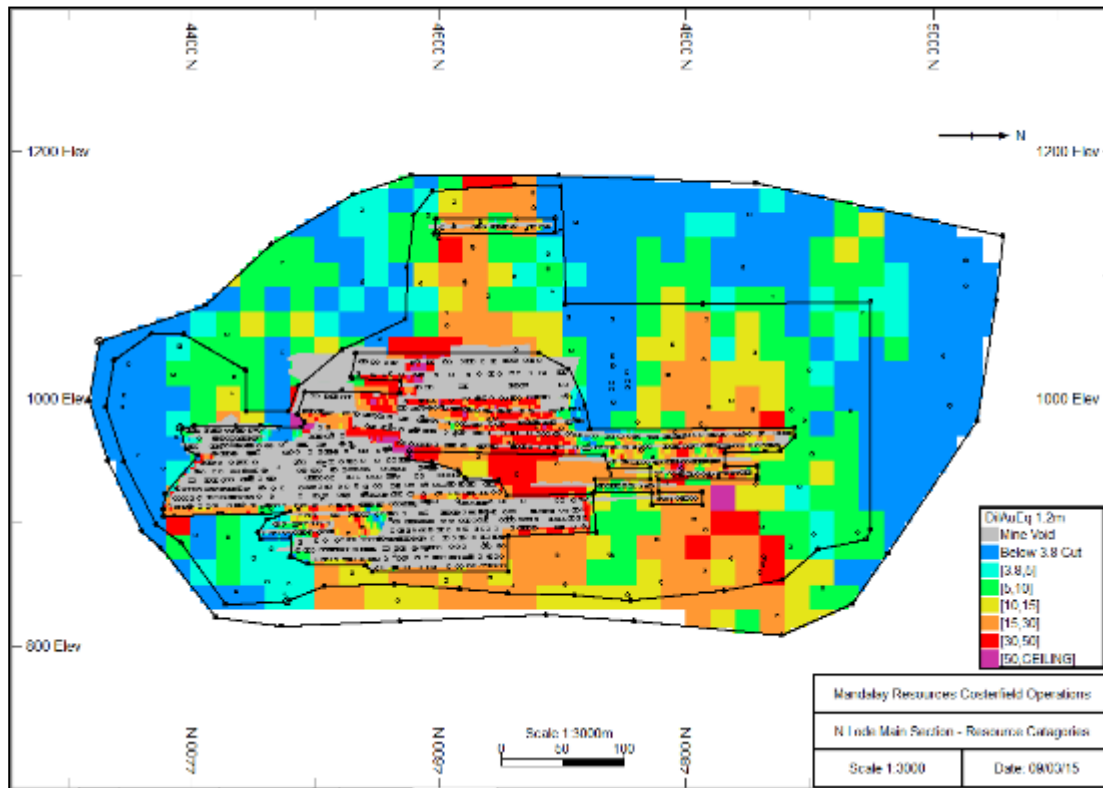
Notes:

1. CIM definitions were followed for classification of Proven and Probable Reserves.
2. Mineral Reserve estimated as of December 31, 2014.
3. Tonnes and Ounces are rounded to the nearest thousand; contained antimony rounded to nearest hundred.
4. Totals may appear different from the sum of their components due to rounding.
5. Lodes have been diluted to a minimum mining width of 1.2 m for stoping and 1.8 m for ore development.
6. A 5.0 g/t AuEq cut-off grade has been applied.
7. Commodity prices applied are Au price of USD1,200/oz, Sb price of USD10,000/t and exchange rate AUS:USD o 0.85.
8. The Au Equivalent value (AuEq) is calculated using the formula: $AuEq = Au \text{ g/t} + 1.97 * Sb\%$.
9. The Mineral Reserve is a subset, a Measured and Indicated only Schedule, of a Life of Mine Plan that includes mining of Measured, Indicated and Inferred Resources. The Mineral Reserve estimate was prepared by Shannon Green P.Eng., BEng, MAusIMM, a full-time employee of Mandalay and was independently verified by Peter Fairfield, FAusIMM, a full-time employee of SRK and a qualified person under NI 43-101.

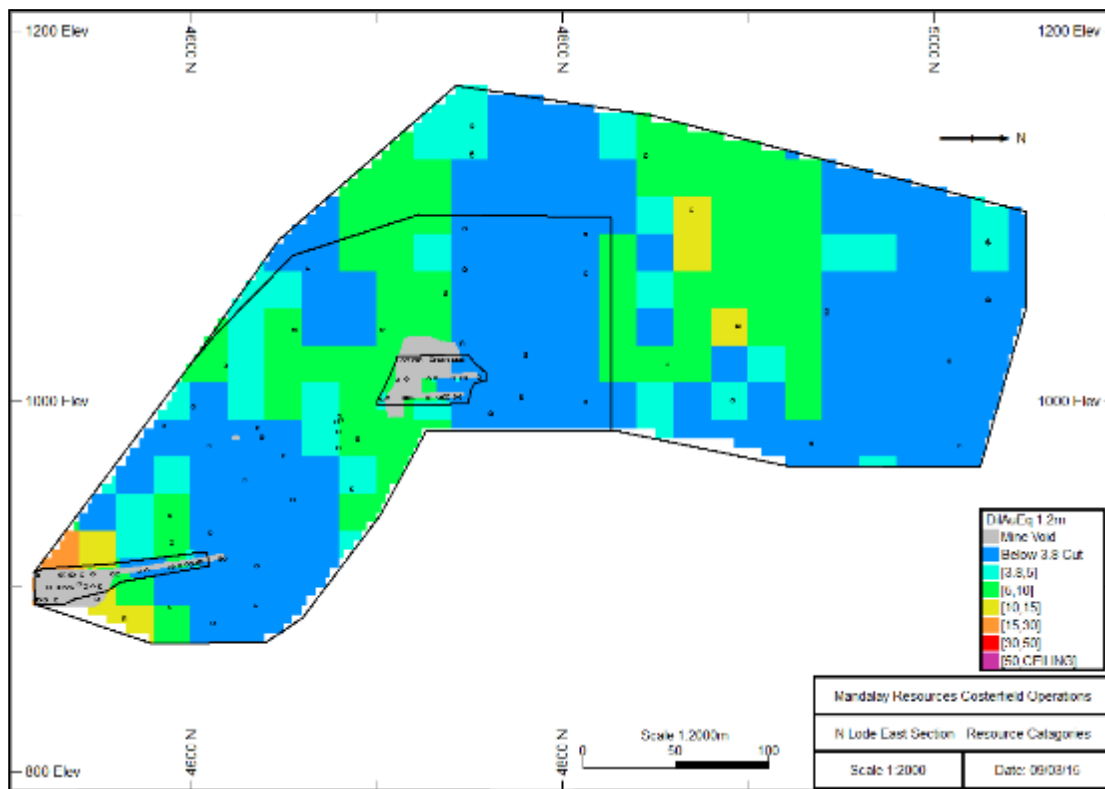
For more information in respect of the key assumptions, parameters and methods used to estimate the Mineral Resources and Mineral Reserves presented above, reference is made to sections 14 and 15 of the Costerfield Technical Report.

The following long sections of each lode relate the drilling and face sampling results to the limits of Mineral Resources and areas of stoping.

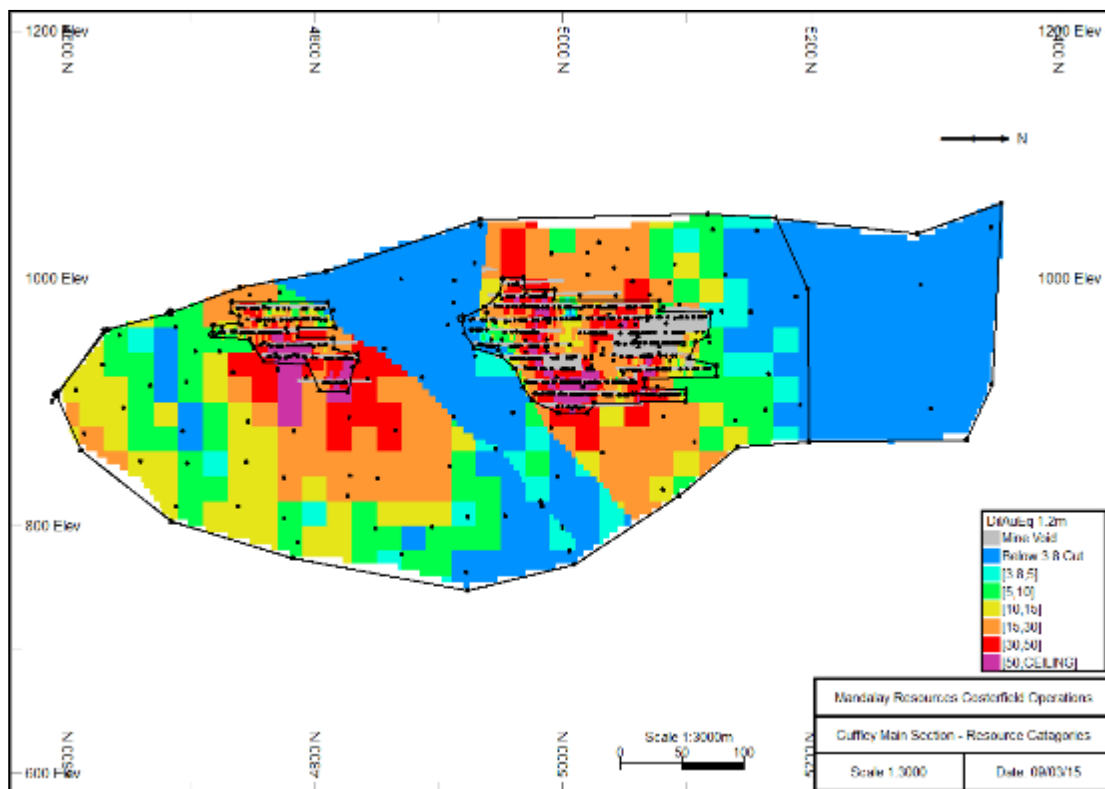
NM Lode



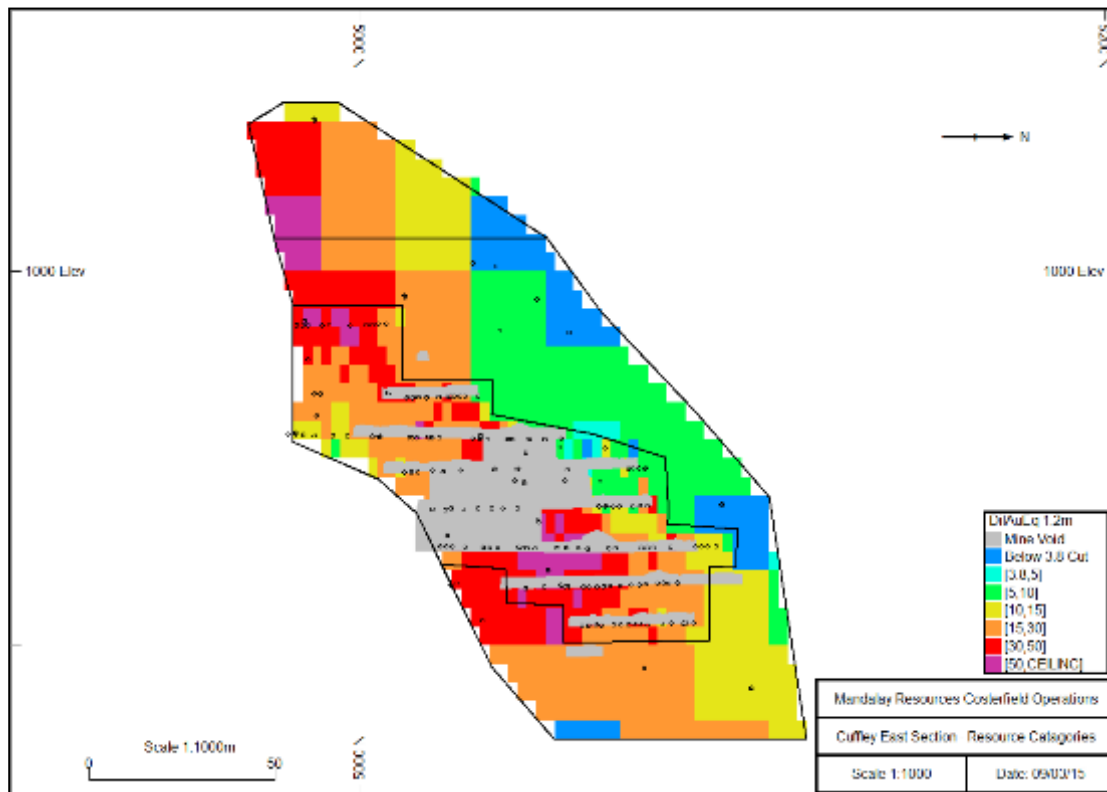
NE Lode



CM Lode



CE Lode



Reconciliation results show good precision and reasonable accuracy between the resource block model data and the processing plant data. Unquantified errors such as stockpiling, ore-waste misallocation, and unplanned dilution influenced the reconciliation accuracy. Over 2014, the oz of Au predicted by the model were 5% less than measured through the plant. The tonnes of Sb predicted by the model were 1% less than measured through the plant. The 2013 model shows poorer correlation, with 16% less Au and 6% less Sb.

Mining Operations

Production commenced at the Augusta mine in 2006.

The underground mine is accessed by a 4.5 m wide and 4.8 m high decline mined at a gradient of 1 in 7. The decline provides primary access for personnel, equipment and materials to the underground workings.

The Augusta Mine employs predominantly airleg long-hole stoping methods as well as longitudinal uphole retreat working a bottom up sequence. These mining methods have been utilised throughout 2010 to 2014. Cemented Rock Fill (“CRF”) is placed into stoping voids to maximise extraction and assist with mine stability.

Access to the lower levels of the lodes is being achieved by extending the decline to the lower levels.

Mining Methods

Long hole CRF has been selected as the preferred mining method for the remaining Augusta Mineral Resource.

Long Hole Cemented Rock Fill

Long hole CRF involves establishing 7 m – 10 m floor-to-floor sub-level spacing and implementing the following production cycle:

- develop access to the orebody;
- establish bottom sill drive and upper fill drive;
- drill airleg blastholes in a staggered ‘Dice 5’ pattern depending on ore width. Nominal stope design width is 1 m;
- blast 2 m strike length of holes and extract ore;
- place rock bund at brow of stope and place rock tube in stope. Rock tube is tightly rolled steel mesh placed in leading edge of stope prior to filling and eliminates the need for boring reamer holes in next stoping panel;
- place CRF into the stope;
- remove rock bund at brow of stope; and
- commence extraction of adjacent stope once CRF has cured.

Metallurgical Processing and Recoverability

The processing facility comprises a two-stage crushing process, two milling stages in series, with classification and gravity concentration in closed circuit, rougher, scavenger and cleaner flotation for the production of gravity Au and an Sb-Au flotation concentrate. Prior to 2013, the gravity Au concentrate was blended into the flotation concentrate before filtering and bagging. In 2013, the Corporation began selling the gravity gold as a separate concentrate. In late 2013, the Corporation upgraded the gravity Au cyclone capacity to allow for a larger percentage of the Au to be separated and sold in gravity concentrate.

Markets

Costerfield is a combined Au and Sb mine; the business is sensitive to the price of both metals. Sb is not traded on international metal exchanges, with prices being agreed upon between producer and consumer. Pricing is dependent on the quality and form of Sb product sold.

Sb is primarily used as a flame retardant and in the production of lead (“**Pb**”) acid batteries. These markets together accounted for nearly 80% of antimony consumption worldwide. China is the world’s largest producer of antimony, accounting for approximately 70% of world production.

The Sb-Au concentrate produced from the Costerfield mine is sold directly to smelter(s) capable of recovering both the Au and Sb from the concentrates, such that Mandalay receives payment based on the concentration of both metals in the concentrate. The terms and conditions of commercial sale are not

disclosed pursuant to confidentiality requirements. The marketing of the concentrate is conducted through the agency of Penfold Marketing Pty Ltd.

Contracts

Pybar Mining Services are currently contracted by Mandalay to develop 1,000 m of underground development in the primary decline and associated capital development in 2015.

Environmental

The Costerfield operation is in compliance with all environmental rules and regulations.

Taxes

Income tax on an Australian company's profits is set at 30%.

The Costerfield Operations has a total tax loss carryforward of approximately \$17,476,000 as of December 31, 2014, that can be carried forward indefinitely and will serve to eliminate income taxes over the short life of the mine.

Capital Costs

The economic test of life-of-mine Proven and Probable Reserves through 2019 requires approximately AUD\$18.5 million in capital purchases and capital development.

Operating Costs

The economic test case operating costs for the life-of-mine is approximately AUD\$118 million, including mining, processing, commercial, and overhead costs.

The table below summarizes the input criteria and key financial outcomes of the economic profitability test of Mineral Reserves in the Costerfield Technical Report.

Criteria –Economic Test of Proven and Probable Reserves

Description	Units	Quantity
Proposed Mill Feed	Tonnes (kt)	434
	Gold grade (g/t)	8.1
	Antimony grade (%)	3.6
Project Life	Months	33
Average Production Rate	t/mth	12,300
Maximum Mining Rate	t/mth	13,800
Metallurgical Recovery*	Gold (%)	85–90
	Antimony (%)	94
Gravity Gold	%	42
Concentrate Grade	Gold (g/t)	71
	Antimony (%)	53
Concentrate Selling Expenses	AUD/dmt	213

Exchange Rate	USD:AUD	0.85
Commodity Prices	Gold USD/oz	1,200
	Antimony USD/t	10,000

The results of this economic test shows that the Proven and Probable Reserves are economically viable at the low, flat metal prices assumed.

Exploration and Development

In 2015, exploration will be focused on two goals. The first is extending and infilling remaining Inferred Resource in Cuffley lode to convert to Reserves, replacing depletion in order to maintain existing mine life. The second is to test new targets under the current Cuffley and Augusta Lodes as well as to test for a parallel ore system to the west of the existing Cuffley infrastructure.

The cost of this exploration and development is not included in the base case financial analysis because it is not needed to produce metal from the Proven and Probable Reserves and no additional benefits are included in the analysis resulting from that exploration (e.g. more Resources and Reserves).

6.13 Mineral Projects – Cerro Bayo

Unless otherwise stated, information referenced in this section referring to the Cerro Bayo mine is based on the Cerro Bayo Technical Report.

Property Location

The Cerro Bayo property is located in the General Carrera Province, Aisén (XI) Region, Chile, at approximately 72°W longitude and 46.5°N latitude. The Cerro Bayo property is situated approximately 130 km south of Coyhaique, the capital of Region XI in southern Chile, and 12 km west of the town of Chile Chico, which is six kilometres west of the border with Argentina.

Ownership

Mineral rights at Cerro Bayo are fully controlled by Minera Cerro Bayo, which became a 100% owned subsidiary of the Corporation in August, 2010. Minera Cerro Bayo's mining rights comprise one contiguous block that covers an area of 29,495 hectares (“ha”) of exploitation concessions (mensuras), and one manifestación of 45 ha (exploitation concessions in process).

Surface rights on a triangular plot of land, currently owned by the Chilean government, occupy part of the plant and tailings dam sites. Negotiations are underway to transfer the ownership of these surface rights to Minera Cerro Bayo.

Royalties

Pursuant to the purchase agreement between Mandalay and Coeur, Mandalay is obligated to pay to Coeur a 2% NSR royalty on cumulative Au sales over 50,000 oz and cumulative Ag sales over 5 million oz from the property. These triggers have been met, and royalties are being paid.

Environmental Liabilities

Cerro Bayo Closure Plan

The current Cerro Bayo closure plan was prepared in 2012 by Minería y Medioambiente Limitada (“MYMA”), updated from the previous estimate that was prepared in 2008. The updated closure plan is shown in the table.

Closure Costs Estimate

Item	US\$(000)
Direct Cost	11,343
Indirect Cost	1,134
Monitoring	159
Contingency	1,895
Subtotal	14,531
I.V.A. (19%)	2,761
Total	17,292

The closure plan includes proper sealing of portals, rehabilitation of waste and stockpile areas, rehabilitation of all sedimentation and other water basins and miscellaneous clean-up to ensure the site conditions are returned to as near as natural condition as practical.

Permitting, Requirements and Status

Chilean Regulation – General Information

In Chile, Law 19.300 (1994) and subsequent modifying Law 20.417 (2010) regulates Environmental Impact Studies (“EIS”) of public and private investment projects or activities. EIA regulations were enacted in April 1997, by D.S. No.30 (Ministry of the General Secretary of the Presidency) and modified by D.S. 95 (2001). The law provides that projects or activities listed therein may only be “executed” or “modified” after an assessment of their environmental impact. The main environmental authority in Chile is the *Ministerio del Medio Ambiente* (“MMA”), which replaced the National Commission for the Environment (“CONAMA”), whose functions and administration are regulated by Law 19.300. In addition, the government organized a ministry level Advisory Council (*Consejo Consultivo*) and Regional Ministerial Secretaries (“SERIMI’s”) in each region of the Chilean territory reporting to the environmental sub-secretary.

Required Environmental Permits

Law 19.300 creates a system that integrates much of the sectorial environmental requirements, known as “the single window”. This is coordinated through the *Servicio de Evaluación Ambiental* (“SEA”) with all the public agencies during the assessment process via *Sistema de Evaluación de Impacto Ambiental* (“SEIA”). The corresponding environmental resolution of SEA is based on reports from relevant public

agencies that participate in the evaluation of the assessment documents. If the assessment is favorable, and the final approval is issued, no public agency may deny the pertinent environmental authorizations; on the contrary, if the decision is negative, those same agencies must deny such authorization. Additionally, there are also a number of other sectorial permits of a non-environmental nature that are required for the mining operations.

Status of Chilean Required Permits

All necessary permits to operate for the life of the projects have been requested and received. In the case of Cerro Bayo, the competent authority was *Comisiones Medioambientales Regionales* of the Aysén Region. Cerro Bayo has been processing and updating the permits required for its operations as mining exploration has progressed and new areas have been incorporated into the mining operation. Current applications are through the SEIA (Environmental Impact Evaluation System) of the SEA (Environmental Evaluation Service).

Tailings Dam

The Fachinal tailings dam is part of Cerro Bayo that was approved by the environmental authority in 1994. The tailings capacity was increased by raising of the dam during 2014. A further lift will be required in the first quarter of 2016, which is permitted.

Processing Plant

The processing plant for the Fachinal Project was approved in 1994. The plant consists of installations for crushing, grinding, flotation, thickening, agitation, and filtration with a capacity of 1,650 tpd. The plant is located close to other installations including, offices, service buildings, storage buildings, generator building (for plant), etc. The plant has continued operating without any significant modifications since the original approval and thus the permits remain valid.

Mining in the Laguna Verde Area

At present, the sector authorized for mining in the Laguna Verde area corresponds to the Dagny, Fabiola, Delia NW, and Delia SE veins. The permit includes mining of the veins through underground mining methods. The waste material will be stored in the existing waste dump (Los Juncos) and Tranque open pit, which together have enough capacity.

Mining in the Cerro Bayo Area

Mining of the Cerro Bayo veins, the Raul veins, the Javiera veins, and the Guanaco 2 Sur veins has been approved in the Cerro Bayo area. In October, 2008, the operations were temporarily closed. As a result, to restart mining in this area, a sectorial permit was filed in order to obtain authorization for the transfer of water from the underground mine to an adjacent lake (Laguna Bayo), which has dried up as a result of a decrease in precipitation and increase in natural evaporation. The permit was filed at the end of 2009, with the Superintendent of Health Services (Superintendencia de Servicios Sanitarios or “SISS”), considering the discharge as an industrial liquid waste. However, according to information provided by Minera Cerro Bayo personnel, SISS has indicated the discharge is not an industrial liquid waste over which it has jurisdiction and CONAMA should be consulted in this respect. Minera Cerro Bayo intends to submit an application to SEA for the required permit. If the permit is not obtained, the water will be pumped to old areas of the Cerro Bayo mine and to evaporation settling ponds.

Based on the above, the Corporation believes that Minera Cerro Bayo has requested and obtained the necessary permits and licenses required to operate the Cerro Bayo Property.

Local Resources and Infrastructure

Power

Power is generated on site by a diesel plant because no grid power is available in the area. The main power plant supplying the processing plant and surface operations consists of a 7 megavolt amperes (“MVA”) plant from six diesel generators with 1,150 kilovolt amperes (“KVA”) capacities, providing 3.3 kilovolt (“KV”) power for the SAG and Ball Mill as well as 400 volt power for other areas of the site.

The underground power is generated via a 2.8 MVA plant from two Atlas Copco 1,000 KVA generators and one Caterpillar 800 KVA unit, also generating 3.3 KV and 400 volt power for the equipment.

Water

The water from the underground operations is pumped to surface and to the sedimentation basins, where the suspended solids are allowed to settle out. Water is recycled back to the underground for reuse.

Process water is currently obtained from a combination of the adjacent Lago General Carrera, surface stream water and tailings recirculation. The property has a series of water rights that currently exceed the needs of the plant. This includes water rights for 600 litres per second (“l/s”) from the Lago General Carrera and several additional smaller rights in different areas of the property totaling 291 l/s. The plant uses was about 60 l/s of fresh water plus water recovered from tailings.

Buildings and Facilities

Cerro Bayo has an office complex (Hotel Fachinal facility) located in Chile Chico.

