



MANDALAY RESOURCES

MANDALAY RESOURCES CORPORATION

Annual Information Form

March 30, 2012

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1. ABOUT THIS ANNUAL INFORMATION FORM

The information in this Annual Information Form is presented as at March 30, 2012 unless otherwise indicated, and except for information in documents incorporated by reference that has a different date. All references to dollar amounts and to “\$” or “dollar” in this document are to 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 time lines. 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 La Quebrada copper-silver property (“**La Quebrada**”), the Costerfield gold-antimony mine (“**Costerfield**”), and the Cerro Bayo silver-gold mine (“**Cerro Bayo**”) 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 Cerro Bayo, entitled “Technical Report on the Cerro Bayo project, Chile” and dated March 16, 2012 (the “**Cerro Bayo Technical Report**”), was prepared by Roscoe Postle Associates Inc. (“**Roscoe**”), authored by Normand Lecuyer (P.Eng.) and Patti Nakai-Lajoie (P.Geo.), both Independent Qualified Persons under NI 43-101.

The technical report in respect of Costerfield, entitled “Mandalay Resources Corporation: Costerfield (Augusta) Gold-Antimony Mine: Mineral Resource and Mineral Reserve Estimate: Project No. 03151” and dated March 30, 2012 (the “**Costerfield Technical Report**”), was prepared by Snowden Mining Industry Consultants Ltd. (“**Snowden**”), authored by Dr. Simon C. Dominy (BSc(Hons) MSc(Eng),PhD, PgDip (MinsEng) FAusIMM (CP), FGS (CGeol), FIMMM (CEng), FAIG (RPGeo); MCSM) and Cindy-Lee Cox (BAppSc (Geol), ASMB, PgDip (Min Eng), MAusIMM(CP), MSME), both Independent Qualified Persons under NI 43-101.

The technical report in respect of La Quebrada, entitled “La Quebrada Project, La Serena, Chile” and dated March 31, 2010 (the “**La Quebrada Technical Report**”), was prepared under the direction of Leonardo Diaz, Principal Consultant with Antakori S.A., who is the responsible Independent Qualified Person under NI 43-101.

The technical information contained in this Annual Information Form with respect to Cerro Bayo, Costerfield and La Quebrada 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

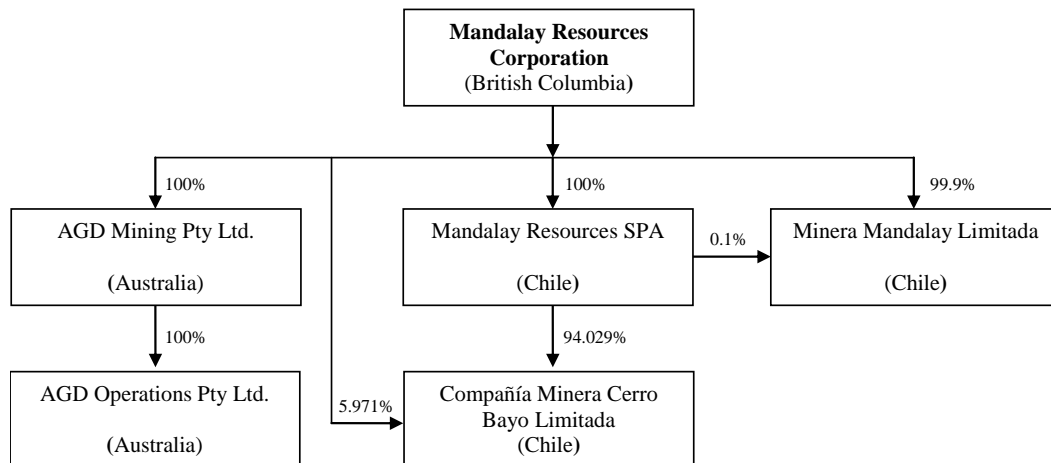
4.1 Name, Address and Incorporation

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 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.



AGD Mining Pty Ltd. (“**AGD**”), a private Australian company, operates the Costerfield gold-antimony mine in Victoria, Australia. All of the issued and outstanding securities of AGD were acquired from Cambrian Mining Limited, a wholly-owned subsidiary of Western Coal Corp. (“**WCC**”) and an arms’ length third party of the Corporation, by Mandalay on December 1, 2009. AGD is governed under the laws of *The Corporations Act 2001* (Australia). AGD’s head and registered office is located at Level 9, 175 Collins Street, Melbourne, 3000, Victoria, Australia. AGD owns 100% of the voting securities of its sole subsidiary, AGD Operations Pty Ltd. (“**AGD Operations**”). AGD Operations is governed under the laws of *The Corporations Act 2001* (Australia).

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

Compañía Minera Cerro Bayo Limitada (“**Minera Cerro Bayo**”), a private Chilean company that operates Cerro Bayo in Patagonia, Chile was acquired from Coeur d’Alene Mines Corporation (“**Coeur**”) and Coeur South America Corp. (“**CSA**”) by Mandalay on August 10, 2010. Minera Cerro Bayo is governed under the laws of Chile. Minera Cerro Bayo’s head and registered office is located at Sector Laguna Verde SIN, KM94, 6, Ruta CH 265, Chile Chico, XI Region.

5. GENERAL DEVELOPMENT OF THE BUSINESS

5.1 Three Year History

Through November 30, 2009, the Corporation was a pure exploration company, identifying and accessing promising exploration properties and advancing acquisition and exploration programs primarily through equity financings. During this time, the Corporation produced no product and generated no revenue. It generated operating losses related to exploration spending. With the completion of the Costerfield acquisition on December 1, 2009, the Corporation became a producing company with revenue from gold and antimony sales. By the fourth quarter of 2010, it had grown to a two-mine operation with the acquisition of Cerro Bayo in August, 2010, and was generating positive net income. 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.

2009

During the first eleven months of 2009, the Corporation was a pure exploration company, raising equity to fund its exploration efforts. In the last month of 2009, the Corporation became a producing company with the acquisition of Costerfield, as discussed further below.

In April, the Corporation completed a first tranche (the “**First Tranche**”) closing of a non-brokered private placement (the “**2009 Non-Brokered Private Placement**”) consisting of 1,400,000 units at a price of CDN\$0.10 per unit for gross proceeds of CDN\$140,000. Each unit consisted of one Common Share at CDN\$0.10 and one non-transferable share purchase warrant of the Corporation exercisable for five years at a price of CDN\$0.20.

Also in April, the Corporation entered into an amending agreement (the “**Andale Amending Agreement**”) to amend the terms of certain option agreements with Inversiones Y Minería Andale Ltda. (“**Andale**”) and related parties in relation to the La Quebrada and adjacent Leoncito properties (collectively termed the La Quebrada project), retaining its right to earn up to a 100% interest in the two properties. Previously, the two properties were each subject to a purchase option, the La Quebrada option dated July 25, 2001 and the Leoncito option dated June 21, 2005. The terms of the Amending Agreement included payments totalling \$750,000. The Corporation acquired its rights to obtain a 100% interest in the La Quebrada project in exchange for, in part, Arcourt Resources NL (“**Arcourt**”) making property and other payments to Andale totalling \$650,000. As consideration for giving up the interest that Arcourt may have had in the properties, Arcourt received from the Corporation 1,500,000 common shares of the Corporation (“**Common Shares**”) and a convertible promissory note for a total amount of \$650,000, payable 18 months from the date of TSX Venture Exchange (the “**TSXV**”) approval, convertible at Arcourt’s option at a price of CDN\$0.10 per share. The Corporation also agreed to issue

an aggregate of 800,000 Common Shares to Andale over an 18 month period (200,000 shares every 6 months), the first issuance being due within 10 days of TSXV approval. The Corporation received TSXV approval of the Andale Amending Agreement in August of 2009.