At the plant site, there is an administrative building, assay lab, and buildings and shops associated with the processing plant. There is a central shop facility for repairs of mine and surface mobile equipment. These facilities are in good repair and with all equipment properly stored and available for use when needed. There is diesel fuel storage at the site and diesel deliveries are available. Capacity of the tanks is 400,000 l, contained in two 200,000 l tanks. All mine and mill shop facilities are in good repair, clean and usable. Mobile equipment is in good condition. Tools and workbenches are in place and available for use. The warehouse facility is clean, well-stocked and orderly. It contains mine and mill supplies, office supplies and safety equipment, as well as a stock of steel for fabrication needs. A spare SAG/ball mill motor and drive are available at the site.

The assay and metallurgical labs are clean and orderly. The metallurgical lab has Denver bench-scale flotation equipment, a mini-mill, vacuum filters, sieves in usable condition. The assay lab has separate mine ore and concentrate sample preparation areas to avoid contamination of samples with concentrates, a fire assay system and an Atomic Absorption machine. In addition to all required lab equipment, there are computers and an evident method of tracking chain of custody, duplicates, standards and blanks.

The administration building at the plant site has spaces designated for human resources, geology, engineering, managers and staff. Meeting rooms, file storage systems and furniture are available and well equipped. The building is in good condition.

Tailings Storage

The Fachinal tailings facility is part of the exploitation project that was approved by the environmental authority in 1994.

Since it opened in October, 1995, the tailings facility has operated for 15 years. The operations were suspended from 2000 to 2002 and again from 2008 to 2011. Mandalay resumed tailings storage in January 2011. In December 2008, the tailings dam wall was 23.1 m high, equivalent to an elevation of 316.1 m, and contained 4,956,714 t of dry tailings. The permit for the tailings facility has been in force since April 13, 2010. The major concern during the approval process was potential infiltration of the tailings water into the underground water. During the approval process, it was proposed and accepted to monitor the water every quarter and analyze it for the various parameters.

The tailings capacity was increased by raising the dam during 2014 which will provide for 2.5 million t of additional capacity.

Waste Disposal

The sewage system design uses septic tanks. During normal operations, a contractor pumps these tanks out monthly.

Workforce

The workforce for the mine operation is sourced from the neighboring town of Chile Chico and surrounding area. There is adequate manpower available in the area. As of December 31, 2014, the operation had a total of 429 employees and 120 contractors on site.

Accessibility

Access to the mine and mill is via a gravel all-weather road, Route 265, from the town of Chile Chico. This connects to Chilean Route 7 that connects to Coyhaique and eventually to the port of Puerto Chacabuco on the Pacific Ocean. There is also barge and ferry service from Chile Chico to Puerto Ibañez on the other side of Lago General Carrera, which also allows for access to Puerto Chacabuco. Concentrate from Cerro Bayo is barged across the lake and trucked to Puerto Chacabuco, where it is loaded on ships for delivery to smelting customers. Major supplies are transported to Puerto Ibañez from Puerto Chacabuco by truck and then barged across the lake to Chile Chico. Charter air-service is available from Chile Chico to Balmaceda, where commercial air service is available.

Climate

The climate is sub-Mediterranean. Winter months (June to August) are usually mild with minimum temperatures varying between -10° to 0°C and some light snowfall and rain. Summers are warm and generally dry, with temperatures in the high teens and low 20s. Average annual precipitation is 293 mm, most of which falls as rain. The area is on the east side of the Andes Mountains, borders Lago General Carrera, and the edge of the Patagonia area, and is breezy to windy most of the time. Due to the relatively warm climate and mild winters, Cerro Bayo is suitable for year-round operations.

Topography and Vegetation

Cerro Bayo lies on the eastern side of the Andes with elevations ranging between 180 and 1,400 m above sea level. Topography varies from steep mountain valleys to rolling farmland. The area had been largely agricultural in nature prior to the volcanic eruption of the Hudson Volcano in 1991, when the area was covered in ash. Subsequent recovery of vegetation in the area is limited to grasses and trees.

History

Au and Ag mineralization at Cerro Bayo was identified by Freeport Chilean Exploration Corporation (“FCEC”) in 1984. FCEC continued field exploration until 1989. FCEC stopped its exploration on the property in 1989 and sold the property to Coeur. Coeur resumed exploration at the property in the latter part of 1990. A feasibility study, completed in 1994, resulted in a production decision in the Laguna Verde area. A standard flotation mill was constructed at this location in late 1994 and production started in early 1995, predominantly using surface mining methods. Mining operations were halted in November, 2000, because of falling metal prices and declining open pit reserves. Coeur conducted exploration drilling in 2000 and delineated a high-grade vein system near the Cerro Bayo dome. Located 12 km east of the mill at Laguna Verde, this area was the focus of engineering and economic evaluations in 2001. During this period, two underground ramps were collared to intercept the main Lucero vein at depth. Underground mine development and re-start of the Laguna Verde processing plant were completed between November, 2001, and April, 2002.

In October, 2008, Coeur once again put the property on care and maintenance, this time as a result of:

- the major downturn in global capital markets;
- increasing operating costs as mining on major veins declined and extraction became dispersed on numerous smaller veins; and
- depletion of near-term proven and probable Mineral Reserves, despite the high volume of Mineral Resource discovery in recent years.

After purchasing the property in August, 2010, Mandalay reinitiated pre-production capital and operating development on the Dagny and Fabiola mines in the third quarter of 2010, restarted the plant with stockpiled ore in the first quarter of 2011, and ramped-up production to 1,200 tpd from the Dagny, Fabiola, and Delia NW mines by the end of 2012. In 2013, a second internal decline was started in Delia NW mine, the purpose of which was to facilitate a ramp-up in production to 1,400 tpd in 2014, which was achieved during the final quarter of 2014. In 2014, the primary capital development was initiated for the Delia SE mine. Production in the Delia SE mine is expected to replace production from the Fabiola mine, which is scheduled to be completed during the fourth quarter of 2015.

Production at Cerro Bayo from the Coeur and Mandalay periods is summarized in the table below:

Production at Cerro Bayo through 2014

Period	Tonnes (t)	Recovered Au (oz)	Recovered Ag (oz)
Coeur			
Pre-2002	2,427,900	161,200	10,557,000
2002	302,600	50,100	2,005,200
2003	432,500	72,900	3,671,400
2004	414,600	62,800	3,433,600
2005	360,400	66,000	3,032,400
2006	388,600	40,900	2,351,400
2007	353,500	41,000	1,584,100
2008	214,500	24,100	1,310,100
2009	0	0	0

Period	Tonnes (t)	Recovered Au (oz)	Recovered Ag (oz)
Mandalay			
2010	12,048	0	0
2011	207,783	6,678	1,318,665
2012	358,256	17,283	2,959,289
2013	385,221	22,110	3,260,057
2014	459,802	28,266	3,450,979
TOTAL			
Total	6,317,710	593,337	38,934,190

Geology and Mineralization

Geology

The Cerro Bayo District is situated within a 250 km long, north-south Mesozoic volcanic belt that lies near the boundary between an eastern craton (Patagonian Plateau) and a western magmatic arc (Patagonian Cordillera). Volcanic rocks were erupted during Jurassic to Middle Cretaceous times and were deposited over a Late Paleozoic accretionary basement prism. The volcanic pile contains large volumes of rhyolitic to dacitic ash-flow tuffs and pyroclastic rocks interpreted to be associated with large volcanic structures. Marine sedimentary horizons deposited during the Cretaceous and Tertiary periods are locally inter-bedded with the volcanic rocks. The belt is unconformably overlain by plateau basalts that range in age from Early to Late Tertiary.

Paleozoic molybdenite-quartz veins and veinlets occur in pegmatitic facies of the Patagonian Batholith. Mesozoic epithermal precious metals deposits, locally containing Pb and zinc, have been explored and mined in the Patagonian Deseado Massif of Argentina and in neighboring Chile. Cerro Bayo and El Toqui in Chile and Mina Martha, Cerro Vanguardia, Cerro Negro, Cerro Moro, Manantial Espejo, and San Jose in Argentina are the largest epithermal deposits presently known in the region.

Mineralization

Epithermal Au and Ag mineralization at Cerro Bayo is contained in veins, stockworks, sheeted zones, and breccias. The deposits show multiple stages of mineralization and display open-space filling and banding, typical of low-sulfidation style epithermal mineralization. Mineralogy is complex and is associated with alteration assemblages that suggest at least three types or stages of precious metals deposition.

The principal epithermal gold-silver mineralization event with local bonanza grades is hosted mainly in NNW and N-S to NNE structural trends, such as the Cerro Bayo, Cascada and Coigues Este (in the Laguna Verde sector) veins.

This event was predated by a more likely mesothermal event with silver, gold and base metal mineralization hosted in arcuate N-S to NNE veins and tectonic breccias. This style of mineralization is only known to exist in the Laguna Verde sector and is interpreted as being a result of igneous intrusions, doming, and subsequent collapse. A third mineralizing event is interpreted to coincide with the emplacement of a porphyritic stock and related apophyses at Rodados Colorados, which is characterized by a porphyry-style alteration pattern. This includes moderately extensive propylitic alteration with chlorite, epidote, disseminated cubic pyrite, and specular hematite. Structures have a gangue dominated by calcite with locally abundant oxides and relict pyrite.

Epithermal mineralization is characterized by Au and Ag associated with minor copper, lead, and zinc. Over 90 major veins have been identified to date within the property. Vein mineralogy consists of predominantly quartz with a minor, but complex, sulfide mineral suite and accessory gangue minerals. The veins pinch and swell following pre-mineral faults and fractures. Exposed strike lengths vary from 300 to 2,200 m and widths vary from 0.5 to 5.0 m, with local pods as many as 6 to 7 m wide. The control of mineralization is mostly structural. The mineral fluids were channeled along pre-mineral faults or fracture zones that were in-filled during successive hydrothermal pulses, locally punctuated by syn-mineral fault movement. Lithology also plays a role in mineral control. Brittleness and plasticity of the host units control the width of the veins, the degree of development of sheeted zones, and variations in the dip of the veins due to refraction. Mineralized shoots typically are sub-horizontal, extending up to 1 km or more in length, with a vertical extent of as much as 200 m.

For a more detailed description of the regional, local and property geology, and mineralization of Cerro Bayo, refer to section 7 of the Cerro Bayo Technical Report.

Exploration

Historical Exploration

After Au and Ag mineralization was identified in the Cerro Bayo District during 1984, FCEC conducted exploration, including reconnaissance and detailed mapping, chip and channel sampling, trenching, geophysical surveys and drilled from 1986 to August 1989.

Exploration resumed in the district during the latter part of 1990, conducted by Coeur. From 1990 to 1993, exploration consisted of infill and step-out drilling as well as tunneling, identifying an open pit and underground reserve. A feasibility study was completed in 1994, resulting in a production decision in the Laguna Verde area.

Exploration drilling conducted in 2000 delineated a high-grade vein system near the Cerro Bayo Dome. Located 12 km east of the mill at Laguna Verde, this area was the focus of engineering and economic evaluations in 2001. During this period, infill drilling was completed in November and two underground ramps were collared to intercept the main Lucero vein at depth.

A full geological review of the Laguna Verde sector commenced in early 2007 to identify potential exploration targets. Detailed surface mapping and channel sampling resulted in the surface delineation of three main structures (Dagny, Fabiola and Coyita) characterized by exposures of altered fractures, scattered zones of narrow veinlets, and some isolated outcrops of narrow veins. Subsequent drilling and additional surface mapping identified six mineralized veins, including the three named above, plus the Delia, Delila, and Yasna veins.

In 2010 and 2011, core drilling continued under Mandalay ownership. The program grew from two rigs in the fourth quarter of 2010 to seven rigs in 2011 and 2012. The program began by focusing on infill and extension of known mineralization in the Dagny, Fabiola, Yasna, Marcela Sur, Delia SW and SE, Coyita, Dalila, Trinidad, and Bianca veins. As the infill and extensional drilling on these targets was completed, focus gradually shifted to testing other veins, some of which contained already known resources, historic drilling but no resources, or no previous drilling at all. In the second half of 2013 exploration drilling was initiated under Laguna Verde looking for extensions of the Fabiola and Yasna veins.

In 2014, surface mapping was updated in the Laguna Verde zone. Three-dimensional modelling of the stratigraphic units was performed. Zircon U-Pb dating in ignimbrite rocks from Temer, Coigues, and Rodado Colorados units, and the Isla and Esperanza domes was executed. The ages of these units were all determined to be the Lower Jurassic. Also, argon-argon dating of adularia in Delia and Coyita SW veins

at depth was carried out indicating the hydrothermal event occurred in the Lower Cretaceous correlating with the dating of the Cerro Bayo, Guanaco, and Brillantes hydrothermal events. Surface grids were executed in Laguna Verde, Cerro Bayo and Mallines W producing a radiometric register (Uranium, Thorium, and Potassium) using a scintillometer and a mineralogical analysis using an ASD spectrometer. As a result, new exploration targets were defined.

Drilling

Total drilling through 2014 on the project consists of 4,793 diamond drill holes totaling approximately 635,144 m and 666 RC holes totaling 57,271 m. A small number of exploration drill holes outside of the main mining areas are not included in these totals. A drill summary table by year is included in the table below, with Mandalay conducting the drilling from 2010 to 2014:

Drill Hole Database Cerro Bayo Property

Area	Year Drilled	Core Holes		RC Holes	
		No. Holes	No. Metres	No. Holes	No. Metres
Cerro Bayo Dome/Guanaco	Pre-2010	1,967	206,486	9	1,582
Mallines	Pre-2010	54	6,995	-	-
Cascada	Pre-2010	153	24,828	-	-
	Pre-2010	1,583	195,087	657	55,689
Laguna Verde (includes Coigues Este)	2010	15	2,668	-	-
	2011	290	60,457	-	-
	2012	230	62,189	-	-
Laguna Verde Underground	2012	60	2,647	-	-
Horquetas	2012	14	3,743	-	-
Cerro Bayo	2013	43	10,525	-	-
Laguna Verde	2013	94	20,994	-	-
Laguna Verde Underground	2013	97	2,013	-	-
Mallines	2013	13	3,595	-	-
Cañadon Verde	2013	12	2,329	-	-
Laguna Verde	2014	69	24,552	-	-
Laguna Verde Underground	2014	82	2,263	-	-
Mallines W	2014	5	1,444	-	-

Cañadon Verde	2014	12	2,329	-	-
Total		4,793	635,144	666	57,271

Three sizes of core holes have been drilled in the Cerro Bayo District:

- BQ (36 mm) drilled from surface and underground;
- NQ (47 mm) drilled from surface; and
- HQ (64 mm) drilled from surface.

The majority of the holes used in the evaluation of the current resources and reserves are BQ in size. Drilling has been carried out by contractors using various rigs and by Coeur/Mandalay personnel using Minera Cerro Bayo- owned rigs (Diamec 252 and Diamec 262, LM-90, LF-90).

RC drilling was carried out at the Laguna Verde area in the very early stages of exploration in the district, between 1990 and 1992, and was later on carried out at Laguna Verde in late 2003 and early 2004. RC was drilled by contractors using 5.5 inch bits. Channel sampling is carried out by Minera Cerro Bayo geologists.

Drilling Procedure – 2010 – 2014

Mandalay drilled a total of 1,036 diamond drill holes totalling 201,748 m at Cerro Bayo between 2010 and 2014. All holes were collared and finalized using BQ, NQ and HQ diameter core. The 2010-2012 drill program was carried out by Mandalay drillers and by Master Drilling. Mandalay drilling was completed using Atlas Copco Diamec 262 and 252 drill rigs as well as Longyear LF-90 and LM-90 rigs. Master Drilling used Boart Longyear F90 and Max1000 drill rigs. All 2010, 2011 and 2012 drill core is stored at Granja Temer or the new core shed in Laguna Verde; older core is stored at Guanaco near Cerro Bayo. During 2013, Mandalay completed 162 drill holes for 37,445 m of which 41% was infill drilling, 35% was extensional definition drilling and 24% was exploration drilling for new targets. During 2014, Mandalay completed 83 drill holes for 27,848 m, of which 47% was infill drilling, 34% was extensional infill drilling and 19% was exploration drilling for new targets. All core storage for 2013 and 2014 has been at the new core shed at Laguna Verde. Drill hole collars were surveyed by Mandalay surveyors using total station survey instruments. Down-hole surveys were completed by the Mandalay and contract drillers after each hole was complete using Maxibor II instruments. Some of the down-hole surveys were corrected after the collars were reviewed and resurveyed.

For more information on drilling, reference is made to section 10 of the Cerro Bayo Technical Report.

Sampling and Analysis

The Cerro Bayo Technical Report concluded that Minera Cerro Bayo's sampling protocols for reverse circulation and core drilling samples are appropriate for this operation and in line with acceptable best practice and industry standard norms. The Cerro Bayo Technical Report did not disclose any drilling, sampling, or recovery factors that could materially impact the accuracy and reliability of the results.

The diamond drill core is placed in appropriately labeled wooden core trays at the drill rig prior to transport. Core is carefully transported by Geological Assistants to the on-site core logging facility by truck. Since late 2011, core logging information has been entered digitally into Geovectra's GVMapper® logging software program. All diamond drill core has been photographed using a digital camera and the images are stored in the master database. Geological information recorded includes lithology, veins, core recovery, description of specific structures and alteration styles, along with their width, intensity and associated

mineral assemblage. In addition, rock quality designation (“**RQD**”) was undertaken to record the number and nature of natural breaks in the core for subsequent geotechnical assessment.

All mineralized intervals have been sampled and assayed using geological criteria. Mineralized intervals are sampled for assaying of Au and Ag content. In cases where the holes are aimed at a specific target, sampling is carried out only in selected intervals of geological interest (veins, veinlets or stockworks), as well as in the adjacent footwall and hanging-wall host rocks.

Sampling interval size varies from a minimum of 0.1 m to a maximum of 3.0 m. The mean length is 0.60 m. Intervals that are not assayed remain in storage at the mine site. An electric diamond saw is used to cut the core lengthwise, which is then placed correctly back into the tray. The half-core is then sampled by Mandalay Geological Assistants, ensuring that the same side is consistently sampled, and placed into bags with the assigned sample number, then closed and sealed with staples. The samples are then securely transported by truck to the on-site laboratory. Each sample is assayed in-house at the Minera Cerro Bayo laboratory on site. Coarse rejects and pulps are retained for future test work or further mineralogical and metallurgical works.

In addition to the drilling samples, underground channel samples are included in the database. The minimum sample length is 0.10 m and the maximum length is 1.00 m. The mean length is 0.7 m. The width of the channel ranges from 0.20 to 0.40 m and the depth is typically 0.20 m. The overall length, number of individual samples and weight of the channel sample(s) is determined by the width of the mineralized structure and associated “stockwork”.

Sampling of cuttings obtained from RC drilling was performed on 0.5 and 1.0 m increments with a targeted total sample size of 20 to 22 kg in the first case and 40 to 45 kg in the latter case. The drill hole cuttings were logged by the geologists for lithological, structural, and mineralogical information. Boxes with splits of the sampled intervals are stored. The reject material for any area was bagged and stored until the drilling campaign, interpretation and modeling were complete for that area, in order to review or resample if needed.

Assaying is done by fire assaying methods with a gravimetric finish. A complete assay laboratory owned by Minera Cerro Bayo and located at the mill site near Laguna Verde, contains the facilities for sample preparation, fire, wet and atomic absorption assays. Both mine and exploration samples are assayed at this facility. Outside consultants established testing procedures in accordance with industry standards. SGS Lakefield Research Chile S.A. carried out an audit in 2011 and results showed that the laboratory meets international standards. Prior to this, Snowden and Jacobs Engineering reviewed the lab in 2001. Although the lab was not certified, their findings were that the laboratory met international standard operating procedures. All exploration and production sampling at Cerro Bayo is done by Minera Cerro Bayo Geology Department personnel.

Data Verification

RPA verified the accuracy of data entry for geologic and assay information to the database.

Security of Samples

Each sample is identified with a unique sample number that is tracked throughout the assaying process. Except for check assays, there is no shipment of samples to offsite or third party facilities.

Sample Quality

Quality control procedures have included routine check assays of sample pulps, and check assays of duplicate pulps prepared from coarse rejects and use of blanks to assess the quality of the sample preparation

procedures. Original assays and duplicates have been statistically analyzed by estimating relative variances and errors.

In their review of the Mandalay database practices and the laboratory QA/QC program, RPA reported in the Cerro Bayo Technical Report that the methods used by Mandalay meet industry best practices and no significant discrepancies were identified during the verification process. The Cerro Bayo Technical Report further considered that the surface drill hole and underground channel databases are valid and are suitable to estimate Mineral Resources at Cerro Bayo.

Mineral Resources and Reserves at Cerro Bayo

An acQuire Technology Solutions Pty. Ltd. (“acQuire”) geologic data management system was implemented at Cerro Bayo in 2007-2008. As of late 2011, core logging is entered digitally into Geovectra’s CVMapper logging software program. Since Mandalay assumed ownership of Minera Cerro Bayo, it has purchased its own Vulcan software and going forward, all Mineral Resource estimation will be performed using this software.

The Cerro Bayo Technical Report estimated Mineral Resources as of December 31, 2014, for 10 veins: Coyita (Coyita NW and Coyita SE), Dagny, Dalila, Delia (Delia NW and Delia SE), Fabiola, Marcela Sur, Raul, Trinidad, Kasia, and Yasna. The drill hole and channel sample database used in this estimation is summarized below:

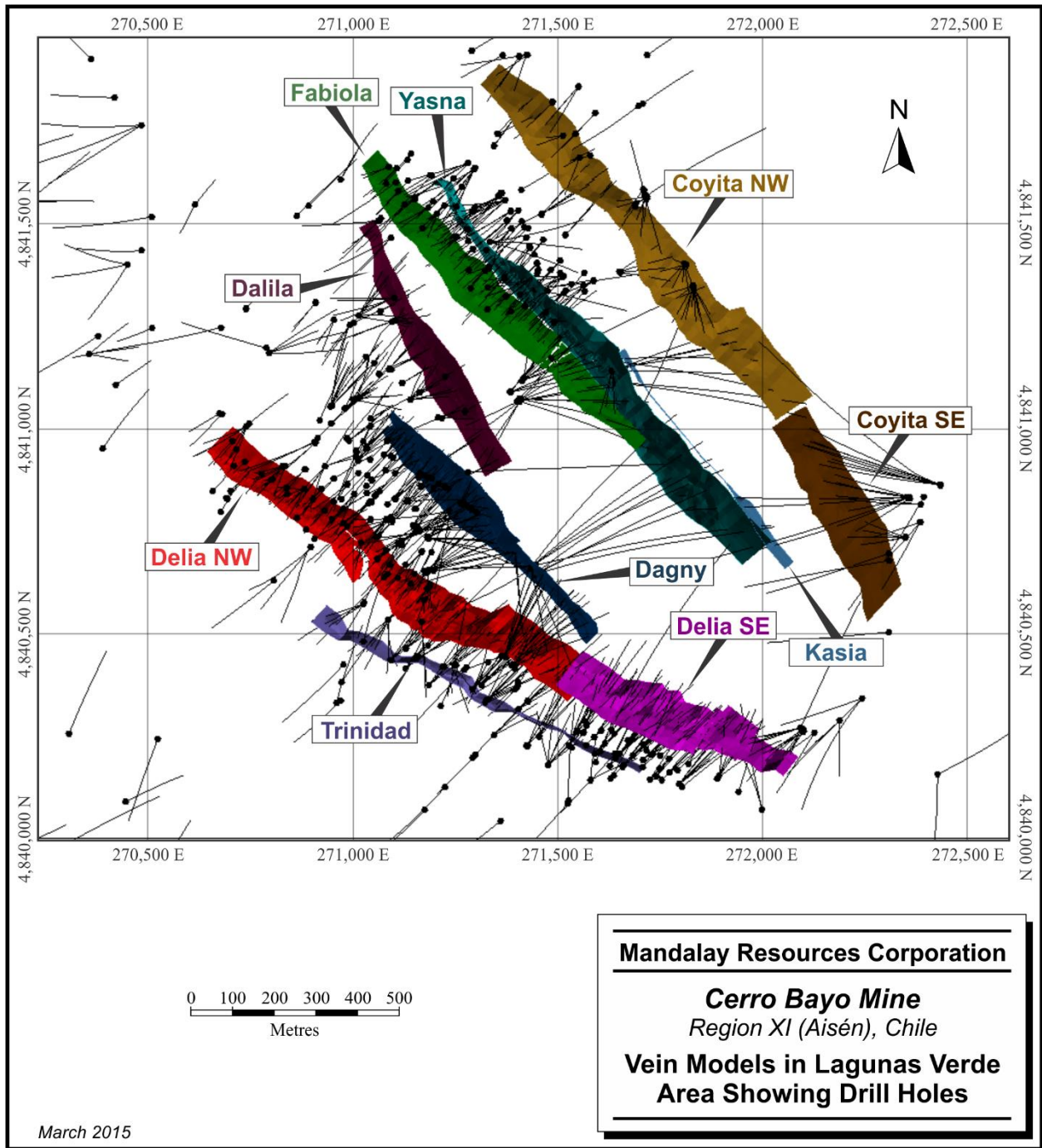
Drill Hole and Channel Sample Database, Cerro Bayo