Also in April, the Corporation entered into an agreement with Andale for an option to acquire six (6) additional exploration properties (the “**Los Santos Ladrones Option**”). The properties, designated the Los Santos Ladrones, Las Rockeras, El Garrafal, Las Marianas, Las Santos Musas and Las Gaviotas mineral projects, are located in the IV Region (Central Chile), 80 km north of the cities of La Serena and Coquimbo. Total consideration for the six properties consisted of: (i) up to an aggregate of CDN\$1,000,000 per project in staged cash payments starting in the second year and payable over a period of up to eight years from May 14, 2009, the date the Corporation received TSXV approval of the transaction; and (ii) an aggregate of 1,000,000 Common Shares to Andale over a period of eighteen months from May 14, 2009. As discussed below, the Los Santos Ladrones Option was terminated in June 2010, following mapping and sampling in 2010.

In June, the Corporation completed a second tranche (the “**Second Tranche**”) closing of the 2009 Non-Brokered Private Placement. The Second Tranche consisted of 600,000 units issued on the same terms as the First Tranche for gross proceeds of CDN\$60,000.

Also in June, the Corporation closed a private placement of 6,386,741 units at a price of CDN\$0.135 per unit for gross proceeds of CDN\$862,210. Each unit consisted of one Common Share and one non-transferable share purchase warrant of the Corporation exercisable for two years at a price of CDN\$0.25. As a finder’s fee for this private placement, the Corporation issued an aggregate of 222,900 Common Shares to Alfred Gregorian, Zelen Consulting Ltd. and Birmingham Consulting Ltd.

In July, Charles Pitcher resigned as director, President and Chief Executive Officer and John Byrne was appointed as director, President and Chief Executive Officer.

In September, Bradford A. Mills was appointed as a director and Chief Executive Officer.

In October, the Corporation completed a private placement of 1,600,000 units at a price of CDN\$0.25 per unit for gross proceeds of CDN\$400,000. Each unit consisted of one Common Share and one share purchase warrant of the Corporation exercisable at a price of CDN\$0.465 for five years.

On December 1, the Corporation became a producing company with the acquisition of the Costerfield mine from Western Canadian Coal (“**WCC**”) for consideration consisting of: (i) 44,000,000 Common Shares; (ii) share purchase warrants to acquire an aggregate of 40,000,000 Common Shares for a period of five years (50% of which have an exercise price of CDN\$0.31 per share and 50% of which have an exercise price of CDN\$0.465 per share) and; (iii) a promissory note in the principal amount of CDN\$1,500,000.

Also in December, the Corporation completed a private placement of 24,400,000 units at a price of CDN\$0.25 per unit for gross proceeds of CDN\$6,100,000. Each unit consisted of one Common Share and one share purchase warrant exercisable of the Corporation at a price of CDN\$0.465 for five years. Gross proceeds were used to finance the restart of Costerfield and for general working capital. In connection with the private placement, Mandalay issued a finder’s fee to Audley Capital Management Limited consisting of non-transferable share purchase warrants to purchase up to 3,950,000 Common Shares at CDN\$0.31 per share for a period of five years.

Also in December, the Corporation was granted an option from Andale to acquire a 100% interest in the El Caballo Blanco copper-iron property located 40 km north of La Serena, Chile, for a sum of up to \$2,000,000 in cash. As described below, the option was dropped in 2010 after initial field work.

Also in December, Sanjay Swarup was appointed as the Chief Financial Officer and Mark Sander was appointed as the Chief Operating Officer. In addition, the board of directors of the Corporation (the “**Board of Directors**”) approved a change of the Corporation’s auditors from James Stafford Chartered Accountants to Deloitte & Touche LLP.

2010

In January, the Corporation signed a twelve month extension to its off-take agreement with Zhongnan Antimony and Tungsten Trading Corporation (“**Zhongnan**”) for all antimony-gold concentrate produced at Costerfield. The extended contract improved the percentage of antimony payable and improved the pricing for gold contained in antimony concentrate at gold prices over \$1,000/ounce.

In May, the Corporation completed its acquisition of a 100% interest in the La Quebrada project by issuing to Andale a final tranche of 400,000 Common Shares pursuant to the Andale Amending Agreement. The project remains subject to 2% royalty payments in favour of Andale with respect to future production.

In June, the Corporation received final approval from the Toronto Stock Exchange (the “**TSX**”) to graduate from the TSXV to the TSX. The Common Shares commenced trading on the TSX on June 25, 2010 and were de-listed from the TSXV on that date.

Also in June, the Corporation and Andale entered into an agreement to terminate the El Caballo Blanco option and the Los Ladrones option. In consideration of the termination of these agreements and all of the Corporation’s payment and other obligations thereunder, the Corporation paid \$200,000 to Andale.

In August, the Corporation completed an offering (the “**August 2010 Offering**”) of 82,142,857 subscription receipts of the Corporation (each, a “**Subscription Receipt**”) pursuant to a short form prospectus dated July 27, 2010, at a price of CDN\$0.28 per Subscription Receipt for aggregate gross proceeds of CDN\$23,000,000. The August 2010 Offering was co-led by GMP Securities L.P. and BMO Capital Markets. Upon the satisfaction of certain release conditions, each Subscription Receipt was automatically exchanged for one Common Share and one common share purchase warrant exercisable for two years at an exercise price of CDN\$0.33. GMP Securities and BMO Capital Markets were paid a commission equal to 5% (CDN\$1.15 million) of the gross proceeds received by the Corporation from the August 2010 Offering. Of this amount, CDN \$100,000 was paid in cash, and the balance was paid by the issuance to the agents of 3,750,000 Subscription Receipts.

Also in August, the Corporation completed its acquisition of Minera Cerro Bayo from Coeur d’Alene Mines (Coeur) in consideration for (i) \$6,000,000 in cash; (ii) 17,857,143 Common Shares at a price of CDN\$0.28 per Common Share; (iii) future cash payments in an aggregate amount equal to the U.S. dollar equivalent of 125,000 ounces of silver, payable in six quarterly instalments commencing in the third quarter of 2011; and (iv) a 2% net smelter return royalty in respect of all mineral products produced from Cerro Bayo in excess of 50,000 ounces of gold and 5,000,000 ounces of silver. Cerro Bayo was on care and maintenance at the time of purchase; the Corporation began mining on the property on September 16, 2010, stockpiling ore in anticipation of restarting the plant early in 2011.

In connection with the Offering, the Corporation entered into a security holders agreement with West Face Long Term Opportunities Global Master L.P. (“**West Face GM**”) pursuant to which West Face GM was given the right to appoint two nominees to the Board of Directors for so long as it holds at least 20% of the outstanding Common Shares and one nominee so long as it holds at least 10% of the Common Shares. Also in connection with the August, 2010, offering, the Corporation agreed to appoint a nominee of WCC to the Board of Directors. To accommodate these changes to the Board of Directors, the Corporation increased the size of the board to seven. Gordon Watts and John Conlon resigned, Peter Jones and Tony Griffin were appointed as West Face GM’s nominees and Braam Jonker was appointed as WCC’s nominee.

In December, the Corporation closed a non-brokered private placement with Sprott Asset Management L.P., of 10,000,000 Common Shares at a price of CDN\$0.32 per Common Share for gross proceeds of CDN\$3,200,000.

Also in December, the Corporation closed the first tranche of a two-year debt facility with Sprott Resource Lending Partnership (“**Sprott Lending**”) totalling CDN\$10,000,000 at an interest rate of 11% per annum. As partial consideration for the advance of the facility, the Corporation issued 1,885,938 Common Shares to Sprott Lending.

Also in December, the Corporation signed another twelve month extension to its off-take agreement with Zhongnan for all antimony-gold concentrate produced at Costerfield. The extended contract improved the percentage of antimony and gold payable relative to the previous extension.

Also in December, the Corporation repaid the CDN\$1,500,000 loan to WCC that had been assumed by the Corporation as part of its acquisition of AGD in 2009.

2011

On January 10, processing operations began at the Cerro Bayo mine, with the first commercial shipment of silver-gold concentrate occurring on February 11.

On February 2 the Corporation closed the second tranche of a two-year debt facility with Sprott Lending totalling CDN\$10,000,000 senior secured credit facility at an interest rate of 11% per annum. In the second tranche, Mandalay received a CDN\$5,000,000 advance under the credit facility, which was a part of the CDN\$13,200,000 in debt and equity financing that the Corporation announced on December 3, 2010.

On March 16, one of Mandalay's major customers, Dowa Metals and Mining Company ("**Dowa**"), declared force majeure suspension of Cerro Bayo's sales contract as a result of damage suffered to infrastructure and power at Dowa's refinery in Kosaka, Japan in the March 11 earthquake and tsunami. On April 14, Mandalay received notice of the lifting of the force majeure by Dowa. Normal shipping schedules resumed in May and missed shipments were caught up on by the end of 2011.

In May, West Face GM exercised 45,454,545 of its 71,428,500 common share purchase warrants at a price of CDN\$0.33 per share, providing Mandalay with proceeds of \$14,999,999.85. Concurrently with the exercise of these warrants, the Board of Directors authorized the use of virtually all of the proceeds to purchase gold and silver puts to provide downside price protection for its expected 2012 gold and silver production, and substantially protect its expected 2012 cash flow.

Also in May, the Corporation completed its hedging program under which put options were purchased that ensure that the Corporation will receive a minimum of \$30/ounce for approximately 75% of its silver sales and \$1,400/ounce for approximately 70% of its gold sales in 2012. The Corporation is not obliged to exercise any of the puts and, accordingly, retains all of the upside benefits associated with any silver and gold prices movements over these levels in 2012.

On June 2, the Corporation filed an independent NI 43-101 compliant technical report on Costerfield, prepared by Snowden Group. The report defined increased mineral resources and reserves at Costerfield as at December 30, 2010 relative to previous estimations. The report found that the drilling, sampling, assaying, and estimation methods employed at the mine are appropriate and that recommendations made in previous technical reports were being implemented.

In July, Walter Energy Inc. ("**Walter Energy**"), through its subsidiary, Cambrian Mining Limited (which it indirectly acquired as a result of its acquisition of WCC on April 1, 2011), entered into an agreement with BMO Capital Markets to sell a portion of its interest in Mandalay on an underwritten block trade basis. The agreement included the sale of 12,585,380 Common Shares, 16,000,000 common share purchase warrants, each entitling the holder to purchase one Common Share at CDN\$0.31 on or before November 30, 2014 and 20,000,000 common share purchase warrants, each entitling the holder to purchase one Common Share at CDN\$0.465 on or before November 30, 2014. Following the sale of securities, Walter Energy continued to own 24,687,960 Common Shares, over which Plinian Capital Ltd. ("**Plinian**"), a corporation controlled by members of Mandalay's senior management, continue to hold an option to purchase from Walter Energy at a price of CDN\$0.25 per share.

On August 9, Mandalay announced that the results of its 19 hole drill program at La Quebrada confirmed and extended historically sampled and drilled mineralization described in the La Quebrada Technical Report. The 3,276 metres ("**m**") of drilling program consisted of seventeen infill and step-out holes (2,932 m) in Casa de Piedra target and two exploratory holes (344 m) in the Leoncita North target.

On August 24, Mandalay provided an update on exploration drilling being conducted at Costerfield. At the “Augusta Deeps” project, where Mandalay’s focus is infilling and extending the W-Lode ore shoot in the existing Augusta mine, drilling from the start of the year to the end of July generated 15 new intercepts of W-lode, of which ten are above the mill feed cut-off grade and over the minimum 1.8 m mining width. These intercepts confirmed and extended the inferred resource beneath current reserves estimated from 2010 drilling and described in the Costerfield technical report preceding the Costerfield Technical Report filed by the Corporation on June 2, 2011. At the “Brownfields” project, where Mandalay is drill-testing targets for new shoots along strike of the E- and W-Lodes north and south of the Augusta mine, drilling from the start of the year to the end of July confirmed and expanded drill targets beneath inferred resources previously reported in the previous Costerfield technical report on the N-Lode East and N-Lode West veins and resulted in the identification of a potential new mineralized shoot beneath the historic Alison mine workings.

On September 6, Mandalay provided an update on development and diamond drilling at Cerro Bayo, announcing that (i) drilling to test the first near-mine exploration target, the Delia SE extension, successfully located the offset vein and confirmed continuity of high-grade mineralization, (ii) infilling drilling of previously inferred resources in and around the first three of the planned mines, Dagny, Fabiola and Delia NW, is confirming the continuity and grade of mineralization, with numerous intercepts showing high-grade mineralization for both silver and gold and (iii) underground development sampling demonstrated that actual minable ore boundaries extend well beyond those predicted by the drilling-based block models.

Also in September, Plinian acquired the 24,687,960 Common Shares under option from Walter Energy. The purchase price paid by Plinian for the shares was CDN\$6,171,990 or CDN\$0.25 per share.

In October, the TSX approved the Corporation’s notice of intention to make a normal course issuer bid for 5% of the issued and outstanding Common Shares and CDN\$0.33 common share purchase warrants as of October 11, 2011 at the market prices of such Common Shares and common share purchase warrants at the time of acquisition. Mandalay is permitted to acquire up to 13,501,078 Common Shares and 1,970,965 of its CDN\$0.33 common share purchase warrants in the 12-month period commencing October 17, 2011 and ending on October 16, 2012. Under the Normal Course Issuer Bid, the Corporation repurchased 449,500 Common Shares at an average price of CDN\$0.69 and a total cost of CDN\$294,303 during the year ended December 31, 2011.

Recent Developments

On February 23, 2012, Mandalay announced the results of its 2011 exploration programs at Cerro Bayo (8 rigs for 60,074 m) and Costerfield (3 rigs for 13,365 m). 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**”) reserve. For more information on these increases, reference is made to sections 6.11 and 6.12 of this Annual Information form.

In February 2012, civil unrest in the Aisén Province of Chile, triggered by the government’s termination of fuel subsidies to 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 mining and concentrating operation for about 10 days during this period due to low fuel supply levels. Shipments are currently planned to resume on the 31st of March from the port of Chacabuco following the preliminary resolution between the Government of Chile and local communities. The Corporation has also made alternative export and import arrangements through the port of Lirquén which has remained open and unaffected by the Aisén protests.

5.2 Significant Acquisitions

The Corporation did not complete any significant acquisitions in the year ended December 31, 2011.