Mandalay Resources Corporation – Cerro Bayo Project

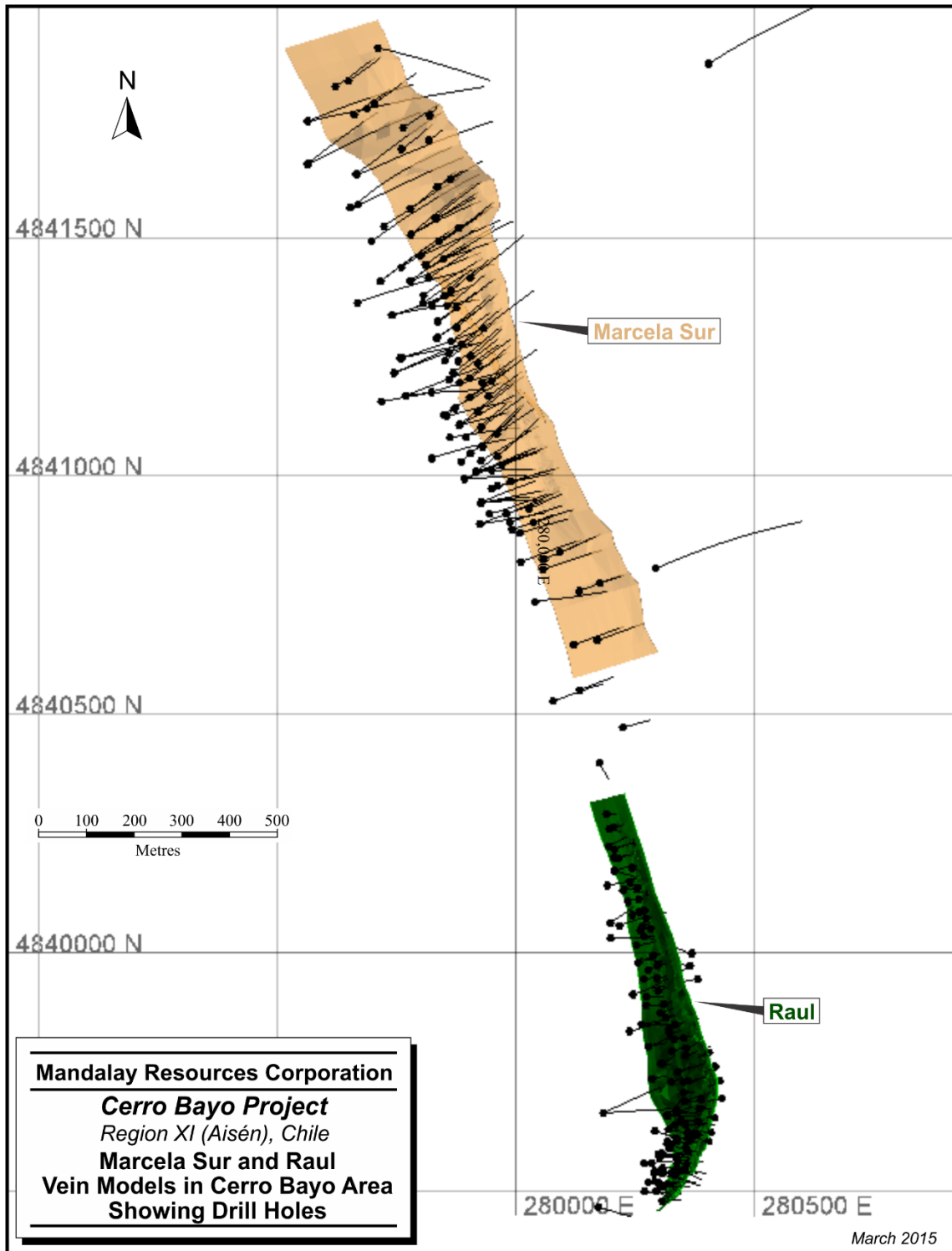
Vein	No. of Drill Holes	No. of Core Samples	No. of Channels	No. of Channel Samples
Coyita NW	75	274	-	-
Coyita SE	31	143		
Dagny	147	572	2,274	3,879
Dalila	75	172	323	510
Delia NW	336	1,244	1,759	4,454
Delia SE	127	628	-	-
Fabiola	154	471	2,281	3,884
Yasna	133	428	1,542	2,405
Trinidad	101	188	-	-
Kasia	17	44	-	-
Marcela Sur	128	489	693	1,840
Raul	136	569	616	1,725

RPA concluded in the Cerro Bayo Technical Report that Mineral Resources have been defined from geological models prepared on the basis of adequately spaced cross sections and plan views. Mandalay provided drill hole and density databases, interpreted wireframe mineralization models, and lithologic and structural interpretations.

The wireframes and drill hole databases for veins in the Laguna Verde area are illustrated below:



The wireframes and drill hole databases for the Marcela Sur and Raul veins are illustrated below:



The gold and silver grades were estimated using an anisotropic Inverse Distance Cubed model and were validated by several methods, including by visual inspection and by statistical comparisons with composite assay statistics and wireframed volumes.

The Mineral Resources are stated at a cut-off grade of 150 g/t Ag Equivalent (AgEq) based on \$1,400/oz gold and US\$24.00/oz silver; the cutoff grade accounts for concentrate transportation, treatment, and refining costs. A rock density of 2.63 t/m³ was used for all areas in the resource estimation. The resources are stated as of December 31, 2014, and are inclusive of Mineral Reserves. The reader is cautioned that Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

Table: Mineral Resources of the Cerro Bayo Mine as of December 31, 2014, inclusive of Mineral Reserves

Category	Tonnes (000)	Au Grade (g/t)	Ag Grade (g/t)	AgEq Grade (g/t)	Au Ounces (000)	Ag Ounces (000)	Ag Eq Ounces (000)
Measured	310	2.63	315	472	26	3,143	4,707
Indicated	1,685	3.28	323	519	178	17,525	28,132
Total M+ I	1,995	3.18	322	512	204	20,668	32,839
Inferred	585	2.26	218	353	43	4,112	6,647

Notes to Mineral Resource table:

1. CIM definitions were followed for Mineral Resources.
2. Mineral Resources are estimated at a cut-off grade of 150 g/t AgEq. The AgEq was calculated using the formula $AgEq = Ag + (Au \times 59.69)$ where Ag and Au are in grams per tonne after transport, treatment and refining costs are deducted.
3. Mineral Resources are estimated using a long-term gold price of US\$1,400 per ounce and a long-term silver price of US\$24 per ounce.
4. A minimum mining width of 1.2 m was used.
5. Bulk density is 2.63 t/m³.
6. Mineral Resources are inclusive of Mineral Reserves.
7. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.
8. Numbers may not add due to rounding.

Cerro Bayo Mineral Reserves were calculated using metal prices of \$1,200/oz gold and \$20.00/oz silver. Mining recovery of 95% was used, with a minimum mining width of 2.4 m. Veins of width greater than 2.4 m were diluted by an extra 0.4 m. Dilution grades varied by vein, as determined by wall rock grades specific to each vein. Given estimated metallurgical recoveries, life-of-mine costs derived from actual experience, and typical commercial terms for concentrate and including deductions for transport treatment, and refining costs this led to a primary cut-off grade of 184 g/t AgEq.

Table: Mineral Reserves of the Cerro Bayo Mine as of December 31, 2014

Category	Tonnes (000)	Au Grade (g/t)	Ag Grade (g/t)	AgEq (g/t)	Au Ounces (000)	Ag Ounces (000)	AgEq Ounces (000)
Proven	375	1.74	209	316	21	2,513	3,805
Probable	2,035	2.21	222	358	144	14,549	23,450
Total Proven and Probable	2,409	2.13	220	352	165	17,062	27,256

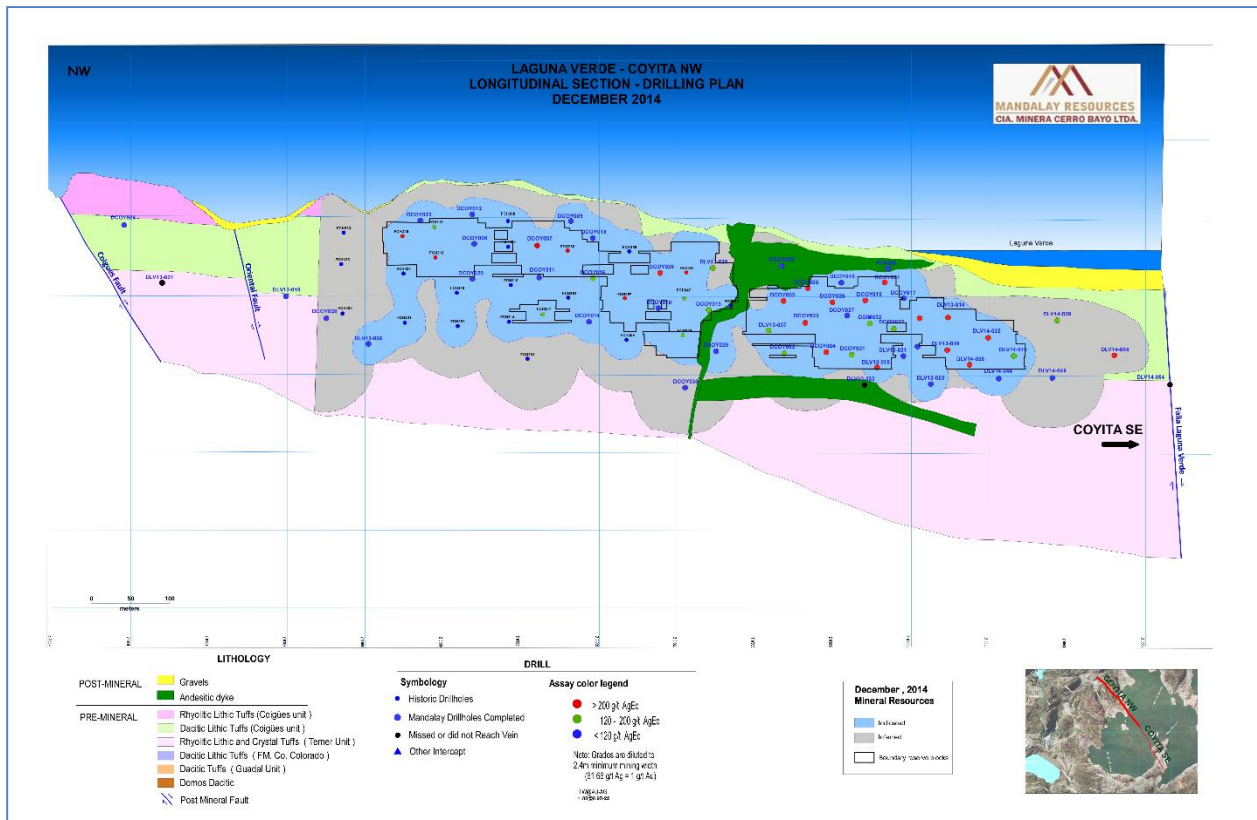
Probable

Notes to Mineral Reserves table:

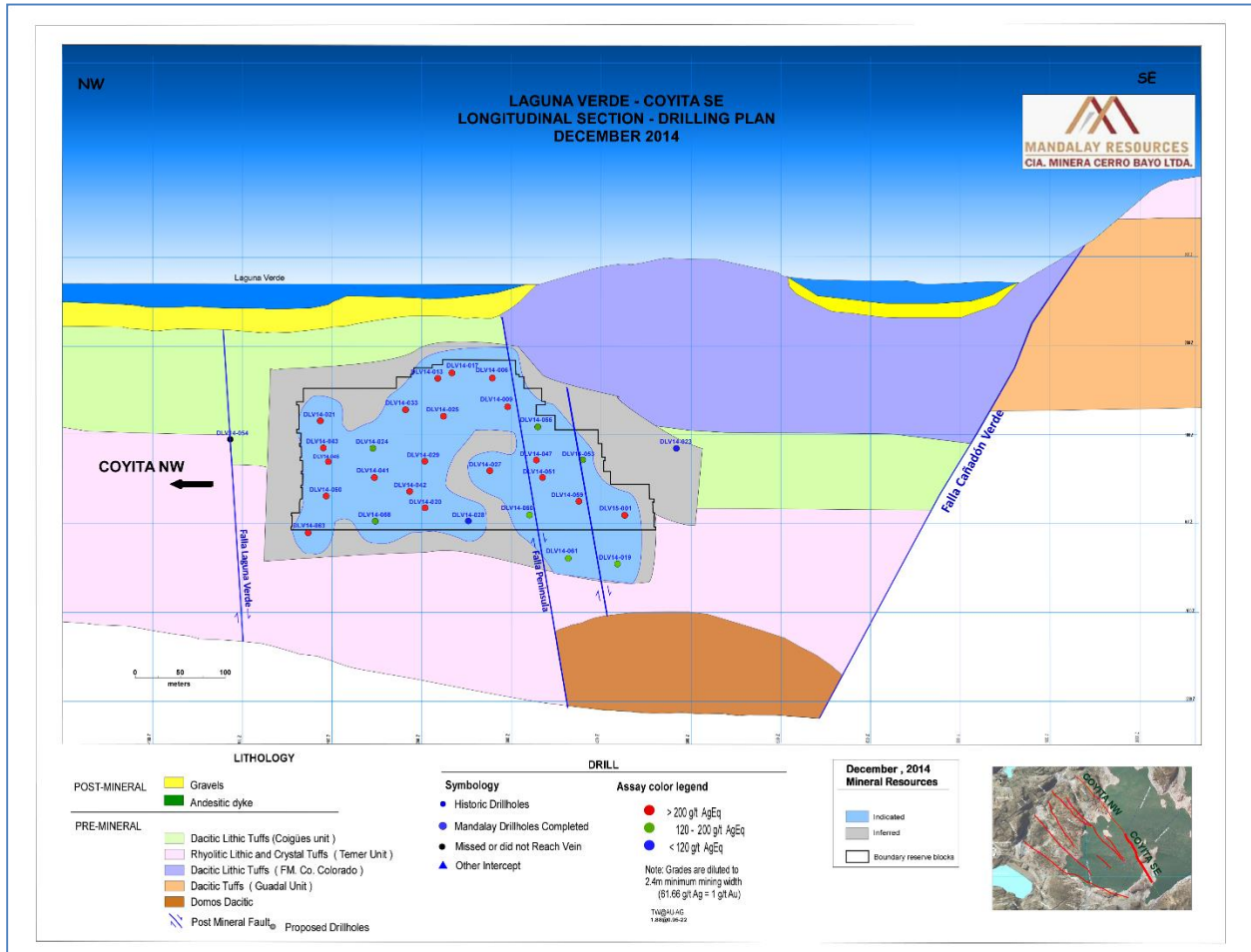
1. CIM definitions were followed for Mineral Reserves.
2. Mineral Reserves are estimated at a cut-off grade of 184 g/t AgEq (silver equivalent). AgEq is calculated using the formula $AgEq = Ag + (Au \times 61.66)$ where Ag and Au are in grams per tonne. Metal prices for determining cut-off grades were US\$1,200/oz Au and \$20/oz Ag.
3. Veins are diluted to 2.4 m minimum mining width and a mining extraction factor of 95% was applied to stope tonnages.
4. A bulk density of 2.63 t/m³ was used.
5. Dilution grades vary by vein.
6. Numbers may not add due to rounding.

Longitudinal sections relating drill intercepts, mine samples, 2010-2014 stoping, and the new resources and reserves, appear below:

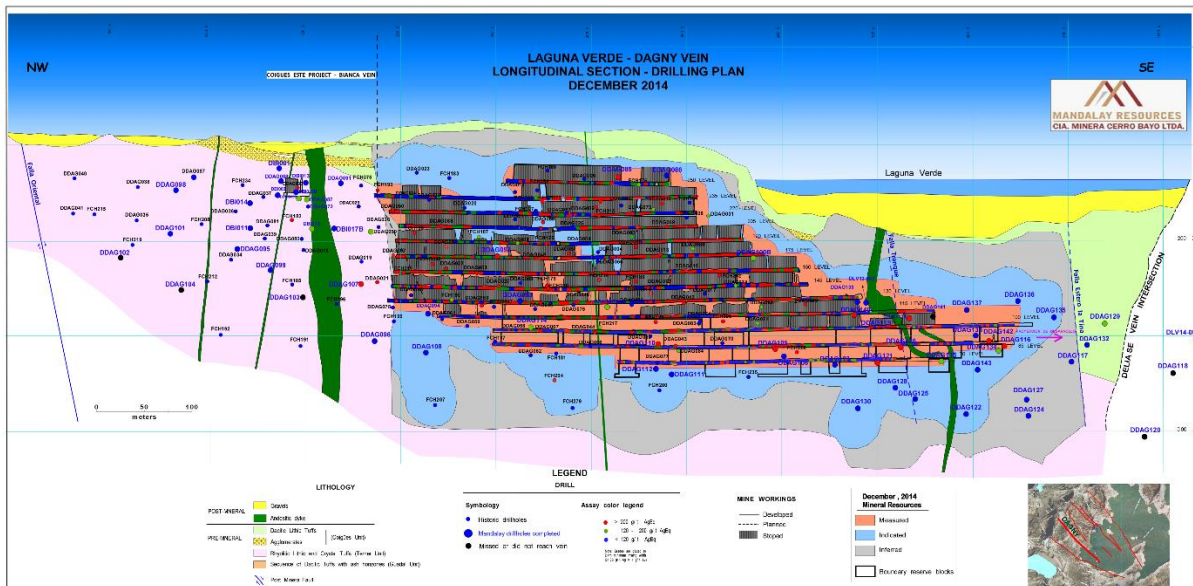
Coyita NW vein



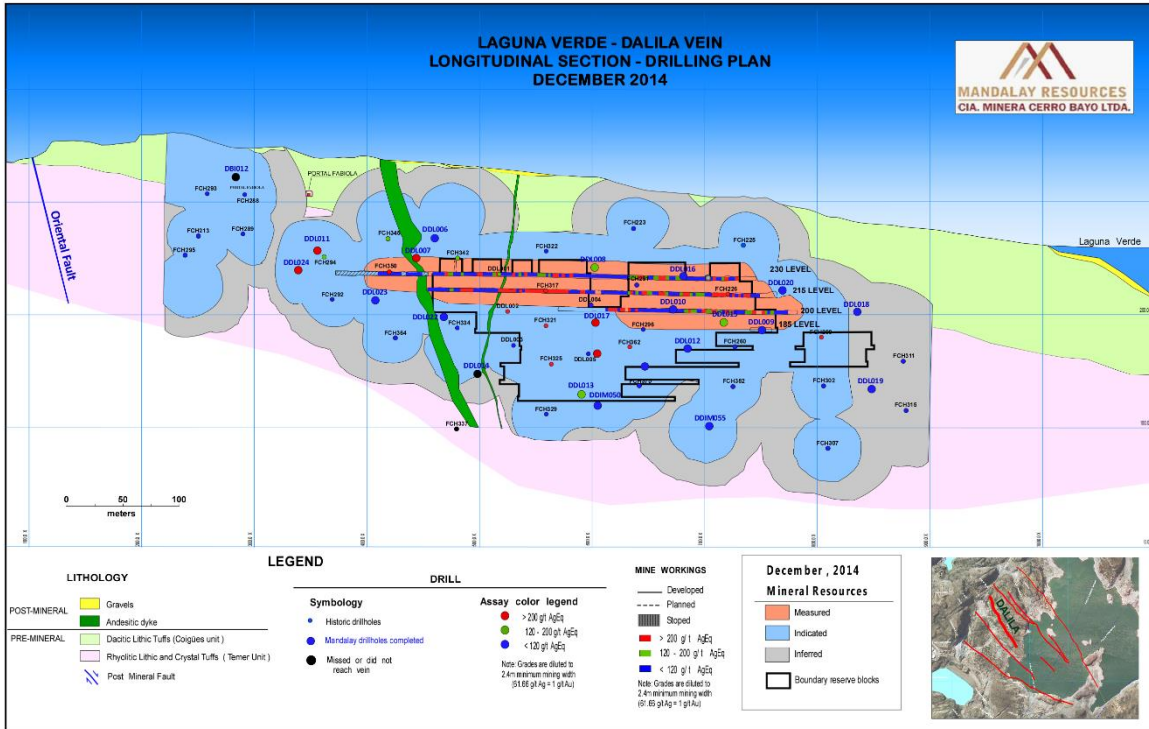
Coyita SE Vein



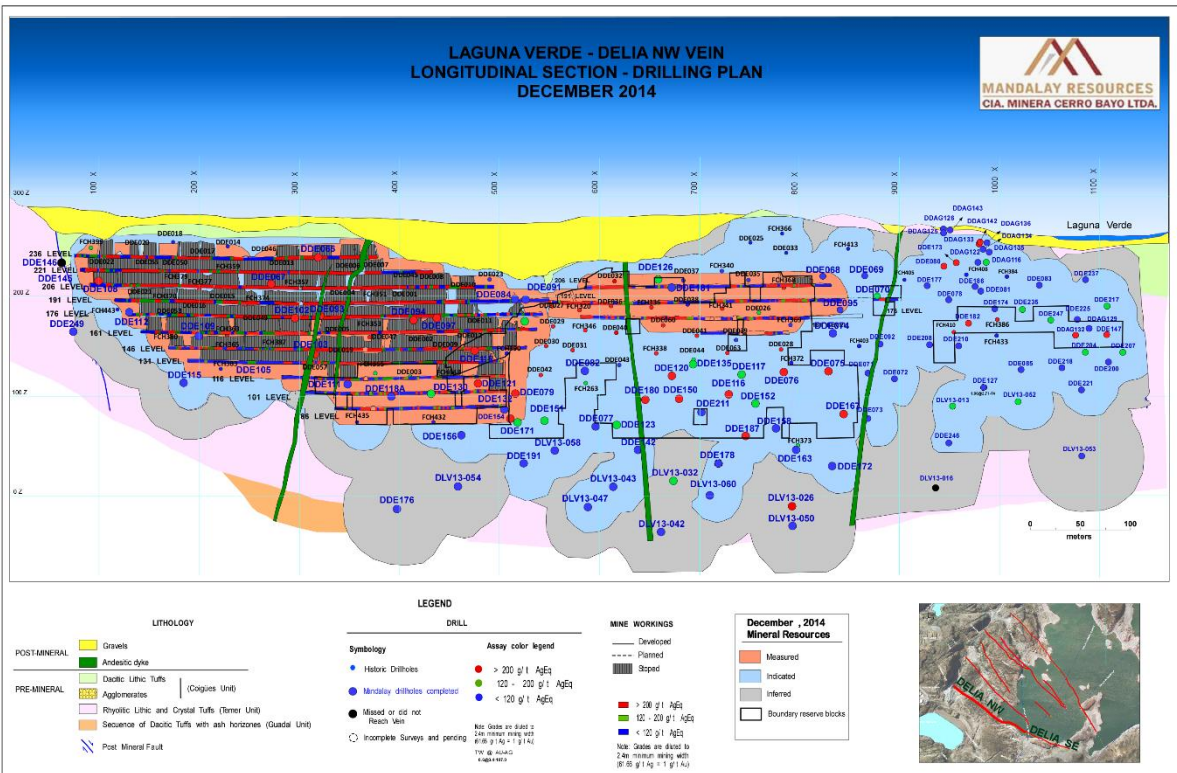
Dagny vein



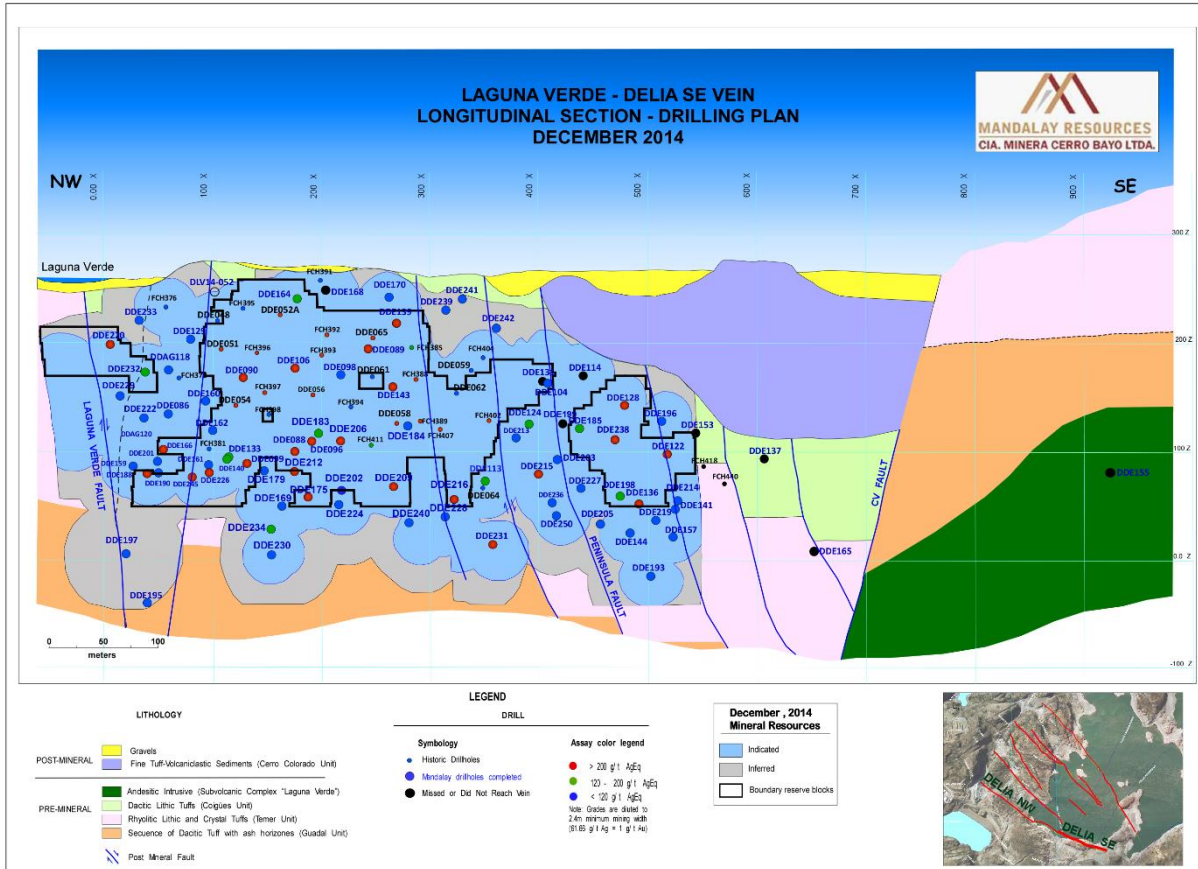
Dalila vein



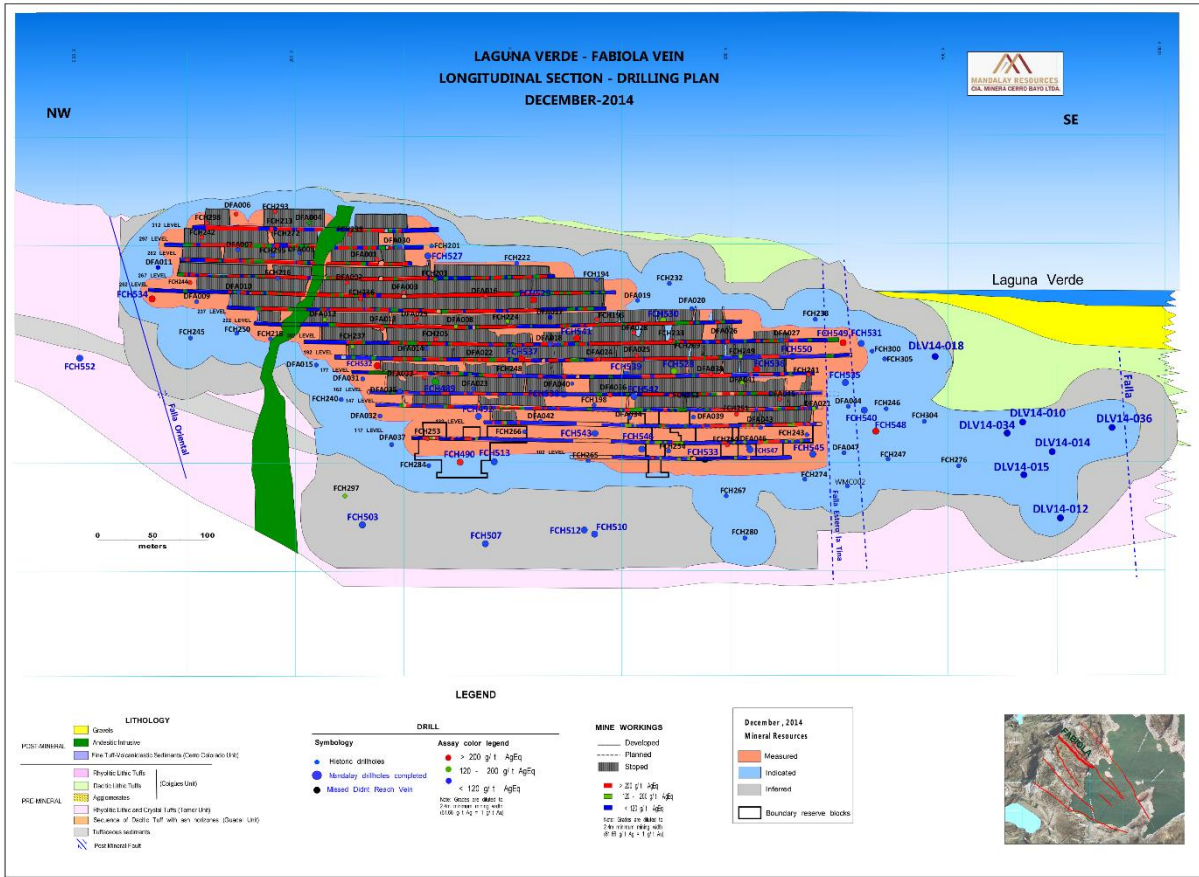
Delia NW vein



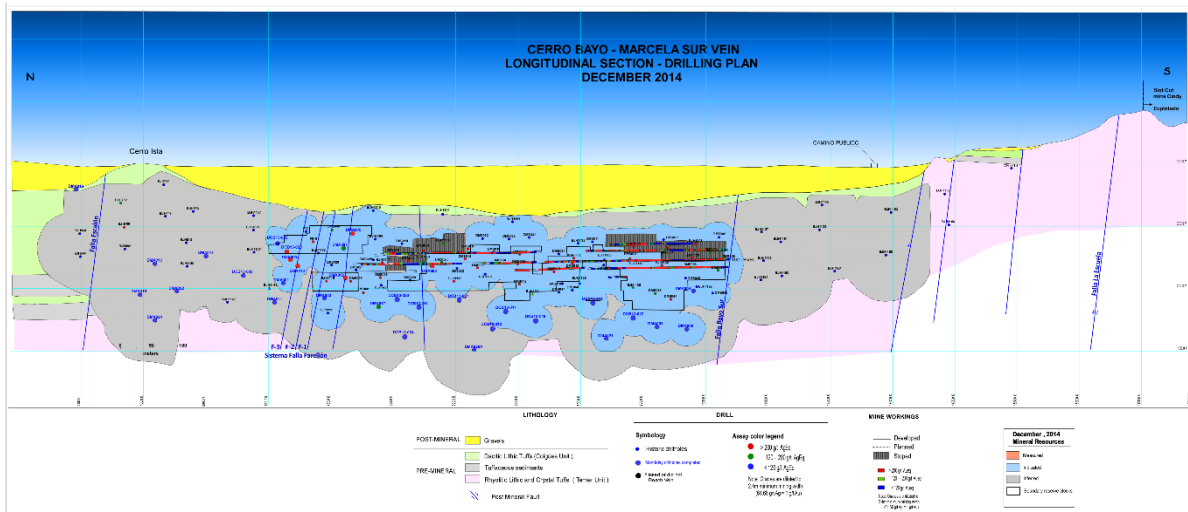
Delia SE vein



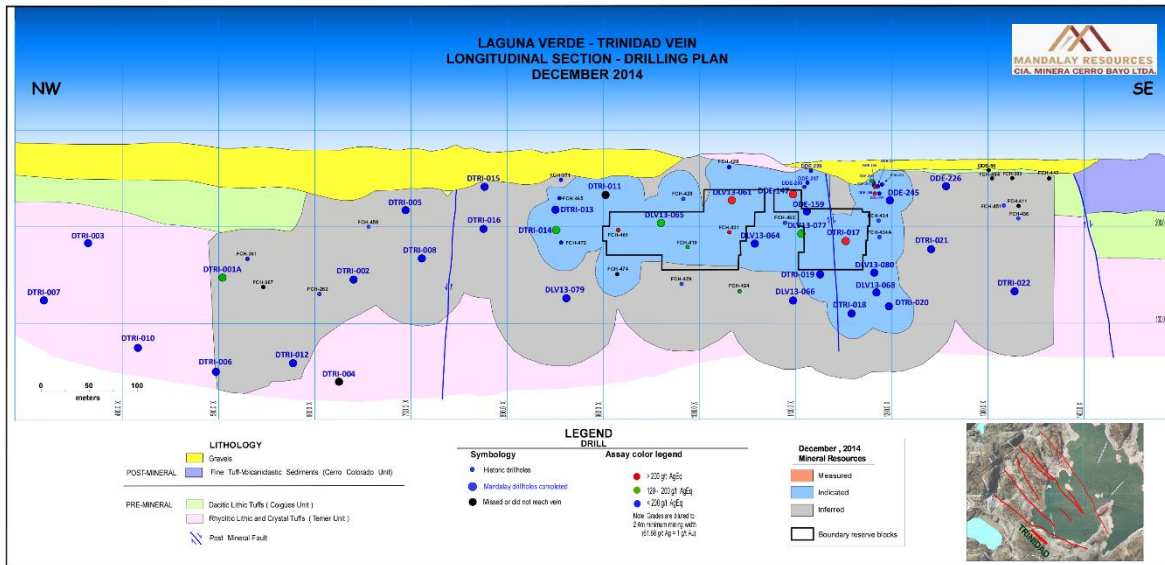
Fabiola vein



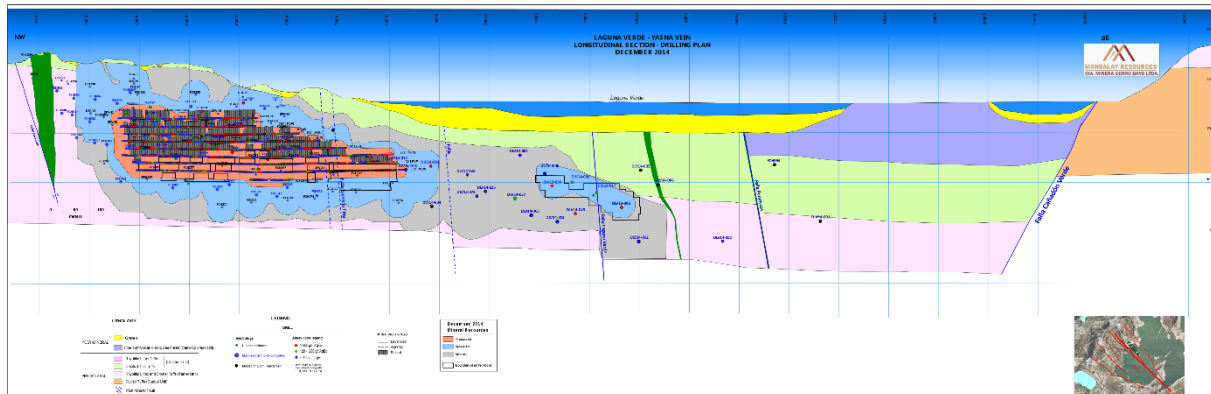
Marcela Sur vein



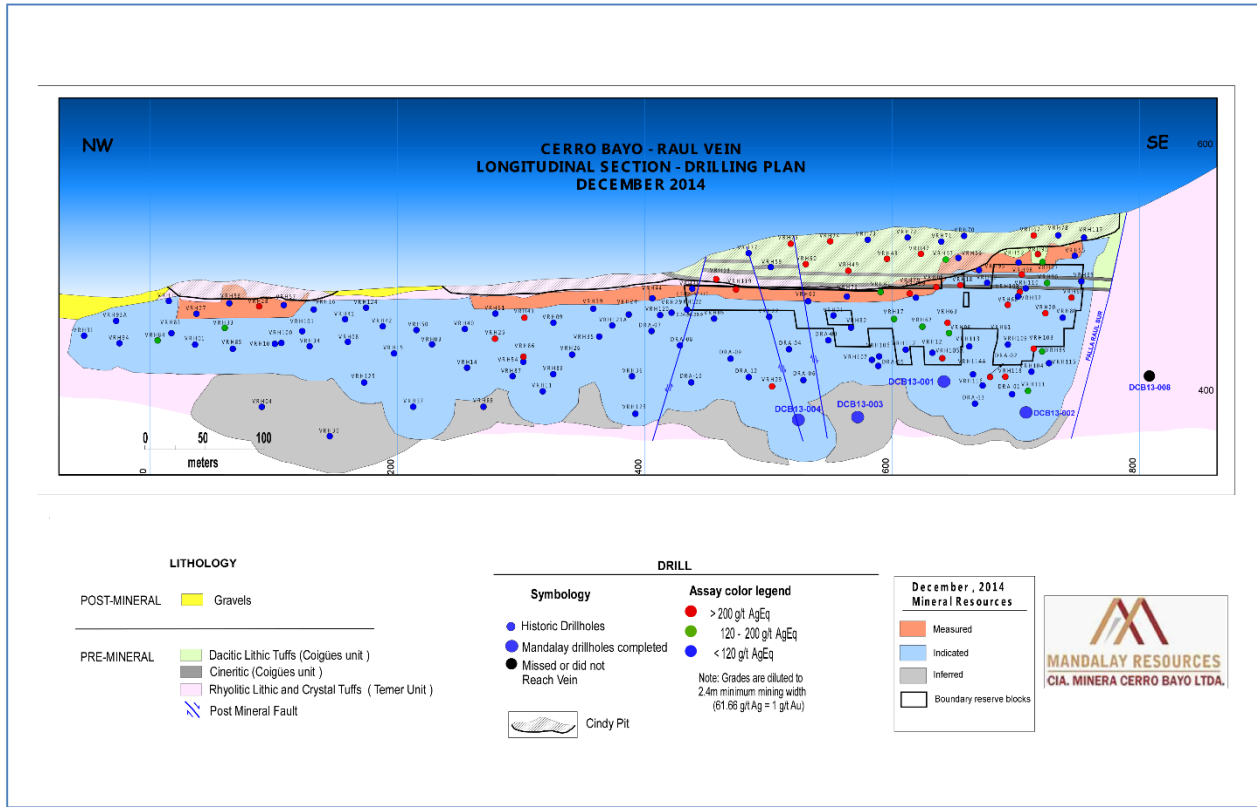
Trinidad vein



Yasna vein



Raul vein



Reconciliation

The production for 2014 compared to budget is shown in the table below, where budget is based on the reserve model:

Actual vs Plan, 2014

Item	Units	2014		
		Actual	Budget	Variance
Milling	Dry Tonnes	459,802	488,815	94%
Grade	Ag (g/t)	259	235	110%
	Au (g/t)	2.19	1.98	111%
Contained Metal	Ag (oz)	3,783,248	3,689,216	103%
	Au (oz)	32,000	31,150	103%
Recovery	Ag	92%	90%	102%
	Au	89%	87%	102%
Concentrate	Tonnes	9,383	8,977	105%
Concentrate Grade	Ag (g/t)	11,440	11,486	100%
	Au (g/t)	93.70	93.98	100%
Metal Produced	Ag (oz)	3,329,519	3,198,928	104%
	Au (oz)	27,600	26,419	104%

The table indicates very close reconciliation of the planned and actual production results for 2014. Only the processed tonnage was slightly below forecast, with all other metrics above the budget indicating a high level of accuracy in the forecasting.

Mining Operations

Coeur mined from open pits in the Laguna Verde area from 1995 to 2000, when it ran out of open pit ore. It curtailed production through 2002, during which time it discovered and developed underground mines on veins adjacent to Cerro Bayo. Underground mining, using a combination of shrinkage stoping and longhole open stoping methods, continued through October, 2008, when the operations were again put on care and maintenance during the global financial crisis. Near the end of that period of underground mining, discovery of blind ore shoots in the Dagny and Fabiola veins in the Laguna Verde area caused Coeur to commence development of mines there, but operations ceased before significant ore faces were developed. Coeur continued to explore near those veins after operations ceased and discovered the Delia NW and SE vein. Together with remnants of the Marcela vein ore shoot in the Cerro Bayo area, Dagny, Fabiola, and Delia NW formed the core of the base case mine plan on which the acquisition of Cerro Bayo was justified and reserves declared. The Mandalay reserves update as of December 31, 2011, increased reserves on

Dagny, Fabiola, and Delia NW as well as converted resources to reserves on Yasna, Bianca, and Delia SE veins. The life-of-mine was increased from about three years in the 2010 plan to about six years. The reserves update as of December 31, 2012, added Mineral Reserves on Dalila and Coyita for first time and maintained the approximately six year mine life. The reserves updated as of December 31, 2013, added Mineral Reserves on Raul and Trinidad for the first time, and maintained the approximately six-year mine life. The reserve updated as of December 31, 2014, replaced mined depletion to maintain the mine life of approximately six years.

Mining Methods and Plan

The Corporation decided for safety and productivity reasons to resume its underground mining solely with the long-hole retreat open stoping method.

The restart plan initiated in the third quarter of 2010 was to ramp up to about a 1,200 tpd peak production rate and sustain this rate by having three mines in operation and one in development at any one time. Dagny (and nearby Dalila), Fabiola (and nearby Yasna) and Delia NW are in production at steady state as of the date of this Annual Information Form and sustainable production rate of 1,300 tpd to 1,400 tpd has been reached. The current life-of-mine plan from the Cerro Bayo Technical Report shows almost six years of production, with Delia SE, Coyita, Raul and Marcela Sur coming on-stream after Dagny and Fabiola diminish.

The basic design of each mine is similar. Each is accessed by a single 4 m x 4.5 m spiral ramp with a ventilation/secondary escape raise of 3 m x 3 m. Production sublevel drifts are developed along the strike of the vein with a minimum width of 3.0 m by 3.0 m high. If the vein is wider than the minimum 3.0 m, the width of the drift is the same as the width of the vein. Stopping is by the long-hole retreat open stoping method, with mucking by remote control scooptrams and with no backfill required. No footwall or hanging wall access drifts or draw points are used as the stopes retreat, from both extremities of the ore on a level, back towards the main access drift coming off of the main ramp.

Ore and waste are hauled to each mine portal by underground dump truck, where they are stockpiled for later haulage to either the crusher or waste dumps by surface equipment.

Metallurgical Processing and Recoverability

Run of mine ore is crushed to minus 6 inches (“in”) in a 24 in x 48 in Allis Chalmers jaw crusher and then conveyed directly to a 1,500 t crushed ore silo. Crushed ore is withdrawn from the silo with vibrating feeders at the rate of up to 65 t/hour (“h”) to feed an 18 foot (“ft”) x 9.25 ft Allis Chalmers SAG mill that is fitted with rubber liners and charged with 5 in grinding balls. The SAG mill discharges to a cyclone pump box and is classified in a bank of two Warman D-15 cyclones at 65% passing 200 mesh. The cyclone underflow is subjected to flash flotation to recover coarsely liberated Au and Ag into a flotation concentrate that is sent directly to final concentrate. The flash flotation tailing is reground in an 11.5 ft x 18 ft Marcy ball mill operated in closed circuit with the D-15 cyclones. The cyclone overflow is subjected to a second stage of classification in a 42 in diameter spiral classifier prior to advancing to rougher flotation. During 2011, Mandalay rehabilitated a concentrate regrind circuit and has the option to use it when required to achieve high recoveries.

Rougher-scavenger flotation is conducted in a bank of seven WECMO 500 ft³ flotation cells. The rougher concentrate is advanced to three stages of cleaner flotation in a bank of eight WEMCO 150ft³ flotation cells followed by a final stage of cleaner flotation in a 42 in x 33 ft high column flotation cell. The final flotation concentrate is thickened in a 30 ft diameter Envirotech high rate thickener and then filtered in two Larox concentrate filters to produce filter cake having 8% to 9% moisture content, suitable for transport by ocean freight.

The capacity of the concentrator is approximately 1,650 tpd, whereas the capacity utilization of the base case three-mine plan is a maximum of about 1,400 tpd. Therefore, there is substantial spare capacity available in the plant in the event that exploration discovers additional reserves in existing veins and/or discovers additional veins such that four veins can be producing at the same time.

In the first quarter of 2013, Mandalay commissioned the automation of grinding and flotation of the processing plant, as a result of the automation silver recovery has improved by approximately 2% for both Au and Ag.

Markets

Minera Cerro Bayo has concentrate sale agreements for the sale of concentrate in 2015 with Dowa Metals and Mining Co., Ltd., Mitsubishi Materials Corporation, and Pan Pacific Copper Co., Ltd., all in Japan and LS Nikko Copper Inc., in Korea. The terms and conditions of commercial sale are not disclosed pursuant to confidentiality requirements.

Contracts

Underground mining activity is carried out solely by internal Minera Cerro Bayo personnel, and therefore, there are no mining contracts in place.

There is a union contract in place that covers Mandalay employees that was signed in June, 2012, and which extends to June, 2015.

Environmental

The Corporation has environmental permits in place to mine all the veins in the base case mine plan. The Marcela vein requires only permission to discharge water as the existing mine is pumped out. Minera Cerro Bayo anticipates the permit will be obtained in sufficient time to deliver the mine plan.

During the second quarter of 2012, the Corporation completed the reclamation project at Furioso. The remainder of the project consists solely of three years of monitoring. Minera Cerro Bayo is working with Sernageomin to get the closure signed off.

Taxes

A Chilean company's profit is subject to a 20% first category tax. The Corporation currently does not have any carry-forward tax losses.

Capital Costs

The economic test prepared for the Proven and Probable Reserves justification for the Cerro Bayo Technical Report requires approximately \$28.484 million in Property, Plant, and Equipment purchases, \$30.565 million in capital development, and \$17.454 million in reclamation spending.

Operating Costs

For the life-of-mine economic test model, the operating costs used are \$50.97/t for mining, \$26.82/t for processing and \$13.93/t for general and administration. These are based on actual costs for the 2014 year.

Economic Analysis

This section was not required in the Technical Report as the property is currently in production, Mandalay is a producing issuer, and there is no material expansion of current production. RPA verified the economic viability of the Mineral Reserves via cash flow modelling, using the inputs discussed in this report. RPA has also independently verified that the cash flow analysis provides positive economics at the reserve cut-off grade prices of \$1,200/oz for Au and \$20/oz for Ag.

Exploration and Development

For 2015, Mandalay anticipates completing the capital development for the Fabiola, Dagny veins, continuing capital development for the Delia SE and Delia NW veins and initiating development for the Coyita vein

The exploration plan fully deploys three to four Corporation-owned rigs for 12 months. Goals of the 2015 program are to:

- continue infill and extension drilling of the Coyita to upgrade Inferred Resource to Indicated Resource;
- continue drilling under Laguna Verde to test the continuation of Yasna vein and neighbouring veins; and
- test blue-sky targets for potentially economic mineralization, to be followed up by more drilling if positive.

6.14 Mineral Project – Björkdal

Information referenced in this section referring to Björkdal is based on the Björkdal Technical Report.

On September 10, 2014, Mandalay Resources completed the purchase of Elgin Mining. Mandalay acquired all issued and outstanding shares of Elgin Mining in consideration for C\$0.37 in cash or 0.4111 of a Mandalay Common Share, subject to pro-ration if the aggregate cash consideration would exceed C\$27 million or the aggregate share consideration would exceed 50 million Mandalay Common Shares.

Property Location

The Björkdal property is located approximately 40 km by road northwest of the municipality of Skellefteå (population of 72,000) in Northern Sweden and is accessible via Swedish National Route 95 or European highway route E 4 and all-weather paved roads.

Ownership

Mandalay holds 100% of Björkdal through the Swedish registered companies Björkdalsgruvan AB and Björkdal Exploration AB.

Granted Tenement Details

Björkdal consists of six mining concessions, owned by Björkdalsgruvan AB, and 15 exploration permits, owned by Björkdal Exploration AB, as listed in the following tables:

Exploitation Concessions

Permit Name	Size (ha)	Expiry Date
Häbbersfors K nr 1	98.6894	January 1, 2031
Häbbersfors K nr 2	34.8839	February 2, 2025
Häbbersfors K nr 3	18.8864	April 29, 2027
Häbbersfors K nr 4	5.0012	November 21, 2025
Häbbersfors K nr 5	21.8263	March. 6, 2034
Häbbersfors K nr 6	23.4887	April 24, 2038
Total	202.7759	

Exploration Permits Permit Name	Size (ha)	Expiry Date
Björkdal nr 26	978.80	February 7, 2016
Björkdal nr 10	712.64	December 18, 2015
Björkdal nr 25	967.70	May 9, 2015
Björkdal nr 19	225.00	October 18, 2015
Björkdal nr 21	135.48	October 18, 2015
Björkdal nr 28	57.10	October 14, 2017
Björkdal nr 31	578.56	November 7, 2015
Lillträsket nr 2	246.97	October 14, 2015
Norrberget nr 200	50.00	March 25, 2015
Norrberget nr 300	37.50	May 23, 2017
Norrberget nr 400	87.62	October 01, 2015
Vidmyran nr 100	1,197.50	March 10, 2017
Olofsberg nr 101	42.70	February 15, 2016
Björkdal nr 29	1,073.89	November 30, 2016
Björkdal nr 30	64.03	February 23, 2017
Total	6,455.49	

Permitting

All operations are fully permitted in accordance with Swedish environmental and health & safety legislation. The latest mining permit M25-10 was issued on June 24, 2010, and is in good standing. Under Swedish law there is no limit on the permit but the government may make adjustments as required to meet any regulation changes.

The existing environmental permit will expire when the planned capacity of the tailings management facility (“**TMF**”) is reached in 2018. The renewal of this permit is understood to be a three year process. A new permit related to the mine tailings area is required before 2019 and the application process will begin in 2015. Björkdal is permitted to use the Kåge River as a water source for the processing plant. The allowed amount is 50 l/s (180 m³ per hour). The plant uses approximately 150 m³ per hour and of this, half is recycled from the tailings facility. Water used at the mine site for purposes other than the processing plant is sourced from dug wells.

A list of current permits is presented in the table below.

Mandalay Resources – Björkdal Gold Mine Permits

Permits	Valid from Date	Valid to Date	Type
MD 25-10	2010-06-24	2019-01-01*	Environment permit
VD DVA 9/87	1987-05-26	2017-05-26	Water-use permit
SK 28-3770.	2014-02-24	No expiry date	Environment permit
SK 2008-3770	2013-05-13	No expiry date	Environment permit

Royalties

There are no governmental or private royalties on Björkdal.