6. DESCRIPTION OF THE BUSINESS

6.1 General Description

Mandalay is a Canadian-based mining company whose business is to acquire or discover, develop, and produce 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, development strategy, process optimisation 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 faster) by aggregating a critical mass of four or five producing properties over the next two to three years.

The Corporation's management team consists of seasoned professionals with track records of strong leadership, management integrity, and delivery of bold, inter-related, value-creating initiatives to their shareholders, employees, and communities. The Corporation is focused on commodities in which management has extensive experience, such as gold, silver, and copper. The Corporation operates and has interests in countries that have a long-standing tradition of mining, with low political risk and clear legal frameworks for tenure and taxation. Today, these jurisdictions include Australia, Chile, New Zealand and Argentina. Investment decisions and jurisdictions are reviewed as required.

Mandalay currently owns 100% interest in two producing assets – Costerfield, Australia (producing gold and antimony) and Cerro Bayo, Chile (producing silver and gold). The Corporation also owns a 100% interest in the La Quebrada, Chile, copper-silver exploration project.

6.2 Material Properties

The Corporation's material properties are Costerfield, Cerro Bayo and La Quebrada. Costerfield restarted production in the third quarter of 2009, shortly before Mandalay acquired ownership on December 1, 2009. Cerro Bayo restarted mining in the third quarter of 2010, with commercial production commencing during the first quarter of 2011. La Quebrada is currently in the exploration stage.

6.3 Product, Customer, and Distribution

As of the date of this Annual Information Form, the Corporation has had 28 months of production history at Costerfield since it was acquired on December 1, 2009. Costerfield produces gold-antimony concentrate that is sold to the operation's principal customer, Zhongnan. In late 2010 and again in late 2011, the Corporation signed yearly extensions to its concentrate off-take agreement with Zhongnan in respect of all antimony-gold concentrate produced at Costerfield.

As of the date of this Annual Information Form, the Corporation has had five months of preproduction mine development history at Cerro Bayo and 15 months of mine production and processing history, with a full year of sales in 2011, mostly at Dowa and its plant located in Kosaka, Japan.

6.4 Revenues

Revenue for the financial year ended December 31, 2010, was \$20,618,328. This included the entire ramp-up year of gold-antimony sales from Costerfield. No sales from Cerro Bayo occurred in 2010.

Revenue for the financial year ended December 31, 2011, was \$92,163,852. This includes a year of Costerfield gold-antimony sales at approximately full production and a year ramping-up silver-gold sales at Cerro Bayo.

6.5 Competitive Conditions

The mineral exploration and mining industry is extremely competitive. The Corporation competes with other mining companies for the acquisition and development of, and production from, mineral concessions, claims, leases and other interests, as well as for smelter capacity for its concentrates and the recruitment and retention of qualified employees and consultants. See “Risk Factors – Competition” for further discussion.

6.6 Cyclical 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, and all of the Corporation’s properties can be operated year-round.

Demand for and pricing of mineral commodities is 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, gold, as a traditional store of value is affected differently than an industrial metal such as antimony. 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 only in hind-sight. See “Risk Factors – Fluctuations in the Market Price of Mineral Commodities” for more discussion.

6.7 Employees and Contractors

As at December 31, 2011, the Corporation had a total of 743 employees and contractors, as set out in the chart below.

Site	Employee	Contractor	TOTAL
Cerro Bayo	430	130	560
Costerfield	150	17	167
Corporate¹	10	6	16
TOTAL	590	153	743

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

6.8 Stages of Development

6.8.1 Producing Stage—Costerfield Mine, Australia

From December 1, 2009 to the date of this Annual Information Form, the Corporation has been engaged in four 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 and to discover new veins nearby.

The following tables summarizes 2011 production, sales, capital, and costs at Costerfield:

	Unit	Year ended December 31, 2011	Quarter Ended December 31, 2011	Quarter Ended September 30, 2011	Quarter Ended June 30, 2011	Quarter Ended March 31, 2011
Mining Production and Mining Cost						
Operating development	m	4,027	894	1,102	1,128	903
Mined ore	t	66,156	17,023	17,433	18,683	13,017
Ore mined Au grade	g/t	6.00	6.30	4.24	6.54	7.20
Ore mined Sb grade	%	3.97	3.78	2.67	4.09	5.80
Mined contained Au	oz	12,770	3,450	2,377	3,930	3,014
Mined contained Sb	t	2,626	643	465	763	755
Mining cost per tonne ore	\$/t	271.78	303.04	288.19	223.73	274.00
Processing and Processing Cost						
Processed ore	t	71,973	16,344	18,089	18,922	18,618
Mill head grade Au	g/t	7.27	7.16	4.83	6.49	10.52
Mill head grade Sb	%	3.66	3.49	2.51	3.60	5.00
Recovery Au	%	86.32	88.11	83.96	86.84	86.50
Recovery Sb	%	92.27	94.13	92.95	93.71	88.50
Concentrate produced	dry t	4,706	1,012	792	1,230	1,671
Concentrate grade Au	g/t	96.10	102.18	92.58	87.01	100.79
Concentrate grade Sb	%	51.45	53.47	53.34	52.15	48.82
Saleable Au produced	oz	12,244	2,803	2,057	2,856	4,528
Saleable Sb produced	t	1,577	346	305	413	512
Saleable Au equivalent produced	oz	27,347	5,655	4,725	7,216	9,747
Processing cost per tonne ore	\$/t	77.32	62.29	72.64	83.41	88.87
Sales						
Concentrate sold	dry t	4,682	1,029	812	1,298	1,543
Concentrate Au grade	g/t	96.20	101.77	93.45	87.96	100.87
Concentrate Sb grade	%	51.51	53.46	53.58	51.65	49.00
Au sold	oz	12,914	2,837	2,108	3,229	4,741
Sb sold	t	1,539	352	279	433	476
Benchmark Unit Cost						
Site cash operating cost/ tonne ore processed	\$/t	410.70	495.63	434.68	323.97	401.00
Site cash operating cost/tonne concentrate produced	\$/t	6,281.67	8,001.89	9,926.21	4,983.06	4,467.87
EBITDA/tonne ore milled	\$/t	174.05	45.60	59.71	210.31	361.06
EBITDA/tonne concentrate produced	\$/t	2,662.14	736.29	1,363.51	3,234.80	4,022.87
Cash cost per oz Au equivalent produced ¹	\$/oz	1,117.12	1,473.31	1,701.94	929.83	765.94
Capital Spending						
Capital development	m	1,027	345	177	241	264
Capital development cost	\$000	6,163	2,146	1,684	1,490	839
Capital development cost/meter	\$/m	6,002	6,228	9,536	6,179	3,178
Capital purchases	\$000	3,811	1,656	(77)	1,185	1,046
Capitalized exploration	\$000	2,775	643	788	799	544

- Numbers may not precisely add due to rounding

Notes:

¹The cash cost per ounce of gold equivalent produced or sold, are non IFRS performance measures that are included in this Annual Information Form because these statistics are key performance measures under control of the operations that management uses to monitor performance, to assess how the mine is performing, and to plan and assess the overall effectiveness and efficiency of mining operations. These performance measures do not have a meaning within IFRS and, therefore, amounts presented may not be comparable to similar data presented by other mining companies. These performance measures should not be considered in isolation as a substitute for measures of performance in accordance with IFRS. Equivalent gold ounces produced or sold is calculated by adding to gold ounces produced or sold, the antimony tonnes produced or sold times the antimony realized price divided by the gold realized price. The total cash operating costs associated with the production of these equivalent ounces produced or sold in the period is then divided by the equivalent gold ounces produced or sold to yield the cash cost per equivalent ounce produced or sold. Variations between the produced ounces and sold ounces in a reporting period are purely the result of the timing of shipments to customers.