Environmental Liabilities

Mine closure and reclamation plans are submitted and approved as an annex to the environmental permit and includes a reclamation bond with the Swedish authorities in the amount of \$2,426,539. The approved plan provides an overview of reclamation requirements that follow the July, 2004, European Commission guidelines for Best Available Practice for the management of tailings and waste rock in mining activities. Six months prior to mine closure, a detailed remediation plan is required to be submitted to the regulator.

Local Resources and Infrastructure

Power

The power supply for the site is provided by Skellefteå Kraft AB. The electricity is sourced from relatively low-cost hydro power and is delivered to Björkdal via the Swedish power grid.

Water

Water for the process plant is supplied from two sources. Two submersible pumps located at the Kåge river supply approximately 700,000 m³ of raw water annually to plant water tanks via two pipelines. Existing water rights allow Björkdal to withdraw up to 50 l/s, equivalent to 180 m³ per hour and 1.58 million m³ per year. A second pump station located at the water treatment plant returns water from the tailings management facility. During the summer months, approximately 55% of the process water is recycled from the tailings system and the remaining 45% is drawn from the Kåge River. During winter time, due to freezing and precipitation in form of snow, the water balance is the opposite.

Consideration is being given to diverting approximately 400,000 m³/year of water from the mine to the tailings facility and this would allow a 55:45 ratio to prevail throughout the year. The result would be that less water could be discharged from the tailings system and less fresh make-up water would be required.

Buildings and Facilities

Björkdal has all the facilities associated with a small open pit and underground Au mine including:

- raw ore stockpile facility containing six 5,000 to 7,000 t capacity raw ore stockpiles
- primary jaw crushing facility with 400 t coarse ore stockpile
- secondary crushing facility
- 5,000 t fine ore stockpile and reclaim facility
- 3,700 tpd mill, flotation, and gravity Au plant and flotation plant
- heavy equipment maintenance facility
- ancillary buildings for office, assay laboratories etc.
- 250 ha Tailings Management Facility
- raw water supply and storage
- water treatment plant
- core storage facility
- explosive magazine and emulsion and ANFO mixing facilities
- storage facilities for chemical reagents and bulk supplies

Tailings and Waste Rock Storage Areas

There are currently two active waste dump areas; the North and South waste dumps, which have remaining capacities of approximately 26 million t and six million t respectively.

The tailings management facility is located in an area of gently undulating relief approximately 1.5 km north of the processing plant. Approximately 26 million t of tailings have been deposited since mining began at Björkdal in 1988.

The current permit for running the Björkdal operation and building the tailing management facility was received in June 2010. The existing pond is permitted for a maximum capacity of 20 million m³ or approximately 30 million dry metric tonnes (“**dmt**”) of mill tailings.

As of January 1, 2015, it was estimated that the remaining permitted capacity available is approximately 5.2 million dmt. The current LOM production rate, a new permitted facility will need to be commissioned during 2018. A permit may take up to three years to obtain from the court.

Accessibility

Björkdal is located approximately 40 km by road northwest of the municipality of Skellefteå (population of 72,000) and is accessible via Swedish National Route 95 or European highway route E 4 and all-weather paved roads. On the property, gravel roads link the main site gate entrance to the surface infrastructure. Gravity concentrates are trucked from the mine to Skellefteå where it is loaded on ships for delivery to smelting customers in Europe. Sulphide flotation concentrates are trucked to nearby processing facilities. The nearest airport, located in Skellefteå, has regular daily service to Stockholm.

Climate

This area of Sweden has a subarctic climate with mild summers and cold snowy winters. The climate is, however, moderated by proximity to the Gulf of Bothnia, so that while winters are cold, they are much less so than winters at similar latitudes in other parts of the world. The average low temperature for January is -14°C. The short summers are also reasonably warm for latitudes near the Arctic Circle. The average daily high temperature in July is 19°C, although, in recent years, temperatures above 30°C have been recorded. Yearly precipitation is less than 600 mm, with August being the wettest month at over 71 mm. Precipitation is quite low near the coast, but snow may lie on the ground for up to four months. Due to its high latitude, July is typified by an average of 21 hours of daylight while the average for December is four. Climatic conditions do not affect Björkdal’s exploration activities and the mine and processing operations function year round.

Topography and Vegetation

The mine is located at an average elevation of 140 m above sea level. The terrain around Björkdal is relatively subdued with low hills and numerous shallow lakes. Glacial till forms the main soil cover over the area. The vegetation around Björkdal consists dominantly of managed forests of spruce and birch with some areas of cultivated land.

Geology and Mineralization

Geology

Geologically, the Skellefteå region consists of Paleoproterozoic-aged rocks that lie within a large and ancient cratonic block named the Fennoscandian shield. The Fennoscandian shield spans much of Finland and eastern Russia, extending westward throughout Sweden and Norway.

Mineralization in the Skellefteå region is focused within and around a regionally extensive, west to northwest trending structural feature named the Skellefteå belt. The Skellefteå belt is 120 km long by 30 km wide and consists of deformed and metamorphosed volcanic, sedimentary, and igneous rocks that are all Paleoproterozoic in age. Deformation and metamorphism is attributed to the Paleoproterozoic-aged Svecofennian orogeny that occurred around 1.88-1.8 billion years ago. Metamorphism associated with the Svecofennian orogeny ranges in intensity from greenschist to amphibolite facies. The overlying Vargfors Group is dominated by clastic sedimentary rocks with lesser mudstone and carbonates, sporadically interbedded with thin volcanic successions. The stratigraphic successions are locally intruded by igneous rocks belonging to the Jörn granitoid suite.

The host rock lithology within both the open pit and underground mining areas consists of a large igneous intrusion of quartz-monzodiorite to tonalite composition. This intrusion is thought to be an ellipsoidal body several km in diameter; however, a lack of bedrock outcrop in the region makes surface mapping exceptionally difficult and much of the regional geology is often interpreted from geophysical maps. The intrusion is flanked by sedimentary successions radially dipping away from the igneous body in a tangential manner.

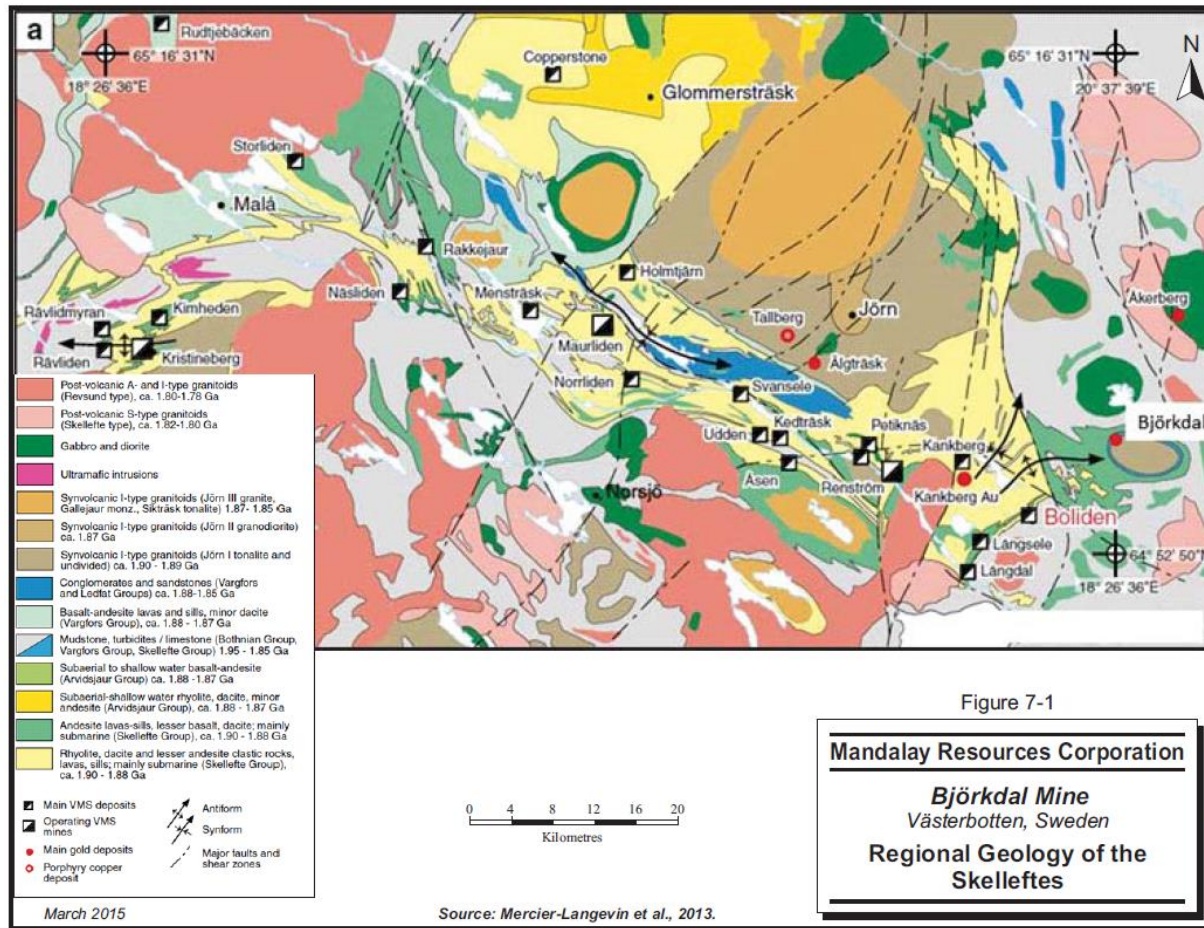
Overlying the intrusion, and truncating the quartz veins, is a package of metasedimentary and metavolcanic rocks. Directly above the intrusion is a unit colloquially referred to as a limestone (or sometimes marble). The limestone occurs as an immediate hanging wall (“HW”) to, or as rafts within, the intrusion. The location of the HW contact is variable and the contact is seen as a key marker horizon for exploration.

Mineralization at Björkdal is typified by Au-quartz hosted veins located within the intrusion. These veins are vertical to sub-vertical and strike between 040° and 055°. The quartz veins vary between a few centimetres to over two metres in width. The veining is locally structurally complex, with many cross-veining features as well as thin quartz veinlets which introduce mineralization into the wall rocks proximal to the main quartz veins.

Au-rich quartz veins are nearly everywhere associated with minor quantities of sulphide minerals such as pyrite, pyrrhotite, marcasite, and chalcopyrite more common non-sulphide minerals such as tourmaline and biotite. Scheelite and bismuth-telluride alloys (i.e., tsumoite) are also commonly found within the Au-rich quartz veins and are both excellent indicators of Au mineralization.

Au morphology is dominantly free or native. Au mineralization is also associated with bismuth-telluride, electrum, and pyroxenes. Ag is a minor by-product of the Björkdal processing plant. Very little is known about its deportment within the deposit, although it is assumed to be associated with the Au in electrum.

Figure: Local Geology



Mineralization

The gold mineralization at Björkdal is associated with a steeply dipping sheeted quartz vein complex hosted within granodiorite. The quartz veins strike at 70 to 85 degrees azimuth (mine grid). The mine grid is 29.67 degrees west of true north. The veins are near vertical and are developed in zones of fracturing perpendicular to the hanging wall contact with the overlying supracrustal rocks. The hanging wall contact dips to the north at 30 to 35 degrees and has been interpreted as a thrust fault although locally no evidence of significant faulting is seen. The veins occur preferentially in the granodiorite and metavolcanic rocks, and terminate at the hanging wall contact and gradually wane and die out or “keel” with depth away from the contact.

In general, the Au-bearing quartz veins are 0.1 to 2.0 m thick. Vein mineralogy is simple being dominated by quartz with minor amounts of sulphides, bismuth-tellurides (e.g. tsumoite), tourmaline and scheelite. Tourmaline is a common constituent of all quartz veins and appears to be more abundant in veins with higher gold content. Biotite, calcite and actinolite are also present. The sulphides are dominated by pyrite with lesser pyrrhotite and trace chalcopyrite. The distribution of pyrite is somewhat erratic; large, euhedral crystals which occur in the interior of the quartz veins, whereas an intense fine-grained impregnation commonly characterizes the wall-rock contact. At the wall-rock contacts, a weak alteration zone is developed, up to 30 cm wide. The ore body has been drilled to a depth of approximately 400 m below surface and remains open along strike and in both up and down-dip directions.

History

The Björkdal deposit was originally discovered in 1983 by Terra Mining AB (“**Terra Mining**”) by a till sampling program which returned anomalous gold values. Anomalous bedrock values were obtained in 1985 and definition drilling began in early 1986.

Definition drilling was coincident with metallurgical testwork and positive feasibility studies were completed in May, 1987. Terra Mining commenced mining operations at Björkdal in July 1988. In 1996, Terra Mining was purchased by William Resource Ltd. (“**William**”). William continued to operate the mine until the end of June, 1999, when it was petitioned into bankruptcy. The assets were bought through public auction in June, 2001 by International Gold Exploration, which operated the mine from September, 2001 until 2003, when it was acquired by Minmet plc (“**Minmet**”).

In 2006, Gold-Ore Resources Ltd. (“**Gold-Ore**”) acquired an option from Minmet to purchase the holding company for the mine. On December 31, 2007, Gold-Ore exercised its option and acquired all the shares of Björkdalsgruvan AB. During exploration and development of Björkdal, Gold-Ore generated cash flow from gold sales from the operation of the plant at the mine, fed by stockpiled material, open pit mining, and underground development operations, which commenced on a full scale in mid-2008. In January, 2009, Gold-Ore’s management concluded that there were sufficient mineral reserves and resources at Björkdal for at least a five year mine life and declared commercial production.

In May, 2012, Elgin acquired all of the issued and outstanding common shares of Gold-Ore. Gold-Ore’s common shares were delisted from the TSX and Elgin graduated from a TSX Venture listed company to a TSX listed company.

On June 4, 2014, Mandalay announced that it had entered into an arrangement agreement pursuant to which Mandalay would acquire all the outstanding common shares of Elgin. The transaction was completed on September 10, 2014.

Exploration

RPA reviewed the historical exploration work and found that it was not well documented. Elgin had not undertaken any significant regional exploration drilling and generally focussed exploration efforts on near-mine drilling directly related to the current mine.

In 2014, regional exploration drilling initiated by Elgin took place on the Ronnberget Prospect which is located approximately four kilometers east of Björkdal. Six holes totalling 757.3 m were drilled targeting near surface quartz veins geologically similar to the Björkdal deposit. Five holes totaling 632.4 m were drilled after the Mandalay transaction date. Results are currently being reviewed.

Mandalay is currently formulating both in-mine and regional exploration strategies. Mandalay has budgeted approximately \$3 million for 2015 exploration activities at Björkdal. This amount will be split between underground, open pit, and regional drilling and other geological studies in order to technically review the deposit over the coming year. A major focus will be on conversion of existing Inferred Mineral Resources to Indicated, as well as increasing the Inferred Mineral Resource base in order to replace depletion from mining activities.

Drilling

During the period between 1986 and 2004, a total of 1,148 holes were drilled at Björkdal.

Drill Hole Type	Number of Drill Holes
DC	343
DDH	128
RC	677
Total	1,148

Drilling was carried out periodically as exploration and development progressed at Björkdal. As the Mineral Resource drill hole database cut-off date was July 31, 2014, which was prior to Mandalay's acquisition of Björkdal, all drilling included in the Mineral Resource estimate was performed by the previous operators. The following table summarises the drilling carried out between 2006 and 2014:

**SUMMARY OF DRILLING FROM 2006 TO 2014
Mandalay Resources – Björkdal Gold Mine**

Year	Drill Hole Type	Underground		Open Pit	
		Number of Drill Holes	Metres (m)	Number of Drill Holes	Metres (m)
2006	Core	91	7,954	-	-
2007	Core	109	10,454	19	3,303
2008	Core	40	2,577	-	-
2009	Core	43	5,892	9	469
2010	Core	30	5,112	37	2,756
	RC	-	-	76	2,978
2011	Core	52	10,271	15	1,325
	RC	-	-	127	3,862
2012	Core	48	8,490	34	4,685
	RC	-	-	258	9,904
2013	Core	42	9,178	14	1,631
	Core (Infill)	43	2,812	-	-
	RC	-	-	317	10,006
2014	Core	43	9,218	-	-
	Core (Infill)	42	3,922	-	-
	RC	-	-	301	8,984
Total		583	75,880	1,207	49,903

Drilling Procedure

Diamond Drilling

Underground drilling was initially conducted on 30 m spaced sections but was later modified to be on 15 m spaced sections. Since 2010, the underground drilling is on nominal 20 m spaced sections. Holes are generally aligned along the 330° azimuth drill sections.

All the surface, and the majority of the underground diamond drilling, has been conducted by experienced Swedish drill contractors. Protek Norr AB (Protek) has been awarded all of the various surface and underground drill contracts since 2010. The NQ sized drill string produces a 47.6 mm diameter core.

Starting in 2013, infill underground diamond drilling programs using A-size drill strings (27.0 mm diameter core) were implemented utilizing an in-house drill rig. A Sandvik model 110 conventional rig was modified for wireline drilling and is operated by one driller on one shift, four days per week, producing 25 m per shift. The original intent for the purchase of this drill was to determine faults, width of quartz veins, and provide grade control in holes up to 150 m in length.

Due to the nature of deposit, core recovery is generally excellent, averaging greater than 90%.

RC Drilling

RC drilling has been utilized for grade control in the open pit since 2010 to define the gold bearing quartz veins which can vary in scale from one centimetre to greater than one metre.

The standard drill pattern is a 7.5 m by 15 m by 18 m grid where holes are planned to intersect perpendicular to the quartz vein orientation. The number of planned drill holes also depends upon the frequency of historical drill holes.

Drilling is performed by drill contractors utilizing five inch (12.7 cm) diameter drill bits. Drill cuttings are sampled every one metre via a cyclone. RC drilling is conducted as much as possible in the summer months in order to reduce any possible build-up or contamination in the cyclone due to frigid winter conditions.

Sampling and Analysis

Assaying of Björkdal's samples was completed at ALS Minerals, an independent, ISO-credited laboratory in Piteå, Sweden, CRS Minlab Oy (CRS) in Kempele, Finland, and at the Svartliden gold mine in Sweden. Whole core samples were sent directly to the independent laboratories for sample preparation and assaying. Reverse circulation samples were prepared at the SPL and then shipped for assaying. Assaying was conducted utilizing the LeachWELL process. QA/QC included the use of standard reference samples, blanks, duplicates, repeats, and internal laboratory quality assurance procedures. Underground chip and sludge samples were collected by geological technicians who prepared the samples at the SPL. The Björkdal Mine Laboratory analyzed the mine samples using fire assay techniques. The mine chip and sludge samples have not been used for the Mineral Resource estimation.

Data Verification

RPA verified the accuracy of data entry for geologic and assay information to the database.

Security of Samples

The Björkdal Mine Site has not experienced any major security issues. Access to the open pit and underground is restricted to authorized personnel in mine or contractor vehicles.

Drill and mine samples are transported from the site to the Björkdal on-site Core Logging and Sample Preparation facility which is located within a secure area.

All diamond drill core is logged into laptop versions of GeoSpark. Only persons permitted by Björkdal are allowed to handle the samples and measures are in place to limit and deny the access by persons not authorized.

Commercial freight companies are used to transport the samples to the appropriate independent sampling and assaying laboratories. Sample shipment lists are emailed to the assay laboratory.

Assay Quality

Björkdal QA/QC protocol consists of the regular insertion of blanks and multiple standards within each 20 sample batch. A blank sample was also inserted after every sample containing visible Au. No external check assaying was undertaken for the core samples, however, some 328 RC samples analyzed using LeachWELL at ALS were sent for fire assay at Actlabs in Ancaster, Ontario.

In general, all sample preparation was conducted at the on-site sample preparation facility and Au analysis was undertaken by ALS using the LeachWELL method. RC drilling for grade control purposes carried out from 2006 to 2013 and assayed at ALS did not include any QA/QC insertions into the sample stream. No QA/QC data is available for historical drilling prior to 2004. From 2013 to 2014, standard and blank samples were inserted into the sample stream with one blank and one standard sample inserted per RC drill hole. In 2014, RC samples were sent to the uncertified CRS and Svartliden laboratories.

Mineral Resources and Reserves

RPA reviewed data for Björkdal and has independently prepared Mineral Resource estimates using a drill hole database with a cut-off date of July 31, 2014. The Mineral Resource estimate has an effective date of December 31, 2014. Mineral Resources were estimated for open pit, underground, and stockpile areas.

RPA interpreted a total of 104 open pit and 275 underground vein wireframes utilizing drill hole and surveyed chip samples. The open pit wireframes were constructed at a nominal cut-off of 0.3 g/t Au with a nominal minimum mining width of two metres. The underground wireframes were based on a nominal two metre minimum mining width at a cut-off value of 0.5 g/t Au.

Mineral Resources for Open Pit 2 and Nylund areas were not modelled or estimated due to lack of data.

In order to avoid any disproportionate influence of random, anomalously high-grade assays on the resource average grade, RPA capped assays to 20 g/t Au for the open pit and 80 g/t Au for the underground.

Two block models were set up for Björkdal in GEOVIA GEMS software, one for open pit and the other for underground. In each model, the blocks were flagged with mineralized vein wireframes and large unconstrained dilution solids. Grades were interpolated by inverse distance cubed (ID³) utilizing diamond drill and RC samples and constrained by the wireframes. Oriented search ellipses were used to interpolate vein grades and dilution material separately, with final block grades being calculated by summing the weighted contribution from vein and dilution material.

The open pit resource is constrained by the surveyed December 31, 2014, pit topography surface and the final reserve pit design and is reported at a 0.35 g/t Au cut-off grade. The underground resources were then defined below the pit design and reported at a cut-off grade of 1.1 g/t Au.

RPA classified the Mineral Resources as Indicated and Inferred based on drill hole spacing, grade continuity, and reliability of data. In RPA's opinion, issues with the reliability of the underground chip samples currently preclude the classification of Measured Mineral Resources. However, most of the deposit has been classified as Indicated due to the quantity of underground development.

At a cut-off grade of 0.35 g/t Au for open pit and 1.1 g/t Au for underground, Indicated Mineral Resources are estimated to total 7.1 million tonnes at a grade of 2.78 g/t Au containing 638,000 oz Au. The Indicated Mineral Resource total includes 1.0 million tonnes of historical stockpile material, at a grade of 0.50 g/t Au

and containing 16,000 oz Au. At the same cut-off grades, Inferred Mineral Resources are estimated to total 1.2 million tonnes at a grade of 1.9 g/t Au containing 73,000 oz Au. These estimates, as shown in Table below, are reported inclusive of Mineral Reserves:

Classification	Area	Tonnage (t)	Grade (g/t Au)	Contained Metal (oz Au)
Indicated Resources				
	Open Pit	2,481,000	1.65	132,000
	Underground	3,654,000	4.17	490,000
	Sub-Total	6,135,000	3.15	622,000
	Stockpile	1,000,000	0.50	16,000
	Total Indicated	7,135,000	2.78	638,000
Inferred Resources				
	Open Pit	790,000	1.1	29,000
	Underground	410,000	3.4	44,000
	Total Inferred	1,200,000	1.9	73,000

Notes:

1. CIM definitions were followed for Mineral Resources.
2. Mineral Resources are inclusive of Mineral Reserves.
3. Mineral Resources are estimated using an average gold price of \$1,400 per ounce.
4. Bulk density is 2.71 t/m³.
5. High gold assays were capped to 20 g/t Au for open pit and 80 g/t Au for underground.
6. Interpolation was by inverse distance cubed utilizing diamond drill and reverse circulation samples.
7. Open pit Mineral Resources are estimated at a cut-off grade of 0.35 g/t Au, constrained by the pit design and the 2014 Year End Open Pit Digital Terrain Model.
8. Underground Mineral Resources are estimated at a cut-off grade of 1.10 g/t Au.
9. A minimum mining width of approximately two metres was used to interpret veins using diamond drill, reverse circulation, and underground chip sampling.
10. Reported Mineral Resources are exclusive of previously mined underground development and stopes.
11. Stockpile Mineral Resources are estimated at a cut-off grade of 0.30 g/t Au and are based upon historical estimates supplemented by production data.
12. Numbers may not add due to rounding.