During the 12 months ended December 31, 2011, the Costerfield mine completed 4,027 m of operating development and produced 66,156 t of ore. Grade of ore mined declined from the first to the third quarters as the proportion of stoping production declined and costs increased. In the third quarter, a management intervention led to new operating leadership at the mine, introduction of new mining methods (cemented rock backfill), a new mine plan, investment in new mining equipment and water evaporation dams and round the clock capital development. By the fourth quarter of 2011, the following improvements had occurred: the grade of ore mined improved as well as the contained ounces of gold and tonnes of antimony, the rate of capital development improved and the cost per m of capital development declined. Early in 2012, the mine implemented even more focus on high grade stoping, round the clock mining and reduced cemented rock fill cure time from 36 to 24 hours. The Corporation expects further improvements in ore grade, quantity of metal mined, and costs as these changes have an impact.

During the 12 months ended December 31, 2011, the Costerfield plant processed 71,973 t of ore, producing 12,244 oz of saleable gold and 1,577 t of saleable antimony. These are record annual production volumes since the operations restarted in late 2009; likewise 2011 sales volumes of gold (12,914 oz) and antimony (1,539 t) are records since restart. The plant operated at increasing recovery and lower costs through the four quarters of 2011 due to improved maintenance practices, incremental capital improvements (most notably a wet ore screening plant, a new automated Knelson concentrator, and new cyclones, pumps, and compressors) and disciplined operating practice.

During the year at Costerfield, the Corporation invested approximately \$6.16 million in capital development (generating 1,027 m in capital advance), \$3.81 million in property, plant and equipment (most notably for a tailings dam expansion, an updated mining fleet, and incremental plant improvements), and \$2.77 million in exploration. For the exploration spending, the operation essentially replaced at year end the reserves it mined through 2011 and discovered a significant new vein, the Cuffley lode, which added significantly to inferred resources at year-end. A Preliminary Economic Analysis of developing and mining the Cuffley lode is anticipated mid-2012 to support a possible investment decision.

For more information on Costerfield, refer to section 6.11 of this Annual Information Form.

6.8.2 Producing Stage - Cerro Bayo, Chile

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 five of seven veins included in the current life-of-mine-plan, Dagny, 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; and
5. drilling approximately 60,000 m to infill and extend resources and reserves in already-known veins.

The following tables summarizes 2011 production, sales, capital, and costs at Cerro Bayo:

	Unit	Year ended December 31, 2011	Quarter Ended December 31, 2011	Quarter Ended September 30, 2011	Quarter Ended June 30, 2011	Quarter Ended March 31, 2011
Mining Production and Mining Cost						
Operating development	m	5,518	2,254	1,104	1,133	1,027
Mined ore	t	207,783	76,140	54,299	41,254	36,089
Ore mined Au grade	g/t	1.06	1.08	1.11	1.10	0.93
Ore mined Ag grade	g/t	220.82	207.83	225.86	233.64	226.00
Mined contained Au	oz	7,104	2,643	1,929	1,453	1,079
Mined contained Ag	oz	1,475,189	508,771	394,302	309,890	262,224
Mining cost per tonne ore	\$/t	61.00	64.12	60.29	64.07	52.00
Processing and Processing Cost						
Processed ore	t	270,456	77,104	78,643	54,835	59,874
Mill head grade Au	g/t	1.00	1.12	0.95	1.08	0.83
Mill head grade Ag	g/t	187.16	202.48	172.05	192.95	182.00
Recovery Au	%	82.50	78.40	82.39	80.22	90.00
Recovery Ag	%	84.50	81.76	84.27	82.69	90.00
Concentrate produced	dry t	3,942	966	700	778	1,498
Concentrate grade Au	g/t	52.69	67.90	69.63	62.78	28.90
Concentrate grade Ag	g/t	10,404.28	12,729.21	13,314.47	11,547.57	6,714.00
Saleable Au produced	oz	6,678	2,109	1,567	1,552	1,450
Saleable Ag produced	oz	1,318,665	395,296	299,679	284,324	339,366
Saleable Au equivalent produced	oz	36,007	9,572	8,400	8,832	9,204
Processing Cost per tonne ore	\$/t	28.97	28.66	28.30	38.29	21.70
Sales						
Concentrate sold	dry t	3,582	1,240	1,089	948	304
Concentrate Au grade	g/t	49.97	60.85	50.47	44.07	22.00
Concentrate Ag grade	g/t	10,035.23	10,309.72	11,180.13	9,197.59	7,337.00
Au sold	oz	5,538	2,347	1,690	1,297	204
Ag sold	oz	1,112,000	396,150	376,409	270,404	69,037
Benchmark Unit Cost						
Site cash operating cost/ tonne ore processed	\$/t	92.93	112.37	84.43	101.84	70.89
Site cash operating cost/tonne concentrate produced	\$/t	6,375.42	8,969.78	9,484.85	7,176.27	2,833.00
EBITDA/tonne ore milled	\$/t	83.13	44.70	134.84	127.91	26.00
EBITDA/tonne concentrate produced	\$/t	5,703.09	3,568.03	15,147.62	9,013.16	1,055.00
Cash cost per oz Ag produced net of Au byproduct credit ¹	\$/oz	14.29	16.72	17.75	13.81	8.56
Capital Spending						
Capital development	m	2,453	404	805	775	470
Capital development cost	\$000	9,332	1,530	2,706	3,310	1,785
Capital development cost/meter	\$/m	3,804	3,786	3,364	4,274	3,801
Capital purchases	\$000	3,358	1,469	352	727	810
Capitalized exploration	\$000	5,725	2,520	1,937	761	506

¹The cash cost per ounce of silver produced net of gold byproduct credit is a non IFRS performance measure that is included in this Annual Information Form because it is a key performance measure under control of the operations that management uses to monitor performance, to assess how the mine is performing, and to plan and assess the overall effectiveness and efficiency of mining operations. This performance measure does not have a meaning within IFRS and, therefore, amounts presented may not be comparable to similar data presented by other mining companies. This performance measure should not be considered in isolation as a substitute for measures of performance in accordance with IFRS. The cash cost per silver ounce produced net of gold byproduct credit is calculated by deducting the gold credit (which equals ounces gold produced times the realized gold price in the period) from the cash operating costs in the period and dividing the resultant number by the silver ounces produced in the period.

The ramp-up of Cerro Bayo production continued approximately on plan in through 2011, with 5,518 m of total operating development and 207,783 t of ore mined. Record ore mined of 76,140 dry tonnes was achieved in the fourth quarter of 2011, which, together with high mill head grades, enabled record metal production and sales during the quarter. Balanced capital development, operating development and stoping were reached on the Dagny, Fabiola, Bianca, and Yasna veins by year-end, while capital and operating development continued on the Delia NW vein. The next rise in production rate is anticipated in the first quarter, 2012, when stoping on Delia NW is anticipated to begin. Full planned production at 1,200 tonnes per day (“tpd”) is planned for the fourth quarter, 2012, when Delia NW operating development and stoping will be in sustainable balance. Mining cost and processing costs per tonne of ore were well controlled throughout the year at an average of \$61/t and \$29/t, respectively. Continued good cost control is expected, which will result in lower cash cost per ounce of silver net of gold credit as grade of mineralized material and throughput rise.

Sales of concentrate reached 3,582 t in 2011, containing 5,538 saleable ounces of gold and 1,112,000 saleable ounces of silver. The Force Majeure declared by major customer Dowa from March 16 to April 14, 2011, postponed sales out of the first and second quarters into the second half of the year, but by year-end, shipments had caught up. It had no effect on production.

During 2011, the Corporation invested approximately \$9.33 million in capital development (achieving 2,453 m of advance), \$3.35 million in property, plant, and equipment, and \$5.72 million in exploration (60,074 m, mostly for infill and extensional drilling on known veins). The exploration drilling more than doubled reserves and mine life at Cerro Bayo, as described in detail below.

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

6.8.3 Exploration Stage - La Quebrada, Chile

Historic drilling by previous owners at La Quebrada intersected potentially economic thicknesses of copper-silver mineralized rock, but no NI 43-101 compliant mineral resource estimate has been generated. Work performed by the Corporation since December 1, 2009 includes compilation/quality control of all previously generated data, new mapping and sampling, development of exploration models, and a first round of drilling that confirmed exploration models in 2011. A second round of drilling was successfully permitted in the first quarter of 2012, which is expected to lead to an NI 43-101 compliant resource estimation in the second or third quarter of 2012. See “Risk Factors – Dependence Upon Key Management Personnel and Executives” for further discussion.

6.9 Knowledge and Expertise

All aspects of the Corporation’s business require specialized skills and knowledge. Such skills and knowledge include the disciplines of geology, geophysics, geochemistry, drilling, mineral resource estimation, mining engineering, mine planning, metallurgy and mineral processing, metal and concentrate sales, field operations, and accounting. 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.

6.10 Business Outlook for Fiscal 2012

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, 2011, the Corporation had a working capital of \$28,178,485 and cash and cash equivalents of \$12,741,454. The Corporation also had derivatives in place to protect its revenue in the event of declining gold and silver prices that were market-valued at \$16,253,768. In 2012, the Corporation’s plan is to be cash-flow positive net of capital and exploration spending throughout the year at current metal prices. As well, the Corporation intends to repay substantially all its debt, which amounted to \$10.3 million as of December 31, 2011, by the end of 2012.

At Costerfield in 2012, the Corporation plans to mine and mill approximately 6,000 tonnes per month (“**tpm**”) of mineralized material throughout the year from which it expects to recover and sell gold and antimony in the volumes and for the costs in the table below:

Costerfield Plan	2011 Actual	2012 Estimate
Saleable Gold Produced (oz)	12,244	14,000 – 18,000
Saleable Antimony Produced (t)	1,576	1,800 – 2,200
Operating Costs (US\$ M)	29.6	30 – 35

Concentrate Shipping and Treatment (US\$ M)	1.0	1.0 – 1.5
Cash Cost/ oz Au Equiv. (US\$)	1,117	1,000 – 1,200
Capital Expenditure- PP&E (US\$ M)	3.4	5-6
Capital Development (US\$ M)	6.1	8-9
Capitalized Exploration (US\$ M)	2.8	3-4

This plan will be achieved by continuing capital development to the 960 m level (approximately 240 m below surface). Capital expenditure for the year, in addition to capital development spending, includes expanding water evaporation pond capacity, incremental mobile fleet improvements, and capitalized drilling in the Augusta Deeps and Cuffley lodes, where new intercepts are expected to serve to infill and extend existing mineral reserves and resources.

During 2012, the Corporation plans to sell the expected volumes of gold and silver from Cerro Bayo for the expected operating and capital costs summarized below. This production is expected to be achieved as balanced development and stoping continues on Dagny, Fabiola, Yasna, and Bianca veins while development and stoping continue to ramp up on Delia NW to full production in the fourth quarter of 2012.

Cerro Bayo Plan	2011 Actual	2012 Estimate
Saleable Gold Produced (oz)	6,678	12,000 – 16,000
Saleable Silver Produced (oz)	1,318,655	2,700,000 – 3,000,000
Operating Costs (US\$ M)	25.1	35 – 39
Concentrate Shipping & Treatment (US\$ M)	6.3	8-10
Cash Cost/oz Ag net Au Credit	14.29	7.00 – 9.00
Capital Expenditure – PP&E (US\$ M)	3.4	7-8
Capital Development (US\$ M)	9.3	9-10
Capitalized Exploration (US\$ M)	5.7	10-11

During 2012, the Corporation plans to spend approximately \$10 million at Cerro Bayo on approximately 70 thousand m core drilling for infill and step out drilling of veins currently in the mine plan, plus initial testing of additional vein targets. The goal is to significantly increase mineral resources and mineral reserves again in 2012, as well as to stock the target portfolio with confirmed targets ready for continued infill drilling in 2013.

At La Quebrada, all exploration permits are in place and the Corporation expects to carry out its second round of core drilling, approximately 4,500 m, to infill and extend the Casa de Piedra target that was confirmed during the first round of drilling in 2011.

6.11 Mineral Projects – Costerfield, Australia

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

Property Location

The Costerfield mine is located at Costerfield, Victoria, Australia, approximately 10 km northeast of Heathcote, 50 km east of Bendigo and 100 km north of Melbourne. Geographic coordinates are 36° 52' 27" S latitude and 144° 47' 38" E longitude.

Ownership

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

Permitting

Primary approval for operation of Costerfield is held through Mining License MIN4644, issued by the Victorian State Government. This license was last renewed in June 2008 for a further two years, and will expire unless otherwise renewed by June 30, 2012.

Royalties

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

Environmental Liabilities

Environmental permitting and restrictions were established during a long drought period, and while care was taken to allow for the return of normal weather patterns, the mine struggled in 2010 and 2011 to maintain integrity of its zero discharge status due to exceptionally heavy summer and winter rainfall. A number of previously identified environmental issues have been resolved as detailed below:

- AGD Operations is currently in compliance with all authorized activities.
- AGD Operations is not providing any untreated mine water to third parties. Historically, during periods of drought, some local dams were topped up for livestock; this is no longer happening. Excess water has been recently trucked to the Heathcote pit for storage under license from the Victorian EPA.
- In 2011, the mine engaged Ensolve (Laura Conroy) to prepare a site Environmental Management Plan (“EMP”) based on components as identified in site environmental risk assessment. This will encompass the whole mine site as well as historical workings and should replace the numerous smaller EMPs associated with the numerous Work Plans. The completion of this work has been delayed into late 2012.
- Previous consultants (SRK) recommended that the location and construction of ground water monitoring stations around the tailings dam should be reviewed for their effectiveness. This task has been completed in conjunction with the approved application for the tailings dam lift.
- AGD Operations installed new groundwater quality monitoring bores under the Groundwater Management Plan associated with the Tailings Storage Facility Lift Work Plan Victoria. This work was completed in August, 2011.

- The risk of using mine water for dust suppression with potential for releasing inorganic contaminants into the environment was assessed. The operation is currently permitted to use mine water for dust suppression on mine property and the gravel roads in the Costerfield area. The water is of acceptable quality for this use.
- A material balance audit was conducted to confirm volumes of topsoil and subsoil available for rehabilitation. This was been completed and submitted for approval. Initial calculations indicate a bond increase of less than \$30,000.
- Monitoring locations, systems and bores that were not relevant to the current operation were deactivated, saving on unnecessary bore maintenance, sampling and analysis costs. This was addressed as part of the EMP development, and 2 alternative bores are planned to be drilled within the first half of 2012. Annual costs are minimal. Surface water sampling locations may be reduced.
- A minimum of six months of background data on dust monitoring was acquired to enable the appropriate positioning of monitoring stations.