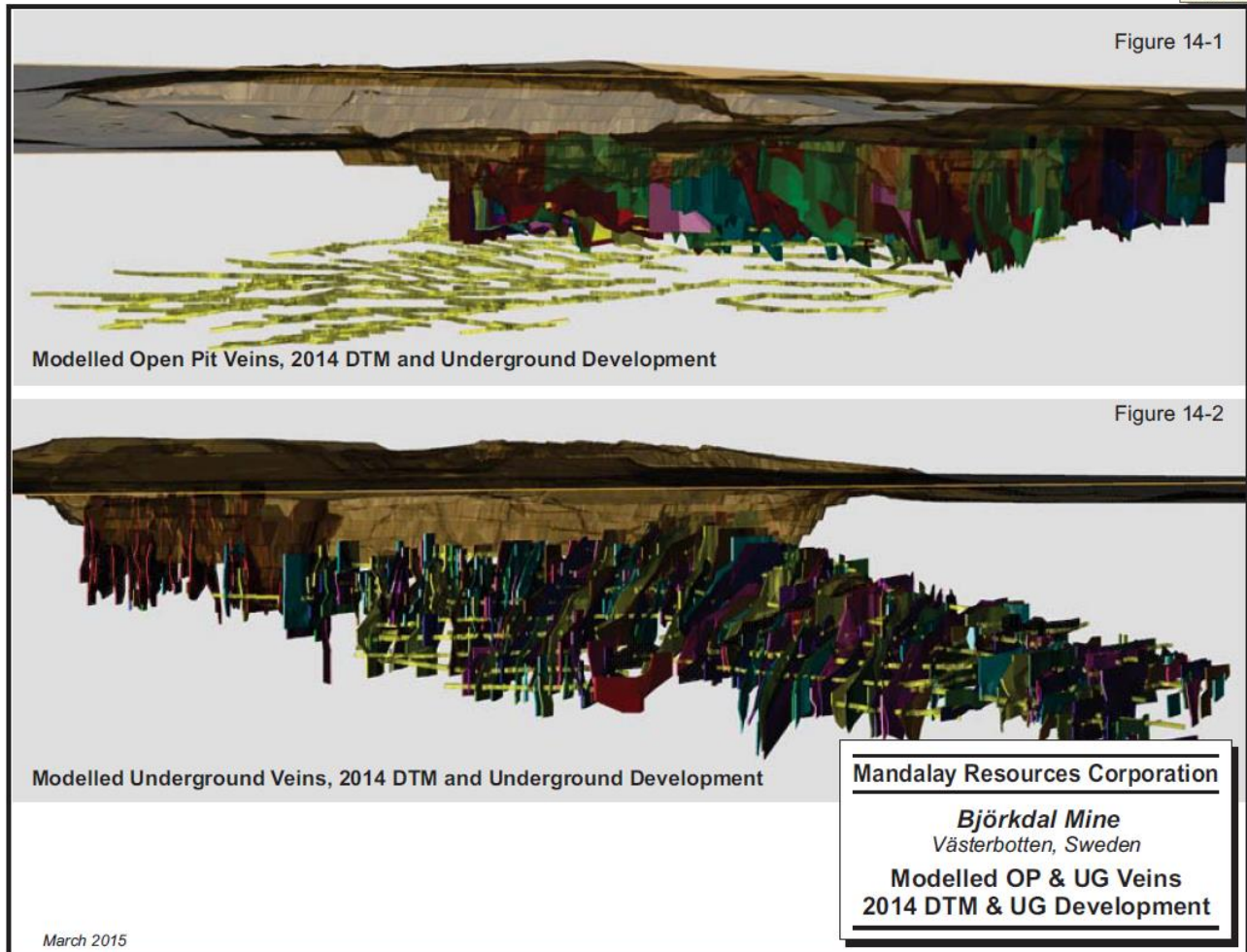
RPA classified the Mineral Resources as Indicated and Inferred based on drill hole spacing, grade continuity, and reliability of data. Vein blocks interpolated in passes 1, 2 and 3, with ranges of up to 35 m, were classified as Indicated. Vein blocks interpolated in pass 4, with ranges of up to 70 m, were classified as Inferred. Figures 14-14 and 14-15 present typical open pit sections illustrating interpolated Au grades and classification, respectively.

The Mineral Reserves estimated by RPA, with an effective date of December 31, 2014, are listed in Table below. The Mineral Reserve estimate for Björkdal is 6.54 million tonnes at a grade of 2.05 g/t Au, for a total of 432,000 oz Au.

Category	Tonnage	Grade	Contained Metal
	(t)	(g/t Au)	(oz Au)
Probable Reserves			
Open Pit	2,556,000	1.25	103,000
Underground	2,988,000	3.26	313,000
Stockpile	1,000,000	0.50	16,000
Total	6,544,000	2.05	432,000

Notes:

1. CIM definitions were followed for Mineral Reserves.
2. Mineral Reserves are estimated as of December 31, 2014, and depleted for production through December 31, 2014.
3. Mineral Reserves are estimated at cut-off grades of 0.4 g/t Au for open pit, 1.3 g/t Au for underground, and 0.3 g/t Au for stockpile material.
4. Mineral Reserves are estimated using an average long-term gold price of US\$1,200 per ounce.
5. An effective underground minimum mining width of 3.0 m, including 0.5 m dilution on stope footwall and 0.5 m dilution on stope hanging wall.
6. Underground Mineral Reserves include mining extraction factors of 95%, 100% and 75% for stoping, on-vein ore mining and pillar recovery respectively
7. Open pit Mineral Reserves include 40% dilution and 20% mining loss factors.
8. Bulk density is 2.71 t/m³.
9. Numbers may not add due to rounding.



Mining Operations

Open Pit

Current mining parameters and loading equipment allow for reasonably good selectivity, however, dilution levels are much higher than typical open pit parameters given the thin-veined nature of the Björkdal deposit.

After the Whittle pit optimization was completed, the final pit design solid was imported back into the resource block model, and tonnes and grade were reported for all blocks above 0.4 g/t Au. The area containing 2014 open pit production was reviewed bench by bench to assess continuity of blocks above cut-off. The RPA resource model (at original block size) reconciled well to production after the application of ore losses of 20% and dilution of 40% (at zero grade), and these factors appeared to be reasonable based on the bench plans (also see Figure 16-2 in Open Pit Mining Method section), so they were applied to the pit design solid in order to estimate Mineral Reserves.

Open pit mining is carried out by contractors using trucks and loaders. The existing mining capacity with the current equipment configuration is approximately 6 million tonnes per year (“**Mtpa**”). Loading is carried out with a combination of front-end loaders and excavators. Trucks with 40 t and 100 t capacity are used for hauling ore and waste respectively. Production drilling is done by NCC (contractor). The ore blast bench height is five metres, utilizing a 3.25 m x 4.5 m drill pattern. The drill holes are all drilled vertically, with sub-drilling of 0.5 m.

Delivery of explosives and igniters and charging/blasting services in Björkdal is contracted out to EPC Sverige AB (EPC), a wholly owned subsidiary of the French explosives company EPC Groupe. Two detonators are placed in the bottom of each drill hole. The SSE type emulsion explosive (velocity 5,500 m/s) is used for blasting. The specific charge is approximately 0.25 kg/t. Stemming depth is approximately 1.8 m and comprises a fine gravel material.

In order to minimize ore dilution, the blasting sequence “direction” is normally along strike of the quartz veins. The swelling factor is 50% resulting in a 7.5 m high blasted bench that will be mined in 3 consecutive flitches, each with a height of 2.5 m.

Excavator operators are given ore maps that are created by the pit geologist. Operators also receive digital maps that they can display on the screen in the cab. Maps contain drilling info, A-ore and B-ore zones, and selective mining areas. The ore zones are also marked out on the ground in all three consecutive flitches, each flitch with a height of 2.5 m. Excavator operators mark the ore map with the parts of the blast they have loaded as an A-ore, B-ore, and waste. To help excavators to separate waste and ore pit geologists are in the field giving instructions to the excavators.

Underground

Underground mining dilution was applied in Deswik software and was assigned to the stope shapes as 0.5 m in the footwall and 0.5 m in the hanging wall. The minimum mining width is two metres, which results in a final width of three metres after dilution is applied.

Additional dilution was applied where two stopes, each on a different vein system, were too close to each other to be mined without additional wall support. In these cases, the two stopes were combined into one larger stope and additional dilution was added on a case by case basis depending on the additional waste inclusions. Additional dilution applied to these stopes ranges from 5% to 50%. Combined stopes that were below the 1.3 g/t Au cut off were excluded from reserves.

Mining recovery of 75% was applied to all stopes that fell within existing ramp and cross cut pillars. These stopes will be extracted at the end of the mine life in a retreat mining fashion. Mining recoveries of 95% and 100% were applied to all other stopes and development respectively. Mining recoveries are based on actual cavity monitoring surveys (CMS) carried out at site.

The overall stope dilution averages approximately 18% at a grade of 0.13 g/t Au.

The underground mining method used at Björkdal is long hole stoping with a sub-level spacing of approximately 20 m. Crosscuts are established perpendicular to the vein system and are located within approximately 20 m of the hanging wall at 20 m vertical intervals. Veins are then developed by drifting on each sublevel from the crosscut. All pre-production vein, cross-cut and ramp development is drilled and blasted using conventional trackless mining equipment.

Stoping blocks are drilled with approximately 15 m long 64 mm up-holes connecting to the bottom of the overlying stope using Atlas Copco Simba S7D or M7C drill rigs. When production drilling is completed, initial slot raises are developed and drill lines blasted in groups of three to five lines using a burden of 1.2 m and retreating towards the hanging wall. The swell is removed between blasts to allow sufficient void for the following blast. When the entire mining block is blasted, remotely operated scoops are used to muck the stopes empty to a nearby re-handle areas.

In consideration of the variable vein geometry and existing equipment configuration, three metres has been established as the most practical minimum mining width. This includes provision for a 0.5 m over break on both the hanging wall and footwall sides of the stope.

Mined out stopes are left open without any backfill.

Markets

Björkdal has concentrate sale agreements for the sale of concentrate in 2015 with Aurubis Ag in Germany and Boliden Comercial AB in Sweden. The terms and conditions of commercial sale are not disclosed pursuant to confidentiality requirements. Björkdal has also sold some concentrate on the spot market to customers in Europe and Asia.

Contracts

Other contracts that exist with the mine and suppliers include those for:

- Open Pit Loading/Hauling: Bennys Gräv AB;
- Open Pit Drilling: NCC Roads AB, using an Atlas Copco production drill;
- Blasting: EPC Sverige AB for the supply of emulsion and ANFO explosives and blast hole loading for both open pit and underground;
- Exploration Diamond Drilling: Protek Norr AB;
- Electrical: Boliden Electro AB provide all electric services;
- Underground Ore Transport: Renfors Åkeri AB is responsible for the loading and haulage to the surface of all material mined underground;
- RC drilling: Styrud AB;
- Diamond drilling contractors: KGH - Wireline 76; Styrud AB - Wireline 66Du; and
- Variety of leased mining equipment.

Environmental

A full environmental audit is carried out every three years by an independent consultant and the local authorities. Monitoring, control and management, policy and procedures are well documented and entirely appropriate to the type of operation.

Björkdal has low sulphide content resulting in no acid rock drainage potential. Au is recovered by mechanical and gravity processes with no use of cyanide. There are no harmful elements associated with the mine tailings and they have been declared non-toxic by the authorities. Previous characterization studies conducted have shown that waste rock from open pit mining contains very low levels of heavy metals and sulphur and conclude that the waste should be considered inert.

Water quality is monitored on a regular basis at six strategically placed monitoring stations. The Upper Lilleträsk Creek station is located upstream of the mining area and provides reference water quality data; two stations on the mine property monitor discharge quality from the TMF (PP1) and the mine water system (PP2); and three additional stations located in Lower Lilleträsk Creek, Kåge River, and Rörmyr Creek to monitor changes in the receiving watershed.

Mine closure and reclamation plans are submitted and approved as an annex to the environmental permit and includes a reclamation bond with the Swedish authorities in the amount of \$2,426,539.

Taxes

Capital Costs

RPA has completed the LOM and cost estimates in sufficient detail to be satisfied that economic extraction of these Probable Reserves is justified. The majority of the capital cost estimates contained in this report

are based on quantities generated from the open pit and underground development requirements. The following table summarises the capital costs for the project:

TABLE 21-1 CAPITAL COST SUMMARY

Description	Cost (US\$000)
Mining Equipment	6,850
UG Mining Development	59,846
OP Prestripping	26,225
Processing	5,288
Tailings	10,200
Reclamation & Closure	2,500
Total	110,909

Operating Costs

Björkdal maintains detailed and all-inclusive operating cost records that provide an excellent basis for the estimate of future operating costs. RPA has used Björkdal August, 2014, year-to-date costs as the basis for this estimate.

All costs have been converted to US dollars using exchange rate assumptions of 7.1:1 and 1.28:1 for SEK and Euros respectively:

TABLE 21-2 LOM OPERATING COSTS

Description	Cost (\$)	Milled (t)	\$/t milled
Open Pit Mining	25,512	2,555	9.98
Underground Mining	110,944	2,994	37.06
Historic Stockpiles	1,200	1,000	1.20
Total Mining	137,656	6,549	21.03
Processing	47,965	6,549	7.32
G&A	24,905	6,549	3.80
Total	210,526	6,549	32.15

Economic Analysis

This section is not required as the property is currently in production, Mandalay is a producing issuer, and there is no material expansion of current production. RPA has verified the economic viability of the Mineral Reserves via cash flow modelling, using the inputs discussed in this report.

Exploration and Development

For 2015, Mandalay anticipates continuing capital development to depth in the underground and pushbacks in the open pit to a sufficient degree to allow continuation of current production rates.

The exploration plan for 2015 has the following goals:

- drilling to further develop the current block model;
- infill/extension drilling to convert to Indicated Resource and build inferred resource for the open pit and underground;
- drill testing of targets peripheral to Björkdal Mine – initial test of the longer term exploration potential; and
- detailed ore systems analysis work to better understand the mineralised system

6.15 Mineral Projects – Challacollo

Unless otherwise stated, information referenced in this section referring to the Challacollo project is based on the Challacollo Technical Report.

Purchase of Project

On February 7, 2014, Mandalay Resources completed the purchase of MSSC. Mandalay acquired all issued and outstanding shares of MSSC in consideration for: (i) a cash payment of \$7.5 million dollars; (ii) 12 million Common Shares; (iii) five million Common Shares to be issued at the end of the first quarter in which commencement of commercial production occurs at Challacollo; (iv) an aggregate cash payment equal to the equivalent of 240,000 troy oz of refined Ag, (payable in eight installments equal to the cash equivalent of 30,000 troy oz of refined silver per quarter); and (v) a 2% NSR on Ag sold or produced from Challacollo in excess of 36 million ounces with a cap or buyout of \$5 million.

Property Location

Challacollo is located in Region I (Tarapaca), Chile, and is centred about 130 km southeast of the major port city of Iquique, Chile, at 20° 57'10" S latitude, 69° 21'20" W longitude.

Ownership

Mineral rights at Challacollo are fully controlled by Mandalay Challacollo. Mandalay Challacollo has 98 exploration concessions (mensuras) which cover an area of approximately 203.78 km². Annual payment of approximately \$80,000 is required for the maintenance of the concessions.

Royalties

The property is subject to the following four capped royalties:

1. a 2% NSR royalty payable to Finning Chile S.A. capped at \$850,000 for production on the Codigo 32 concessions;
2. a 2% NSR royalty, that escalates to 3% after the Finning Chile S.A. royalty cap is reached, payable to Mineral Septentrion, of Chile with a buyout clause of \$1.5 million for production on the Codigo 32 concessions;
3. a 1% NSR royalty payable to Finning Chile S.A. capped at \$850,000 for production on the Codigo 83 concessions; and
4. a 2% Net Smelter Royalty payable to SSRI on Ag sold from the project in excess of 36 million oz, with a cap or buyout of \$5 million.

Environmental Liabilities

Challacollo is not listed as a historical site. Challacollo is listed, however, in the *Servicio Nacional de Geología y Minería* (SERNAGEOMIN) Register of Environmental Liabilities based on the hazards associated with open cuts, potential for wall collapse in the workings, and potential accidents from abandoned material. SERNAGEOMIN does not list any liabilities associated with water pollution, dust generation, dam rupture, or collapse of waste dumps.

Permitting, Requirements, and Status

Status of Chilean Required Permits

Mandalay Challacollo has not yet submitted any permit applications for construction and/or production. During 2015, Mandalay Challacollo will be preparing an Environmental Impact Study for submission to SEA mid-2015. The Corporation begun gathering baseline environmental data for preparation of the study in 2014.

Accessibility

Challacollo is accessed from the port city Iquique, Chile, which is the largest population centre in the vicinity and lies approximately 130 km to the northwest of Challacollo. It is served by daily flights from Chile's capital, Santiago, and is the regional centre for supplies and services. Challacollo is accessible by road from Iquique.

Climate

The Atacama Desert is one of the driest places on Earth. Precipitation is measured in millimetres per year and more often than not does not occur at all during the year. Vegetation is absent or sparse and desert based. Most vegetation occurs in water-accumulating basins or depends on getting water out of coastal fog, and includes some cacti (*Eulychnia*), perennials (*Nolana*), and mesquites (*Prosopis*). Animals and insects are generally small, often emerging nocturnally from below the surface to feed.

The climate follows the typical desert norms of low humidity, few clouds, and large temperature differences between day and night. When rain occurs, it is generally related to thunderclouds that form in the Altiplano of the Andes. Very rarely, precipitation occurs as snow.

The climate is harsh, but should not affect the development of the project. Operation of exploration and mining activities year round is possible.

Topography

Challacollo is located in the Atacama Desert. The desert is a plateau strip of land parallel to the Pacific Ocean to the west of the Andes Mountains. The average elevation of the Atacama Desert is approximately 1,000 masl, with the Challacollo Mountains rising towards around 1,550 masl. The Challacollo Mountains are a rugged, north-south trending range.

History

The recorded history of work in the Challacollo Mining District dates back to the eighteenth century when Enrique Espinoza recognized the silver deposit (*Geografia Descriptiva de la Republica de Chile*, 4a Edicion, 1897). The first mining concession was recorded in the vicinity of Challacollo in 1772. The San Gabriel vein was exploited that same year.

Gildemeister acquired all the known concessions in 1896 and continued industrial-scale mining with intermittent stoppages until 1931 when low silver prices precipitated a permanent shutdown. Between 1932 and 1980, the main zone of mineralization was mined by artisanal miners (pirquineros), with no legal title, until Gildemeister, reformed as Minera Challacollo in 1980, reasserted its legal claim and resumed industrial-scale mining into the early 1990s.

In 1993, Canada Tungsten Ltd. had an option to purchase agreement on 34 concessions but allowed it to lapse a year later.

Empresa Minera Mantos Blancos (“**Mantos Blancos**”) subsequently had an option to purchase Minera Challacollo between 1995 and 1996. Mantos Blancos conducted geological and geophysical studies and drilled approximately 3,000 m in 22 widely spaced reverse circulation (RC) holes in the northwest part of the project. Ten of these holes intersected the Lolón Vein, of which five were drilled in the central part of the vein between the Challacollo Sur portal and the Walkiria area. Three of these holes were used in a later resource estimate produced by SSRI (RPA, 2002). In December 1996, Mantos Blancos terminated its option with Minera Challacollo.

In 1998, Minera Challacollo sold its rights to Minera Septentrion (Septentrion), which divided the Property into two concession groups. The larger of the two blocks (Challacollo Sur Copper), which lies to the southeast, was optioned by BHP in 1999 to explore its copper porphyry potential. BHP drilled 21 RC holes, after which the property was returned to Septentrion. In 2001, Codelco optioned the southeast block and drilled over 20 RC drill holes in 2002, before terminating its option later that year.

SSRI optioned the northern block (Challacollo Silver) property from Septentrion in November, 2001, then purchased the property in 2005. Mandalay optioned Challacollo from SSRI in 2013 and closed the purchase of the property in February 2014. SSRI conducted drilling programs in 2002, 2003, and 2007 and also carried out an underground chip sampling program.

Geology and Mineralization

Geology

Challacollo covers the entire Challacollo Range. The Challacollo Range is a block tilted and uplifted by the process of the eastward-shifting Pacific (Nazca) Plate subducting beneath the more rapidly westward-shifting South American Plate.

Rocks within the Challacollo Range dip approximately 25° to the southeast and strike approximately N30°E. The beds steepen locally near vein-faults such as the Lolón Vein where dips increase to as much as 50°.

These vein-fault structures are generally parallel to the north-south trending normal faults that bracket the Challacollo Range.

There are two main structural elements that have influenced mineralization at Challacollo, one trending to the northwest and the other to the northeast. Both are regional-scale strike-slip (shear) faults. The stresses created by these structures have resulted in local stresses which have caused fracturing.

Challacollo Property Geology

The Challacollo Mountain Range is contained within the property. The eastward-shifting Pacific (Nazca) Plate is subducting the westward-shifting South American Plate. East of the project, the topography rises as Tertiary age ignimbrites in fault blocks up the western slope of the Andes. Most of the plains surrounding the Challacollo Range are covered with Quaternary mud-flows. A north-south normal range-front fault occurs on the west side of the Challacollo Range.

The oldest exposed rocks of the Challacollo district are in the northern part – a shallow marine sequence dated Jurassic as by fossils. These are conformably overlain by the Upper Cretaceous Cerro Challacollo Volcanic Complex. This unit comprises dacitic to rhyolitic volcanic rocks and volcanoclastic rocks. All of the above units were then intruded by Upper Cretaceous pyroxene monzodiorite/diorite granitoid stocks cut by younger andesite porphyry and quartz monzonite dikes.

The major controlling structures for mineralization are NE and NW steeply dipping, normal faults - the Lolón, Palermo, Gladys 4, and Gladys 1 veins. These faults host the vein systems that comprise the Challacollo Ag deposits, generally trend about 030° and are sub-vertical. Hydrothermal alteration associated with the epithermal silver vein at Challacollo is weak. Silicification occurs locally and is only observed within the volcanoclastic tuffs and wackes north of Cerro Challacollo. Zones of quartz stockwork surround quartz veins which contain precious metal mineralization. Higher Ag grades are associated with zones of more intense stockwork. Only the Lolón vein has been subjected to significant exploration.

The Lolón vein system is hosted in various rock types along its more than 3 km strike length. The most productive parts of the vein are hosted in latitic-rhyolitic and dacitic rocks. The Lolón Structure is best described as a polymict breccia composed of multiphase rock fragments hosted in a rock flour matrix; all of which have been silicified. The breccia, which can reach up to 20 m in width, is in turn cut by later anastomosing banded quartz veins. The surrounding host rock typically exhibits stockwork quartz veining extending several meters into the wall rock.

The Challacollo Ag deposit is considered a low sulphidation, polymetallic epithermal vein system hosting significant Ag and Au.

Veins within the Lolón structure are composed of white to grey silica with massive white quartz and locally opaline/chalcedonic quartz. Brecciation of a sulphide-rich vein follows the hanging-wall and foot-wall with sulphide content estimated to be 1-2%. There is a positive correlation between the value of the base metals (lead, zinc, and copper) and the precious metal content. Very little pyrite occurs within the vein system. The highest grade mineralization generally follows the foot-wall of the Lolón vein. Where the vein has split, higher silver values are found associated with rocks proximal to the foot-wall side of the split or the vein to the east, rather than those on the hanging-wall (western) side of the split.

In the Challacollo Sur workings, the Lolón structure is oxidized down to approximately 180 m below surface. However, between 40 and 180 m in depth, the vein is enriched with silver, which in part may be primary zoning. Within 10 m of the surface, there is local intense leaching of the vein. In parts of the vein where the adjacent wall rock is fractured, elevated Ag grades are evident up to 4 m into the hanging-wall and/or foot-wall. Gold values decline more dramatically at the edge of the vein than silver values. The silver-gold ratio in the vein relative to the oxidation level is relatively constant. In the surrounding wall rock close to the vein, the silver-gold ratio is much higher.

Mineralization

Four principal veins (Lolon, Palermo, Gladys 1, and Gladys 4) are known on the Property. The Lolon vein is the most significantly mineralized and has been exploited to a depth of 230 m from the Lolon shaft on the Challacollo Sur workings. This same structure has been mined to shallower depths in the Buenaventura, Catalina, Walkiria, San Francisco, and Humberto workings. The other veins on the property were drilled by Mantos Blancos in 1996 and supported some minor historical production.

The Lolon vein generally trends north-south to northeast-southwest from the San Francisco working at the southern end of the Property to the Humberto workings to the north. The section of the Lolon vein between the Challacollo Sur and the Humberto workings pinches and swells and trends generally north-south to north-northeast. The Lolon vein splits into two at locations along the structure and cuts the Lower Member of the Challacollo volcanic complex.

For a more detailed description of the regional, local and property geology, and mineralization of Challacollo, refer to section 7 of the Challacollo Technical Report.

Exploration

There is a long history of exploration on the Challacollo property. This section discusses the SSRI work that was used as the basis for design of the drilling program completed by MMC in 2014.

Sampling

Surface and underground sampling was undertaken by SSRI in 2001 and resulted in approximately 1,100 samples.

Surface sampling was carried out in selected areas in order to check the widths of the Lolón vein beyond the stoped areas and to investigate mineralization along the strike to the north and south. Of the more than 200 surface samples taken, the majority were 5 m in length with some taken over 2 m in length.

The NI 43-101 Technical Report, done in March 2014, cites the following regarding results of this sampling program (Henricksen and Smith, 2001) observations made by Mining Plus from results of the sampling program (from Henricksen and Smith, 2002) included:

- the Lolón vein splits into two or more parallel veins within the Lolón vein “structure” which is mineralized for more than three km;
- Ag mineralization often continues into the adjacent host rock for 2 to 4 m on both sides of the veins; and
- historical miners often drifted through lower grade material to reach higher grade rock at the foot-wall and hanging-wall contacts.

Underground channel samples were surveyed by JRC Servicio de Ingeniería y Topografía of Iquique using tape and compass. The underground level plans were generated using this data. The assay results from the underground channel sampling were plotted on the level plans with limited underground geological mapping available. The underground sampling program confirmed the continuity of the Lolón Vein along drifts and crosscuts.

Drilling

Overall, 185 diamond drill holes and reverse circulation holes totalling approximately 33,000 m in length have been drilled on the Challacollo property since 1995. In addition, 105 underground transverse channel samples were taken in 2011. A summary of the drill holes is shown below:

1995	6	RC	Minera Blancos	1,667
1996	16	RC	Minera Blancos	1,969
2002	7	DDH	Silver Standard	746
2002	16	RC	Codelco	3,985
2002	18	RC	Silver Standard	2,562
2003	32	RC	Silver Standard	5,685
2007	38	RC	Silver Standard	7,215
2014	52	DDH	Mandalay Resources	9,153
Total	185			32,982

Mandalay Challacollo conducted an extensive infill core drilling program in order to reclassify the previously estimated Inferred Resources into Indicated Resources. Forty-one holes were drilled as infill on the Lolón vein at a nominal spacing of 50 m, which was the standard for Indicated resources in the previous resource estimate conducted by RPA and was supported by a review by MP. All infill holes were drilled at HQ (63.5 mm) diameter for the full length of the hole. Additionally, three metallurgical holes at PQ (85.9 mm) diameter were drilled to collect samples for metallurgical test work. Two metallurgical holes were drilled in the Main zone and one in the North zone of the Lolón vein.

The outcomes from the drilling program include:

- approximate definition of the lower boundary of +60 g/t Ag mineralization in the northern portion of the Lolón vein at the approximate 1,300 masl elevation;
- definition of the oxide, mixed and sulphide (progressing downwards from the surface) zones; and
- increased confidence in the continuity of the Ag mineralization of the Lolón vein along strike.

Minera Mandalay Challacollo Limitada also drilled eight holes to test other targets outside the Lolón vein, specifically the “Lucy 5 vein”, “Millsite 2 vein”, “Gladys 2 vein”, and “Lolón sur 39 vein”. Those holes intersected mineralized structures, but they did not contribute to this mineral resource estimate and are not the subject of this report.

Sampling and Analysis

For the 2014 drill program, all HQ core selected for assay was sawn in half with a diamond saw. Half of the sawn core was collected and bagged, while the other half was retained in the core boxes for future reference. Three holes DCHMT-01, DCHMT-02, DCHMT-03 were drilled to PQ diameter for metallurgical testing. The whole core from those holes was sent to the metallurgical laboratory for test work, meaning that no intact core from these three vein intercepts is in existence.

Sample lengths varied from 1 to 2.5 m due to variability in the Lolón vein width and some poorer recoveries obtained in the breccia zones. The sample length honoured the lithological contact of the Lolón vein and breccia zone which host the majority of the Ag mineralization. Standard reference material was inserted into the sample stream every 20 samples, and one blank sample was inserted amongst groups of samples expected to be of high grades.

Field sample duplicates (quarter core) were not collected due to the high degree of variation in Ag mineralization within the breccia matrix. The Lolón vein is composed of both vein and breccia material. Different sizes of rock breccia fragmentation occur in the core and the matrix of the breccia does not show visible symmetry.

MMC geologists logged the drill core in detail, designating intervals for assaying and then supervised the sawing and bagging of the core on site. The bagged samples for analyses were stapled shut and placed into nylon woven bags. The nylon bags with were transported to the ALS laboratory in Antofagasta, Chile, where standard reference material and blank samples were inserted into the sample stream. All remaining core has been stored in a secured on site location.

Data Verification

In Mining Plus' opinion, the drilling and underground sampling data are reasonable and acceptable to support the resource estimate.

Mineral Resources at Challacollo

The mineral resource estimate was conducted for Ag, Au, Pb, and zinc (“Zn”). The primary economic elements are Ag and Au. Pb and Zn are accessory elements occurring with the Ag mineralization and are not considered to have any economic value. The resource estimate was conducted for the purpose of future underground mining using cyanide leaching mineral process to recover the Ag and Au. The resource estimate was completed using Geovia Surpac version 6.6 software.

Interpreted Lolón vein boundaries were digitized on the computer screen for each cross section. The digitized boundaries were snapped on the cross sections to the drill hole samples greater than or equal to 60 g/t Ag with some exceptions.

Basic statistical analyses were conducted to develop information on sample length. All samples within the solid model representing the geometry of the Ag mineralization, at a cut-off grade 60 g/t Ag, were plotted on the histogram for sample length.

Composite Ag grades were not capped and Au grades were capped at a value of 3 g/t. The grade estimate was conducted using ordinary kriging.

The mineral resource estimate for the Lolón vein deposit was estimated with a focus on underground mining and cyanide leach mineral processing to extract the metals. The resources were classified as indicated and inferred. No measured resources were assigned. The mineral resource is reported at a cut-off grade of 60

g/t Ag, which assumes long term metal prices of \$1,400/oz Au and \$24/oz Ag. At this cut-off grade, good continuity of the silver mineralization is demonstrated. The interpretation of the deposit geometry and its solid model was generated for that cut-off. Some amount of internal and edge waste is included in the resource estimate because it was not possible to separate during the interpretation and modelling.

Indicated Mineral Resources total 4.7 million t averaging 200 g/t Ag and 0.32 g/t Au and contain 30.2 million oz Ag and 48,400 oz Au. Inferred Mineral Resources total 1.6 million tonnes averaging 134 g/t Ag and 0.31 g/t Au and contain 6.9 million oz Ag and 15,900 oz Au. The effective date of the Challacollo Mineral Resource estimate is December 13, 2014.

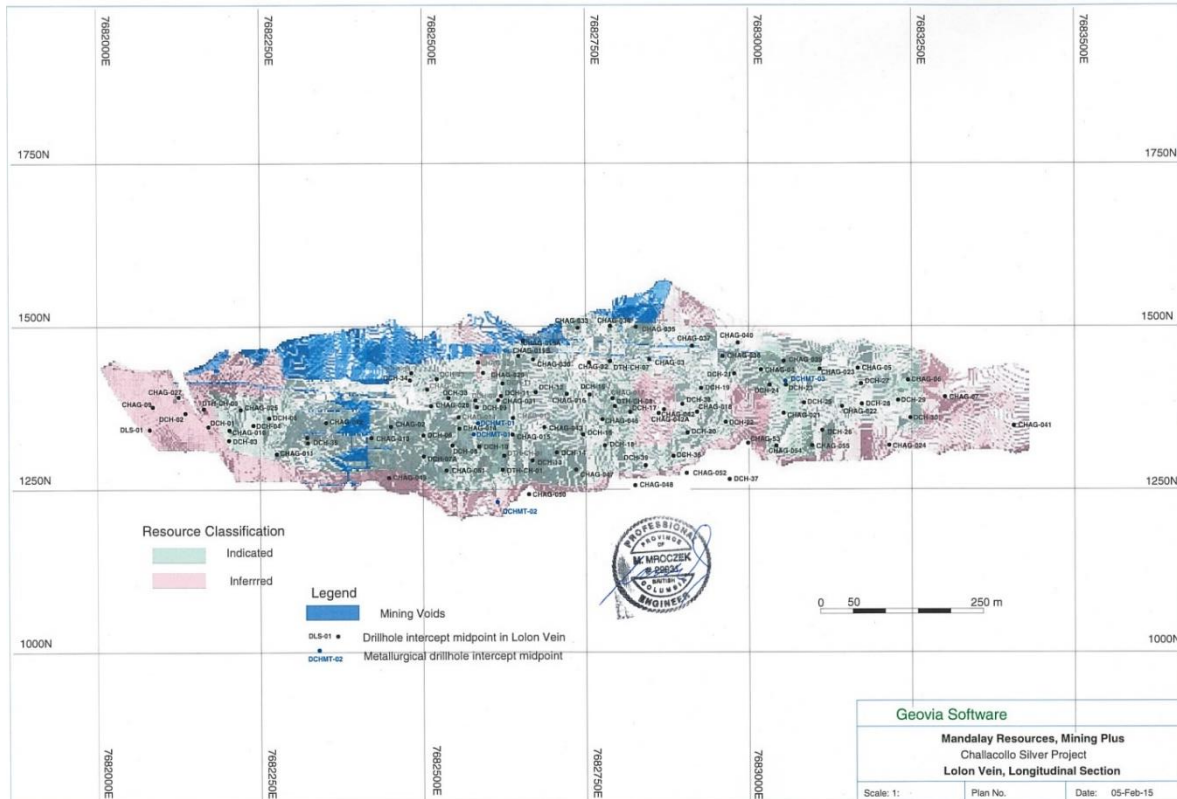
Table: Mineral Resources of the Challacollo Property as of December 31, 2014

Classification	Tonnes (t)	Ag (g/t)	(Au) g/t	Contained Ag (oz)	Contained Au (oz)
Indicated	4,700,000	200	0.32	30,200,000	48,400
Inferred	1,600,000	134	0.31	6,900,000	15,900

Notes to Mineral Resource table:

1. Mineral Resources estimated as of December 31, 2014.
2. Mineral Resources stated according to CIM guidelines.
3. Mineral Resources are estimated at a cut-off grade of 60 g/t Ag as interpreted and modelled using Geovia Surpac software.
4. A density of 2.45 g/cm³ is used as a base density with adjustments according to the variation of the estimated Ba, Pb, and Zn grades.
5. No capping of Ag grades has been applied due to low grade variability. Au grades have been capped at 3 g/t for two sample composites 4.57 g/t Au and 4.11 g/t Au respectively.

Long Section of the Lolon Vein Resources



6.16 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 years ended December 31, 2013 and 2014, all 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 are subject to all of the hazards and risks normally incidental to exploring, developing and exploiting natural resources. These risks include, but are not limited to: 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; unfavourable operating conditions; social unrest; and market conditions and customer performance to which management can react but which management cannot control.

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; suspensions of contracts with customers; damage to or destruction of mineral properties or processing facilities; environmental damage; and personal injury, death and 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 fluctuate widely 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 that affect 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

The profitability of Mandalay's operations is dependent in part upon the market price of mineral commodities and precious metals, particularly Au, Ag, and Sb. Mineral and metal 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 fluctuations can all cause significant commodity 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 uneconomic, thereby having a material adverse effect on the Corporation's business, financial condition and results of operations. Fluctuations in market prices 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 of a project is subsequently questioned, the Corporation may be adversely affected and may have to write off costs previously incurred.

Licenses and Permits Necessary for Operations

The operations of the Corporation require licenses and permits from various governmental authorities. Obtaining necessary permits and licenses can be a complex and time-consuming process. Although all current operations are conducted under valid licenses and permits, the Corporation cannot be certain that it will be able to obtain necessary new licenses or 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 being assessed against the Corporation. The Corporation could also lose its mining concessions under the terms of its existing agreements.

In particular, recent legislative changes in Chile have resulted in a revised licensing and permitting process. In the near future, the Corporation will be required to go through the new permitting process in respect of the Corporation's Challacollo operations in Chile. As a result of such revisions to the permitting process only recently coming into effect, few companies, if any, have completed the permitting process under the revised procedure. The Corporation has less clarity with respect to the permitting process than would have been the case had the permitting process not changed.

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 Mandalay's personnel, systems or procedures and controls 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 Mandalay's current activities, particularly Cerro Bayo, dictate that climatic and geologic conditions may have an impact on operations and, in particular, severe weather, earthquakes, or volcanic eruptions could disrupt the delivery of supplies, equipment and fuel or the export of saleable product. It is, therefore, possible that exploration and mining activity levels may fluctuate. Unscheduled interruptions in Mandalay's operations due to mechanical or other failures, industrial relations issues, local social unrest, or problems or issues with the supply of goods or services or the sale of product could have a negative impact on the financial performance of those operations.

Acquisition Strategy

As part of Mandalay's business strategy, the Corporation has sought and will continue to seek new mining and development opportunities in the mining industry. In pursuit of such opportunities, the Corporation may fail to select appropriate acquisition targets or to negotiate acceptable arrangements, including arrangements to finance acquisitions or integrate the acquired businesses and their personnel into Mandalay. Ultimately, any acquisitions would be accompanied by risks. For example: there may be a significant change in commodity prices after the Corporation has committed to complete the transaction and established the purchase price or exchange ratio; a material ore body may prove to be below expectations; Mandalay may have difficulty integrating and assimilating the operations and personnel of any acquired companies, realizing anticipated synergies and maximizing the financial and strategic position of the combined enterprise, and maintaining uniform standards, policies and controls across the organization; the integration of the acquired business or assets may disrupt Mandalay's ongoing business and its relationships with employees, suppliers, contractors and other stakeholders; the acquired business or assets may have unknown liabilities which may be significant; there may be delays as a result of regulatory approvals; and Mandalay may be exposed to litigation (including actions commenced by shareholders) in connection with the transaction.

The Corporation may choose to finance an acquisition through its existing resources, a raise of debt capital or the issuance of equity. In the event that Mandalay chooses to raise debt capital to finance any such acquisition, its leverage will be increased. If Mandalay chooses to use equity as consideration for such acquisition, existing shareholders may suffer dilution.

Mandalay cannot assure that it can complete any acquisition or business arrangement that it pursues, or is pursuing, on favourable terms, or that any acquisitions or business arrangements completed will ultimately benefit its business. Furthermore, there can be no assurance that Mandalay would be successful in overcoming the risks identified above or any other risks or problems encountered in connection with such acquisitions.

Environmental Risks and Hazards

All phases of the Corporation's operations are subject to environmental regulation in the jurisdictions in which the Corporation operates. While the Corporation's operations are currently in compliance with local environmental regulations, environmental legislation is evolving in a manner that 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 current 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 received, 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 be subject to 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 exploration 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 such 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 in the jurisdiction within which it operates. While the Corporation is currently in compliance with these standards and regulations, failure to comply with such requirements going forward may result in fines and/or penalties being assessed against Mandalay or its officers.

Uncertainty as to Mineral Resource and Reserve Estimates

There is a significant degree of uncertainty attributable to the estimation of size and grade of Mineral Resources and Reserves. Until the mineralized material is actually mined and processed, Mineral Resources and Reserves must be considered as estimates only. Consequently, there can be no assurance that any mineral deposit size or 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 size or grade, stripping ratio 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.

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.

Customer Concentration

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. The Corporation has several large customers for its concentrates, the loss of any of which could have a material adverse effect on the financial position, results of operations and liquidity of the Corporation. For the year ended December 31, 2014, six customers accounted for 100% of the Corporation's total sales.

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. Any such claims could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Governmental Regulation of the Mining Industry

The mineral exploration and production 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.

Currency Risk

The Corporation's operations will incur most of its expenditures in Australian dollars, Chilean pesos and Swedish krona, while its products are priced, and its financial performance is reported, in US dollars. As a result of the use of 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 occasionally engages in currency hedging to offset risk of currency fluctuations.

Uninsured Risks

The Corporation does not carry insurance to protect against certain risks. Risks that are not insured include, but are not limited to: environmental pollution; earthquake damage; mine flooding; and other hazards against which the Corporation, and in general, mining corporations, cannot insure or against which the Corporation may elect not to insure due to 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 competes with many companies possessing greater financial and technical resources. Competition in the mining industry is primarily for the following: mineral-rich properties which can be developed and produced economically; technical expertise to find, develop, and manage such properties; labour to operate the properties; and 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 some property acquisitions); recruit or retain qualified employees; or 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. Furthermore, increased competition could result in increased costs and lower prices for metal and minerals produced which, in turn, could reduce profitability. Consequently, the Corporation's revenues, its operations and financial condition could be materially adversely affected.

Repatriation of Earnings

There is no assurance that Chile, Australia, Sweden 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.

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, but are not limited to: 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.

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, geologic events such as earthquakes or volcanic eruptions, 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 or Mandalay may be subject to another form of litigation.

Difficulty in Enforcement of Judgements

Substantially all of the Corporation's assets are located outside of Canada. Accordingly, it may be difficult for investors to enforce within Canada any judgements obtained against the Corporation, including judgements predicated upon the civil liability provisions of applicable Canadian securities laws. Consequently, investors may be effectively prevented from pursuing remedies against the Corporation under Canadian securities laws.

The Corporation has subsidiaries incorporated in Australia, Chile and Sweden. Certain directors and officers, including our President, Chief Executive Officer and our Chief Financial Officer, reside outside of Canada and substantially all of the assets of these persons are located outside of Canada. It may not be possible for shareholders to effect service of process against the Corporation's directors and officers who are not resident in Canada. In the event a judgement is obtained in a Canadian court against one or more of our directors or officers for violations of Canadian securities laws, it may not be possible to enforce such judgement against those directors and officers not resident in Canada. Additionally, it may be difficult for an investor, or any other person or entity, to assert Canadian securities law claims in original actions instituted in Australia, Chile or Sweden. Courts in these jurisdictions may refuse to hear a claim based on a violation of Canadian securities laws on the grounds that such jurisdiction is not the most appropriate forum to bring such a claim. Even if a foreign court agrees to hear a claim, it may determine that the local law, and not Canadian law, is applicable to the claim. If Canadian law is found to be applicable, the content of applicable Canadian law must be proven as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by foreign law.

Potential Volatility of Market Price of Common Shares

Securities traded on the TSX 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 Common Shares. 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, as a result, 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.

Risk of Dilution

Under applicable Canadian law and the rules of the TSX, shareholder approval is not required for the Corporation to issue Common Shares in a number of circumstances. Moreover, the Corporation has a substantial number of stock options to acquire Common Shares under the Stock Option Plan (as defined below). The future business of the Corporation may require substantial additional financing which could 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.

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: temporary or extended loss of access to properties due to social unrest; terrorism; military repression; and 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.

Two of the Corporation's material properties are currently located in Chile, exposing a substantial portion of the Corporation's business 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 operational and/or financial performance. See "Emerging Market Disclosure for Chile".

Loan with GEL

The Corporation, through its wholly owned subsidiary, Mandalay Finance, is party to a loan agreement and related funding agreement with GEL which together mirror the principal terms of the Bonds (see "General Development of the Business – Three Year History – 2014"). As the Bonds are exchangeable at the option of holders of the Bonds for shares of SPDR Gold Trust (or such other shares as provided under the loan agreement) (the "**Gold Shares**"), the holders of the Bonds may choose to exchange the Bonds and receive Gold Shares. Upon being notified by GEL of the exercise by a holder of Bonds of such holder's exchange right, pursuant to the loan agreement and the funding agreement, Mandalay Finance will be required, as agent for GEL, to purchase such Gold Shares on the open market in the name of GEL and transfer such Gold Shares to the relevant Exchange Agent (as such term is defined in the Bonds) for transfer and delivery to the Bondholders, and the amount of the loan from Mandalay Finance will be accordingly reduced. If a significant amount of the Bonds are exchanged by Bondholders, the amount of funds available to the Corporation under the loan will be materially reduced. If Mandalay Finance is unable to make the required deliveries of the Gold Shares, the Corporation will be in default under the loan agreement and may need to obtain alternative sources of financing, which may not be available to the Corporation on terms acceptable or at all. Mandalay Finance's obligations under the loan agreement are guaranteed by the Corporation and are secured by a charge and security interest in all of the shares of MRA, the Corporation's wholly-owned subsidiary that indirectly holds the Corporation's interest in the Costerfield property.

7. EMERGING MARKET DISCLOSURE FOR CHILE

7.1 Ownership of Property Interests and Assets

With respect to the Corporation's exploration activities, the mining conventions and exploration permits described in this Annual Information Form, as well as other customary and routine permits obtained from time to time in the ordinary course, are required for the Corporation to be able to carry on business in Chile. With respect to exploitation and mine development, the mining conventions, mining licenses and environmental and social impact statements and approvals described herein, as well as certain other customary and routine permits obtained and held from time to time in the ordinary course, are required by the Corporation for the permitting process.

In order to satisfy itself of its ownership of its property interests in Chile, the Corporation has, among other things: (i) obtained and reviewed title opinions from certain local law firms in Chile; (ii) obtained and reviewed certificates of compliance issued by the appropriate governmental officials in Chile; (iii) conducted searches in Chile; and (iv) reviewed, negotiated and executed various agreements with the Government of Chile relating to the acquisition and/or transfer of certain mining titles and concessions.

The Corporation has a Chilean Legal and Land department headed by a lawyer with extensive experience working with mining properties in Chile and who is abreast of all current Chilean legal requirements. The Corporation maintains a permit data base and performs an annual risk assessment at each of its operations to review permit condition adherence. The Corporation also relies on the oversight by qualified persons (as such term is defined in NI 43-101) who have done a review of the Chilean operations and external consultants who are engaged by the Corporation in connection with the Corporation's permitting, licensing and regulatory approval application process, to confirm it has all material permits, licenses and other regulatory approvals needed to carry on business in Chile. The Corporation also consults regularly with external legal advisors in Chile, including to confirm that all applicable permitting requirements for its operations have been obtained. In addition, the Government of Chile audits all major sites and their various operating permits at least once per year. The Corporation has never been advised of any material deficiencies resulting from these audits.

7.2 Laws and Customs of Chile

As noted from the corporate structure chart under "Intercorporate Relationships", the Corporation has subsidiaries in Chile (the "**Chilean Subsidiaries**"). Chilean law requires foreign companies operating in Chile to have local operating subsidiaries.

According to a recent survey, Chile ranks just behind Ontario and Nova Scotia and ahead of British Columbia on a list of politically favourable mining jurisdictions. Chile operates under a claim patent system, similar to Canada and the United States. Once a mining exploitation claim is perfected, the claim becomes real property. All of the Corporation's properties in Chile have been perfected and can now be held indefinitely as long as annual "patente" fees are paid. Therefore the laws and customs of Chile have no materially different impact on the Corporation's ownership of its property interests or assets than the similar laws and customs in North America.

The Corporation is not aware of any material restrictions against foreign investment in Chilean mining companies, nor any material legal requirements imposed on foreign ownership of Chilean mining companies.

7.3 Control by the Corporation over its Chilean Subsidiaries

All of the Chilean Subsidiaries of the Corporation are wholly-owned subsidiaries over which the Corporation has complete control. In order to ensure that the Corporation has appropriate control and direction over its Chilean Subsidiaries, the directors on the boards and officers of the Chilean Subsidiaries are all members of the Corporation's management team. The Mandalay Board also receives monthly operational, technical and financial reports with respect to its operations in Chile.

The Corporation also maintains and uses corporate controls to ensure that a process and mechanism of approvals is maintained and followed for the disbursement of corporate funds and operating capital and to ensure that investment decisions are reviewed and approved by the Mandalay Board.

All of the minute books and corporate records of the Chilean Subsidiaries are kept at the offices of the Corporation's local counsel.

Based on the foregoing and the disclosure herein, the Corporation is of the view that there are no material risks associated with its corporate structure and that any risks are effectively managed based on the controls described above and elsewhere.

7.4 Banking Matters in Chile

The Corporation conducts its banking in Chile through banks of international repute, which are subject to international standards. All material disbursements of corporate funds and operating capital to the Chilean Subsidiaries are reviewed and approved by the Mandalay Board or its designees, and are based upon pre-approved budget expenditures.

The Corporation adheres to Canadian and Chilean laws. The Corporation has a Business Code of Conduct that specifically addresses the *Corruption of Foreign Public Officials Act (Canada)* that is required to be followed by all directors, officers and employees. The Corporation also has a formal continuing education program for its directors which seeks to insure that directors are informed about issues affecting the Corporation's business, industry, governance and other related issues, including matters affecting its Chilean operations.

7.5 Board and Management Experience in Chile and Mandalay Board and Management Visits to Chile

A number of members of the Mandalay Board and management have experience doing business and operating in Chile. All six of the current members of the Mandalay Board have been on the Mandalay Board since at least August 2010 and, as such, have had a minimum of approximately four years of experience in conducting business in Chile. All directors of the Corporation have visited the Corporation's mining operations in Chile.

The directors and executive officers have a deep familiarity with the legal and regulatory requirements of Chile through their history with the Corporation and certain of the directors and executive officers also have previous experience working and conducting business in Chile. The directors have met with all of the senior local management in Chile on numerous occasions. Furthermore, the directors are made aware of the local business practices in Chile as part of their annual board level risk management reviews. The Corporation's directors and executive officers are also advised by a prominent law firm in Chile and are made aware of new developments in the legal regime and new requirements that come into force from time to time. Any material developments are then discussed by the Corporation's senior management and at the board level.

7.6 Language Considerations

A number of the Corporation's directors and executive officers are either fluent or conversant in Spanish. Local business in Chile is conducted largely in Spanish and the members of the Corporation's management team located in Chile who deal directly with the operating staff and outside consultants communicate in Spanish with such individuals. In addition to certain of the directors and executive officers being fluent or conversant in Spanish, the senior operations team and the Corporation's advisors in Chile are fluent in English. Therefore there is no material language barrier.

The Corporation's Communication Strategy in Chile

The Corporation's communication strategy in Chile includes having representatives of the Corporation formally meet with the community and other local stakeholders on a regular basis and also more frequently as needed when potential issues arise. Regular contact with stakeholders takes place at various levels within the organization, including by the mine General Manager and officers of the Corporation. The Chilean Subsidiaries are also members of the Chilean Chamber of Mines and stakeholder contact is also initiated in that forum.

8. DIVIDENDS

On May 14, 2013, the Corporation announced that the Mandalay Board had modified the dividend policy from a quarterly discretionary cash dividend based on financial results and the future cash requirements of the Corporation to a quarterly dividend policy pursuant to which the Corporation intends to pay quarterly dividends in an aggregate amount equal to 6% of the trailing quarter's gross revenue, defined as revenue before royalty payments.