Local Resources and Infrastructure

Power

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

Supply from the national electricity grid to the aforementioned locations is as follows:

- Augusta mine: 800 kilowatt (kW) feed at a power factor of 0.8; the power to the underground mine from the Augusta mine substation is supplied through a 42 m cased borehole for 415 volt (V) feed, and via a step-up transformer and a 42 m cased borehole for the 1,000V feed.
- Brunswick plant: 758 kW feed at a power factor of 0.8; the power to the Brunswick plant supplies the gold and antimony processing plant, the administration building and the workshop.

Water

Mine water is pumped from the underground mine to a 40 million litre (“ML”) evaporation pond adjacent to the Augusta mine facilities. In the first quarter of 2012, two additional evaporation ponds were being constructed to handle increased dewatering requirements.

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

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

The site has a 179 ML per year water right for extraction from underground and from two surface bores.

Buildings and Facilities

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

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

Tailings and Waste Rock Storage Areas

Tailings are now being deposited in the enlarged Bombay tailings dam.

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

Workforce

The workforce for Costerfield is sourced from the surrounding area plus from as far afield as the large mining town of Bendigo. There is adequate manpower available in the area for the foreseeable 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, which are maintained in good condition. Private transport is utilized to move mine personnel to and from the operation.

Climate

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

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

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

Topography and Vegetation

The topography of the Costerfield area consists of rugged hill country, undulating rises, gentle slopes and drainages. The area has an average elevation of approximately 245 m above sea level ("ASL") with the range being from about 178 m ASL to about 288 m ASL.

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

Geology and Mineralization

The Costerfield gold-antimony 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 sediment, dominated by turbiditic siltstone, with minor sandstone and argillite. These rocks form the Murrindindi Supergroup. At the base of the Supergroup is the Costerfield Formation, which is conformably overlain by the Wappentake (sandstone / siltstone) and Dargile (mudstone) Formations, the McIvor Sandstone and the Mount Ida Formation (sandstone-mudstone).

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

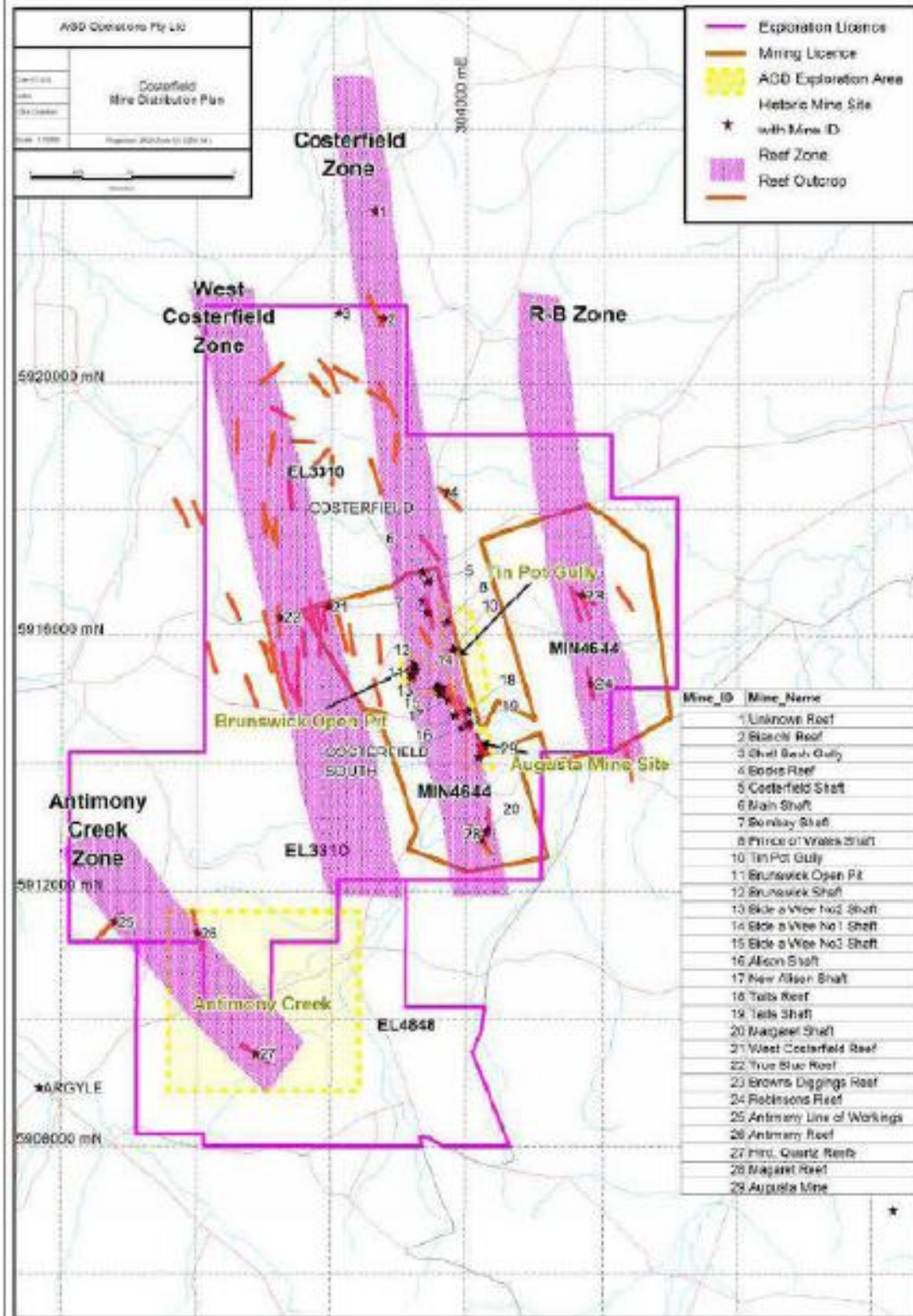
The gold-antimony veins in the Costerfield district are hosted within the Silurian Costerfield Siltstone unit. Within the district, four NNW-trending zones of mineralization have been identified – the R-B Zone, the Costerfield Zone (the host to the Augusta lodes being mined today), the West Costerfield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

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

The Augusta lodes occur within NNW-trending shear zones which dip steeply to the west. They include E and W lodes, currently being mined, and the smaller C and N lodes. 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 with and has a strike length of approximately 230 m.

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

Costerfield has had a large number of different operators 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. This was followed by 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, and Federation Resources NL, which bought into the project in 1983.

The current operator is AGD 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 transaction closed on November 30, 2009. Since then, the mine has been restarted and ramped up to a production level of about 6,000 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 led to the Minerva and Bombay deposits between 1860 and 1883. From 1936, the south Costerfield deposit was defined and mined. This deposit is the northern extent of the Augusta deposits. Mid-East Minerals discovered the Brunswick line of antimony and gold mineralization in 1966. This deposit was further explored and mined by the Forsayth Mineral Exploration & Costerfield Mining Pty Ltd. from 1973 to 1975. The Augusta mineralization was discovered by the Victoria Mines Department between 1975 and 1981. Continued exploration and resource definition drilling resulted in the completion of a successful feasibility study and development of the Augusta lode underground mine in 2006.