Although the Corporation expects to continue paying quarterly cash dividends, the timing and the amount of the dividends to be paid by the Corporation will be determined by the Mandalay Board from time to time based upon, among other things, cash flow, the results of operations and financial condition of the Corporation and its subsidiaries, the need for funds to finance ongoing operations, compliance with credit agreements and other instruments, and such other considerations as the Mandalay Board considers relevant.

The following table sets forth the dividends paid by the Corporation for each of the three most recently completed financial years:

<u>Dividends Paid</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Per Common Share	\$ 0.026	\$ 0.033	\$ 0.011
In aggregate	\$ 9,465,906	\$ 10,809,678	\$ 3,200,544

9. CAPITAL STRUCTURE

Common Shares

The authorized capital of Mandalay is an unlimited number of Common Shares, of which 408,963,095 were issued as at March 23, 2015. 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 Mandalay Board. 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

The Corporation successfully renewed the second amended and restated stock option plan (the “**Stock Option Plan**”) at the Company’s Annual and Special Meeting of Shareholders held on May 6, 2014. Pursuant to the Stock Option Plan, the Mandalay Board is authorized 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:

Issue Date	Exercise Price CDN\$	Number of Options	Expiry Date
Nov 6, 2014	0.93	120,000	Nov 6, 2019
Mar 24, 2014	0.98	4,305,000	Mar 24, 2019
Mar 18, 2013	1.13	3,942,500	Mar 18, 2018
Mar 9, 2012	0.830	3,662,500	Mar 9, 2017
Dec 2, 2011	0.700	250,000	Dec 2, 2016
Jul 4, 2011	0.760	50,000	Jul 4, 2016
Apr 11, 2011	0.580	370,000	Apr 11, 2016
Mar 11, 2011	0.560	3,067,500	Mar 11, 2016
Oct 6, 2010	0.330	300,000	Oct 6, 2015
Aug 26, 2010	0.260	700,000	Aug 26, 2015

For additional information on the Stock Option Plan, see the Corporation’s management information circular dated February 17, 2015, on the Corporation’s SEDAR profile. The total number of outstanding options as at March 23, 2015, is 16,767,500.

Share Purchase Warrants

As at the date of this Annual Information Form, there are no outstanding warrants.

10. MARKET FOR SECURITIES

The Common Shares trade on the TSX under the symbol “**MND**”. Information concerning the trading prices and volumes of the Common Shares on the TSX during fiscal 2014 is set out below.

Month	High CDN(\$)	Low CDN(\$)	Close CDN(\$)	Total Monthly Volume
January 2014	0.93	0.76	0.86	7,515,277
February 2014	1	0.81	0.94	5,842,101
March 2014	1	0.89	0.9	3,976,284
April 2014	0.98	0.89	0.95	5,674,549
May 2014	1.09	0.85	0.91	7,277,364
June 2014	1.08	0.81	1.08	11,624,288
July 2014	1.19	1.03	1.16	16,146,005
August 2014	1.22	1.06	1.14	11,988,587
September 2014	1.1	0.91	1	17,340,955
October 2014	1.05	0.92	0.96	6,718,689

November 2014	0.97	0.82	0.82	14,214,086
December 2014	0.92	0.82	0.91	3,827,281

11. 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.

12. 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 as of the date of this Annual Information Form.

Name, Province/State and Country of Residence	Position with the Corporation	Principal Occupation ⁽¹⁾⁽²⁾	Director/Officer Since
Abraham Jonker ⁽³⁾ British Columbia, Canada	Chairman and Director	Corporate Director	August 2010
Bradford A. Mills London, United Kingdom	Chief Executive Officer and Director	Chief Executive Officer of the Corporation	September 2009
Robert Doyle ⁽³⁾ Ontario, Canada	Director	Corporate Director	April 2010
Peter Rhys Jones ⁽⁴⁾ Ontario, Canada	Director	Corporate Director Exec VP, Century Iron Mines Corporation ⁽⁵⁾	Corporate Director: August 2010
Anthony Griffin ⁽³⁾⁽⁴⁾ Ontario, Canada	Director	Partner, West Face Capital (Investment management)	August 2010
Mark Sander Pennsylvania, United States	President	President 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
Dominic Duffy Santiago, Chile	Chief Operating Officer	Chief Operating Officer of the Corporation	March 18, 2013
Belinda Labatte Ontario, Canada	Head of Stakeholder Engagement and Corporate Affairs; Corporate Secretary	Head of Stakeholder Engagement and Corporate Affairs; Corporate Secretary	Corporate Secretary: March 2010 Officer: January 2015

Notes:

- The information in this table is supplied by the directors and officers of the Corporation.
- The information provided reflects the principal occupation of the individual over the preceding five years.
- Member of the Corporation's audit committee (the "Audit Committee").
- Member of Compensation, Corporate Governance & Nominating Committee and Safety, Health and Environmental Committee.
- Peter was appointed as Executive Vice President, Century Iron Mines Corporation on December 12, 2013 on a part-time basis.

The term of office for each director of the Corporation will expire upon the completion of the next annual meeting of shareholders of the Corporation.

As of March 23, 2015, the directors and executive officers of the Corporation, as a group, beneficially owned, or controlled or directed, directly or indirectly, approximately 125,750,876 Common Shares, representing approximately 30.75% 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

To our knowledge, 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, except for the following:

- Peter Rhys Jones was Chairman and CEO of Adanac Molybdenum Corporation (“**Adanac**”) from August 2008 to March 2009. Adanac entered voluntary *Companies Creditors Arrangement Act* protection in December 2008 and emerged from creditor protection in February 2011 following the successful implementation of its plan of compromise and arrangement.
- Abraham Jonker is a Director, President and Interim CFO of EastCoal Inc. (“**EastCoal**”) EastCoal filed a Notice of Intention to Make a Proposal pursuant to the provisions of Part III of the *Bankruptcy and Insolvency Act* (Canada) on November 5, 2013. EastCoal emerged from creditor protection on May 21, 2014 following the successful implementation of a compromise agreement with creditors, in which the creditors agreed to reduce the claim amount providing for the full and final settlement of all the claims against the company.

To our knowledge, 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.

To our knowledge, 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. In addition, Anthony Griffin, a director of the Corporation, is a partner with West Face, the Corporation's largest shareholder. West Face and/or its affiliates may hold interests in 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 director or officer involving the Corporation will be made in accordance with such director or officer's duties and obligations to deal fairly and in good faith with a view to the best interests of the Corporation and its shareholders. In addition, each director of the Corporation is required to declare and refrain from voting on any matter in which such director may have a conflict of interest in accordance with the procedures set forth in the BCBCA and applicable laws.

13. AUDIT COMMITTEE INFORMATION

13.1 Description of the Audit Committee

The Audit Committee assists the Mandalay Board in fulfilling its oversight responsibilities with respect to the following: (i) the quality and integrity of the financial statements of the Corporation; (ii) the compliance by the Corporation with legal and regulatory requirements in respect of financial disclosure; (iii) the qualification, independence and performance of the Corporation's independent auditor; (iv) the assessment, monitoring and management of the strategic, operational, reporting and compliance risks of the Corporation's business; and (v) the performance of the Corporation's Chief Financial Officer. The Audit Committee's charter is set out in Schedule "A" to this Annual Information Form.

As of the date of this Annual Information Form, the members of the Audit Committee are: (i) Robert Doyle; (ii) Abraham Jonker; and (iii) Anthony Griffin. All members of the Audit Committee are, for the purposes of National Instrument 52-110 - *Audit Committees*, independent and financially literate. The following is a description of the education and experience of each member of the committee that is relevant to the performance of such member's responsibilities as a member of the Audit Committee.

Mr. Doyle

Mr. Doyle has over 30 years of experience in all facets of international resource exploration, development and production. Mr. Doyle is a director of Golden Star Resources Ltd. and Detour Gold Corp. He was Chief Executive Officer of Medoro Resources Limited, until October, 2009, and was Executive Vice President prior to that. From 2005 to 2007, Mr. Doyle was the Executive Vice President of Pacific Stratus Energy.

Previously, Mr. Doyle was Chief Financial Officer of a number of companies including Pacific Stratus Energy Corp., Coalcorp Mining Inc., Bolivar Gold Corp. and HMZ Metals Inc. In addition, he has held a number of financial and executive positions with Falconbridge Limited and LAC Minerals. Mr. Doyle is a designated Chartered Accountant and Chartered Director.

Mr. Jonker

Most recently, Mr. Jonker was the Chief Financial Officer at WCC until its acquisition by Walter Energy on April 1, 2011. He is a director of Firestone Diamonds Limited (FDI: AIM) and Eastcoal Inc. (ECX: TSXV). Mr. Jonker is a Chartered Accountant (South Africa, England and Wales) and holds a Master's Degree in South African and International Tax from the Rand Afrikaans University. Mr. Jonker has over 18 years of extensive accounting and corporate finance experience, mostly in the mining industry.

Mr. Griffin

Mr. Griffin is a Partner with West Face, a Toronto based investment manager. Prior to joining West Face, Mr. Griffin was a Managing Director of Amaranth Advisors Canada (ULC). Mr. Griffin holds a Bachelor of Commerce from the University of British Columbia.

13.2 External Auditor Service Fee

Fees paid to Mandalay's auditor, Ernst and Young LLP for 2014 and Deloitte & Touche LLP for 2013 were as follows:

	2014 (C\$)	2013 (C\$)
Audit Fees	\$454,000	\$579,700
Tax Fees	\$65,500	\$229,655
Due Diligence	\$140,000	\$107,695
All Other Fees	\$43,000	Nil
Total Fees	\$702,500	\$917,050

1. "Audit Fees" include assurance and related services related to the performance of the audit or review of financial statements.
2. "Tax Fees" include tax compliance, tax advice and tax planning.
3. "All Other Fees" include various non-audit services.

14. LEGAL PROCEEDINGS AND REGULATORY ACTIONS

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

15. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as described elsewhere in this Annual Information Form, since January 1, 2011, 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.

16. TRANSFER AGENTS AND REGISTRARS

The Corporation's transfer agent and registrar is Computershare Investor Services Inc., and its office is in Toronto, Ontario.

17. 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**”), there are no contracts which are regarded as material and which were entered into by the Corporation within fiscal 2014 or before fiscal 2014 but are still in effect.

18. INTERESTS OF EXPERTS

18.1 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, 2014.

Deloitte LLP is the auditor of Mandalay and is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

The Cerro Bayo Technical Report, dated March 13, 2015, was prepared by Roscoe Postle Associates Inc., authored by Normand Lecuyer (P.Eng.) and Rosmery Julia Cárdenas Barzola, MAusIMM CP (Geo), both independent Qualified Persons under NI 43-101, and filed on March 31, 2015.

The Costerfield Report, dated March 31, 2015, was prepared by SRK Consulting (Australasia) Pty Ltd., authored by Peter Fairfield, Principal Consultant (Project Evaluation), BEng (Mining), FAusIMM (No: 106754); Simon Walsh, BSc (Extractive Metallurgy), MBA Hons, MAusIMM, CP, GAICD; and Danny Kentwell, MSc Mathematics and Planning (Geostatistics), FAusIMM, all independent Qualified Persons under NI 43- 101, and filed on March 31, 2015.

The technical report in respect of Challacollo entitled “NI 43-101 Technical Report for the Challacollo Silver Project, Region I, Chile” and dated March 31, 2015, (the “**Challacollo Technical Report**”) was prepared by Mining Plus, authored by Marek Mroczek, P.Eng.; Michael Collins, P.Geo.; Sean P. Butler, P.Geo.; and Juan Carlos Tapia, independent Qualified Persons under NI 43-101, and filed on March 31, 2015.

The technical report in respect of Björkdal entitled “Technical Report on the Björkdal Gold Mine, Sweden” and dated March 20, 2015 (the “**Björkdal Technical Report**”) was prepared by RPA and authored by Ian T. Blakley (P.Geo), and Thomas H.A. Healy (P.Eng), both independent Qualified Persons under NI 43-101, and filed on March 31, 2015.

18.2 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.

19. 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, 2014 and management information circular dated April 4, 2014, which are available on the Corporation's SEDAR profile.

SCHEDULE A

MANDALAY RESOURCES CORPORATION

(the “Company”)

AUDIT COMMITTEE CHARTER (as in effect September 2010)

PURPOSE

The Audit Committee is appointed by the Board of Directors to assist the Board of Directors in its oversight and evaluation of:

- the quality and integrity of the financial statements of the Company,
- the compliance by the Company with legal and regulatory requirements in respect of financial disclosure,
- the qualification, independence and performance of the Company’s independent auditor,
- the assessment, monitoring and management of the strategic, operational, reporting and compliance risks of the Company’s business (the “Risks”), and
- the performance of the Company's Chief Financial Officer.

In addition, the Audit Committee provides an avenue for communication between the independent auditor, the Company’s Chief Financial Officer and other financial senior management, other employees and the Board of Directors concerning accounting, auditing and Risk management matters.

The Audit Committee is directly responsible for the recommendation of the appointment and retention (and termination) and for the compensation and the oversight of the work of the independent auditor (including oversight of the resolution of any disagreements between senior management and the independent auditor regarding financial reporting) for the purpose of preparing audit reports or performing other audit, review or attest services for the Company.

The Audit Committee is not responsible for:

- planning or conducting audits,
- certifying or determining the completeness or accuracy of the Company’s financial statements or that those financial statements are in accordance with generally accepted accounting principles.

Each member of the Audit Committee shall be entitled to rely in good faith upon:

- financial statements of the Company represented to him or her by senior management of the Company or in a written report of the independent auditor to present fairly the financial position of the Company in accordance with generally accepted accounting principles; and
- any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

“Good faith reliance” means that the Audit Committee member has considered the relevant issues, questioned the information provided and assumptions used, and assessed whether the analysis provided by senior management or the expert is reasonable. Generally, good faith reliance does not require that the member question the honesty, competence and integrity of senior management or the expert unless there is a reason to doubt their honesty, competency and integrity.

The fundamental responsibility for the Company’s financial statements and disclosure rests with senior management. It is not the duty of the Audit Committee to conduct investigations, to itself resolve disagreements (if any) between senior management and the independent auditor or to assure compliance with applicable legal and regulatory requirements.

In discharging its obligations under this Charter, the Audit Committee shall act in accordance with its fiduciary duties.

REPORTS

The Audit Committee shall report to the Board of Directors on a regular basis and, in any event, before the public disclosure by the Company of its quarterly and annual financial results. The reports of the Audit Committee shall include any issues of which the Audit Committee is aware with respect to the quality or integrity of the Company’s financial statements, its compliance with legal or regulatory requirements, the performance and independence of the Company’s independent auditor and changes in Risks.

The Audit Committee also shall prepare, as required by applicable law, any audit committee report required for inclusion in the Company's publicly filed documents.

COMPOSITION

The members of the Audit Committee shall be three or more individuals who are appointed (and may be replaced) by the Board of Directors on the recommendation of the Company's Corporate Governance and Nominating Committee. The appointment of members of the Audit Committee shall take place annually at the first meeting of the Board of Directors after a meeting of shareholders at which directors are elected, provided that if the appointment of members of the Audit Committee is not so made, the directors who are then serving as members of the Audit Committee shall continue as members of the Audit Committee until their successors are appointed. The Board of Directors may appoint a member to fill a vacancy that occurs in the Audit Committee between annual elections of directors. Any member of the Audit Committee may be removed from the Audit Committee by a resolution of the Board of Directors. Unless the Chair is elected by the Board of Directors, the members of the Audit Committee may designate a Chair by majority vote of the members of the Audit Committee.

Each of the members of the Audit Committee shall meet the Company’s Categorical Standards for Determining Independence of Directors and shall be financially literate (or acquire that familiarity within a reasonable period after appointment) in accordance with applicable legislation and stock exchange requirements. No member of the Audit Committee shall:

- accept (directly or indirectly) any consulting, advisory or other compensatory fee from the Company or any of its subsidiaries¹ (other than remuneration for acting in his or her

¹ A company is a subsidiary of another company if it is controlled, directly or indirectly, by that other company (through one or more intermediaries or otherwise).

capacity as a director or committee member) or be an “affiliated person”² of the Company or any of its subsidiaries, or

- concurrently serve on the audit committee of more than three other public companies without the prior approval of the Board of Directors and their determination that such simultaneous service would not impair the ability of the member to effectively serve on the Audit Committee (which determination shall be disclosed in the Company’s annual management information circular).

RESPONSIBILITIES

Independent Auditor

The Audit Committee shall:

- Recommend the appointment and the compensation of, and, if appropriate, the termination of the independent auditor, subject to such Board of Directors and shareholder approval as is required under applicable legislation and stock exchange requirements.
- Obtain confirmation from the independent auditor that it ultimately is accountable, and will report directly, to the Audit Committee and the Board of Directors.
- Oversee the work of the independent auditor, including the resolution of any disagreements between senior management and the independent auditor regarding financial reporting.
- Pre-approve all audit and non-audit services (including any internal control-related services) provided by the independent auditor (subject to any restrictions on such non-audit services imposed by applicable legislation, regulatory requirements and policies of the Canadian Securities Administrators).
- Adopt such policies and procedures as it determines appropriate for the pre-approval of the retention of the independent auditor by the Company and any of its subsidiaries for any audit or non-audit services, including procedures for the delegation of authority to provide such approval to one or more members of the Audit Committee.
- Provide notice to the independent auditor of every meeting of the Audit Committee.
- Approve all engagements for accounting advice prepared to be provided by an accounting firm other than independent auditor.
- Review quarterly reports from senior management on tax advisory services provided by accounting firms other than the independent auditor.
- Review expense reports of the Chairman and the Chief Executive Officer.

² An “affiliate” of a person is a person that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with the first person.

The Audit Process, Financial Statements and Related Disclosure

The Audit Committee shall:

- Meet with senior management and/or the independent auditor to review and discuss,
 - the planning and staffing of the audit by the independent auditor,
 - before public disclosure, the Company's annual audited financial statements and quarterly financial statements, the Company's accompanying disclosure of Management's Discussion and Analysis and earnings press releases and make recommendations to the Board of Directors as to their approval and dissemination of those statements and disclosure,
 - financial information and earnings guidance provided to analysts and rating agencies: this review need not be done on a case by case basis but may be done generally (consisting of a discussion of the types of information disclosed and the types of presentations made) and need not take place in advance of the disclosure,
 - any significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the selection or application of accounting principles, any major issues regarding auditing principles and practices, and the adequacy of internal controls that could significantly affect the Company's financial statements,
 - all critical accounting policies and practices used,
 - all alternative treatments of financial information within GAAP or IFRS, as applicable that have been discussed with senior management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor,
 - the use of "*pro forma*" or "adjusted" non-GAAP or non-IFRS, as applicable information,
 - the effect of new regulatory and accounting pronouncements,
 - the effect of any material off-balance sheet structures, transactions, arrangements and obligations (contingent or otherwise) on the Company's financial statements,
 - any disclosures concerning any weaknesses or any deficiencies in the design or operation of internal controls or disclosure controls made to the Audit Committee in connection with certification of forms by the Chief Executive Officer and/or the Chief Financial Officer for filing with applicable securities regulators, and
 - the adequacy of the Company's internal accounting controls and management information systems and its financial, auditing and accounting organizations and personnel (including any fraud involving an individual with a significant role in internal controls or management information systems) and any special steps adopted in light of any material control deficiencies.

- Review disclosure of financial information extracted or derived from the Company's financial statements.
- Review with the independent auditor,
 - the quality, as well as the acceptability of the accounting principles that have been applied,
 - any problems or difficulties the independent auditor may have encountered during the provision of its audit services, including any restrictions on the scope of activities or access to requested information and any significant disagreements with senior management, any management letter provided by the independent auditor or other material communication (including any schedules of unadjusted differences) to senior management and the Company's response to that letter or communication, and
 - any changes to the Company's significant auditing and accounting principles and practices suggested by the independent auditor or other members of senior management.

Risks

The Audit Committee shall:

- Recommend to the Board of Directors for approval a policy that sets out the Risks philosophy of the Company and the expectations and accountabilities for identifying, assessing, monitoring and managing Risks (the "**ERM Policy**") that is developed and is to be implemented by senior management.
- Meet with senior management to review and discuss senior management's timely identification of the most significant Risks, including those Risks related to or arising from the Corporation's weaknesses, threats to the Corporation's business and the assumptions underlying the Corporation's strategic plan ("**Principal Risks**").
- Approve a formalized, disciplined and integrated enterprise risk management process (the "**ERM Process**") that is developed by senior management and, as appropriate, the Environmental Health and Safety Committee, to monitor, manage and report Principal Risks.
- Recommend to the Board of Directors for approval policies (and changes thereto) setting out the framework within which each identified Principal Risks of the Corporation shall be managed.
- At least annually, obtain from senior management and, as appropriate, the Environmental Health and Safety Committee, a report specifying the management of the Principal Risks of the Corporation including compliance with the ERM Policy and other policies of the Corporation for the management of Principal Risks.
- Review with senior management the Company's tolerance for financial Risk and senior management's assessment of the significant financial Risks facing the Company.

- Discuss with senior management, at least annually, the guidelines and policies utilized by senior management with respect to financial Risk assessment and management, and the major financial Risk exposures and the procedures to monitor and control such exposures in order to assist the Audit Committee to assess the completeness, adequacy and appropriateness of financial Risk disclosure in Management's Discussion and Analysis and in the financial statements.
- Review policies and compliance therewith that require significant actual or potential liabilities, contingent or otherwise, to be reported to the Board of Directors in a timely fashion.
- Review the adequacy of insurance coverages maintained by the Company.

Compliance

The Audit Committee shall:

- Obtain reports from senior management that the Company's subsidiary/foreign affiliated entities are in conformity with applicable legal requirements and the Company's Code of Business Conduct and Ethics including disclosures of insider and affiliated party transactions and environmental protection laws and regulations.
- Review with senior management and the independent auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports, which raise material issues regarding the Company's financial statements or accounting policies.
- Review senior management's written representations to the independent auditor.
- Advise the Board of Directors with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations and with the Company's Code of Business Conduct and Ethics.
- Review with the Company's General Counsel (or, if the Company does not have a General Counsel, its principal external legal advisors) legal matters that may have a material impact on the financial statements, the Company's compliance policies and any material reports or inquiries received from regulators or governmental agencies.
- Establish procedures for,
 - the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, and
 - the confidential, anonymous submission by employees of the Company with concerns regarding any accounting or auditing matters.

Delegation

To avoid any confusion, the Audit Committee responsibilities identified above are the sole responsibility of the Audit Committee and may not be allocated by the Board of Directors to a different committee without revisions to this Charter.

MEETINGS

The Audit Committee shall meet at least quarterly and more frequently as circumstances require. All members of the Audit Committee should strive to be at all meetings. The Audit Committee shall meet separately, periodically, with senior management and the independent auditor and may request any member of the Company's senior management or the Company's outside counsel or independent auditor to attend meetings of the Audit Committee or with any members of, or advisors to, the Audit Committee. The Audit Committee also may meet with the investment bankers, financial analysts and rating agencies that provide services to, or follow, the Company. The Audit Committee will also meet in camera at each of its regularly scheduled meetings.

Quorum for the transaction of business at any meeting of the Audit Committee shall be a majority of the number of members of the Audit Committee or such greater number as the Audit Committee shall by resolution determine. The powers of the Audit Committee may be exercised at a meeting at which a quorum of the Audit Committee is present in person or by telephone or other electronic means or by a resolution signed by all members entitled to vote on that resolution at a meeting of the Audit Committee. Each member (including the Chair) is entitled to one (but only one) vote in Audit Committee proceedings.

Meetings of the Audit Committee shall be held from time to time and at such place as a member of the Audit Committee may request upon 48 hours prior notice. The notice period may be waived by a quorum of the Audit Committee.

Except as otherwise provided in this Charter, the Audit Committee may form and delegate authority to individual members and subcommittees of the Audit Committee where the Audit Committee determines it is appropriate to do so.

INDEPENDENT ADVICE

In discharging its mandate, the Audit Committee shall have the authority to retain (and authorize the payment by the Company of) and receive advice from special legal, accounting or other advisors as the Audit Committee determines to be necessary to permit it to carry out its duties.

ANNUAL EVALUATION

Annually, or more frequently at the request of the Chief Executive Officer as a result of legislative or regulator changes, the Audit Committee shall, in a manner it determines to be appropriate:

- Conduct a review and evaluation of the performance of the Audit Committee and its members, including the compliance of the Audit Committee with this Charter.
- Review and assess the adequacy of its Charter and the position description for its Chair and recommend to the Board of Directors any improvements to this Charter or the position description that the Audit Committee determines to be appropriate, except for minor technical amendments to this Charter, authority for which is delegated to the Chief Executive Officer, who will report any such amendments to the Board of Directors at its next regular meeting.

Appendix A

- Review the experience and qualifications of the senior members of the independent auditor's team.
- Discuss with the independent auditor its internal quality-control procedures.
- Confirm with the independent auditor that it is in compliance with applicable legal, regulatory and professional standards relating to auditor independence.
- Confirm with the independent auditor that it is a participating audit firm of the Canadian Public Accountability Board in compliance with all restrictions or sanctions imposed on it (if any).
- Review and approve clear policies for the hiring by the Company of partners, employees and former partners and employees of the present and former independent auditor.
- Review periodic reports from the independent auditor regarding its independence and consider whether there are any non-audit services or relationships that may affect the objectivity and independence of the independent auditor and, if so, recommend that the Board of Directors take appropriate action to satisfy itself of the independence of the independent auditor.
- Obtain and review such report(s) from the independent auditor as may be required by applicable legal and regulatory requirements.