AGD continued exploration in the mine area. Mandalay drilled the Augusta E and W lodes below the existing mine 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 ore 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) lodes. These results have encouraged Mandalay to plan and commit another drilling programme of equal size for 2012.

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 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, partially replacing quartz/carbonate with stibnite sweating Au out of arsenopyrite to precipitate Au grains in stibnite and quartz, in the proximity of its arsenopyrite host; 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. Whereas the E-lode ore shoot is sub horizontal in orientation, having a flat bottom, the W-lode ore shoot is nearly vertical and partially open at depth.

Drilling

Drilling at Costerfield is largely done 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 350 m. The table below presents the drilling history at the Augusta deposit.

Period	Company	Drill hole Identification	RC Percussion Metres	Diamond Metres
1966 - 1971	Mid-East Minerals	TA01-06 (Tails Reef)		809
		AL01-08 (Alisons Reef)		1170
		P		169
		D		69
		E		83
		J		93
		N		169
		A		67
		EAL1		82
		2		64
		BR01-10		770
1971	Metals Investment Holdings	MIH01-12		1760
1977 - 1978	Victoria Mines Department	M01-M32 (Brunswick, Bombay, Augusta)		3213
1983 - 2000	Federation Resources NL	CSR01-22 (Browns, Robinsons, Margret)	1998	
1987 - 2009	AGD Operations	MH001 – MH178 (Augusta)		17566
		AG1 - 13		1680
		ANC01 - 21	1349	
		BD001 – 231 (Brunswick)	5950	5948
		TP001 – 013 (Tin Pot Gully)		1188
		AC01 – 23	725	
2010	Mandalay	MH198 – MH 211		4032
2011	Mandalay	AD001 – AD010 (Alison Deeps)		4163
		MH212 – MH252		9352
Totals			10,022	52,447

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 metreage. Core blocks listing the hole number and metreage are placed at the end of each core run. Additional blocks marking the location of lost core and the end of hole are included by the drillers as required.

Drilling is carried out in a staged fashion with initial exploration drilling occurring at 100 m sections along strike. Resource drilling is then carried out at 40 m along strike and 30 m down dip. In some places, drilling is as tight as 10 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.

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

Sampling and Analysis

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

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

Loss of drill core is initially noted on core blocks by the drilling contractor. This is then verified by the geologist at the logging stage and recorded within the geotechnical database. In order to maximize core recovery and mineralized sample size, 80% of the core drilled at AGD 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, 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;
- Puggy fault zones are sampled at the discretion of the geologist.

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

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

Data Verification

Historic data in the Costerfield area has not been subjected to modern Quality Assurance Quality Control (“QA/QC”) procedures. Holes prior to MH064 were not subjected to any QA/QC analysis. Since then, the QA/QC procedures have been put in place and have improved the ability to verify project data.

In 2005, MODA developed standard reference material. The material was sourced from the Brunswick stockpiles. Subsequent to this, Geostats Pty Ltd. prepared a set of standards for use.

At Augusta, four QA/QC protocols are currently in place:

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

Based on a review of procedures, QAQC data and laboratory visit, Snowden considers overall assay quality to be acceptable. For more information on Data Verification, reference is made to section 12 of the Costerfield Technical Report.

Security of Samples

Most of the recent drilling at Augusta has used the Onsite Laboratory in Bendigo for the assaying of Au and Sb. However, Genalysis (Brisbane and Perth) and ALS (Brisbane) have also been used. After dispatching the samples (core or face samples), it is understood that only staff employed by the assay laboratories are responsible for sample preparation and chemical analysis.

Sample Assays

The sample preparation practices and analytical techniques used at Costerfield are deemed appropriate. No directors, staff or other associates of AGD or Mandalay are involved in the commercial preparation or assaying of samples from Costerfield.

Assay results are returned to AGD staff, who 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

Three standards AGD07-01, G902-2, and G901-8 are employed at Costerfield. GD902-2 and GD901-8 are commercially available standards from Geostats Pty Ltd.

For gold, the standard assays indicate that an acceptable level of accuracy is achieved. For antimony, the first quartile of the data set appears to be high-biased, while the later three quartiles appear to be assayed to an acceptable level of accuracy.

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

Mineral Resources and Reserves

Core and mine sampling data were entered into Datamine software and composited to true vein width, with a top cut of 150 g/t applied to the gold grade of face samples. Two block models were created with different block sizes. The face sample data was estimated into 2.5 m by 5 m blocks, and the diamond drill data into 20 m by 10 m blocks. Upon completion, the block models were combined into a single block model with the smaller block dimensions. The estimation method for Au accumulation, antimony accumulation and thickness is ordinary kriging. The resource was based on a minimum lode width of 1.2 m. For block widths less than 1.2 m, grades were diluted by adding a waste envelope with zero grade and density of 2.65 t/m³. 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 January 2012, inclusive of Mineral Reserves

Category	Tonnes	Au Grade	Sb Grade	Au	Sb
	(t)	(g/t)	(%)	(oz)	(t)
Measured E,W,N lode*	158,400	12.9	7.8	65,500	12,300
Indicated E,W,N*	164,400	6.8	3.7	36,000	6,100
Indicated Brunswick**	38,300	9.5	3.7	12,000	1,400
Measured + Indicated	361,100	9.8	5.5	113,500	19,800
Inferred E,W,N Lode*	120,000	9.0	5.1	35,000	6,100
Inferred C-lode**	27,100	8.2	3.0	7,000	800
Cuffley Lode*	108,000	25.0	9.0	87,000	9,700
Inferred Brunswick**	118,800	6.3	3.8	24,000	4,500
Total Inferred	373,900	12.7	5.6	153,000	21,100

*Estimates verified in Costerfield Technical Report by Snowden.

Notes:

1. CIM definitions were followed for Mineral Resources.
2. The Qualified Person for the Costerfield Mineral Resource estimates are Dr Simon Dominy FAusIMM(CP) and FAIG(RPGeo); and Ms Cindy-Lee Cox MAusIMM(CP) both of Snowden.

3. Mineral Resources are estimated at a cut-off grade of 4.6 g/t AuEq (gold equivalent) using the formula $AuEq = Au + (Sb\% \times 2.36)$,
4. Veins are diluted to 1.2 m minimum width with material of zero grade
5. A bulk density of ore was calculated from grade using the stoichiometry of stibnite and waste bulk density was set at 2.65 t/m³ was used.
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.

**Estimates produced in previous years by independent Qualified Persons and not updated by Snowden in Costerfield Technical Report.

From the resource, a mine plan was designed based only on measured and indicated resource blocks using the same mix of cemented rock fill stoping and cut and fill mining methods as employed in the current operations. A cut-off grade of 4.6 g/t Au Eq. and minimum mining widths of 1.8 m for development drives and 1.2 m for long hollestopes were used, with planned and unplanned dilution at zero grade.

Table: Mineral Reserves at the Costerfield mine, as of January 2012

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

Notes:

1. CIM definitions were followed for Mineral Reserves.
2. The Qualified Person for the Costerfield Mineral Reserve estimates are Dr Simon Dominy FAusIMM(CP) and FAIG(RPGeo); and Ms Cindy-Lee Cox MAusIMM(CP), both of Snowden.
3. Financial viability of proven and probable mineral reserves was demonstrated at A\$1,600/oz Au and US\$12,000/t Sb prices. Technically, the assumed metal prices were Australian dollars (not US\$), but with an assumed conversion factor of A\$1 = US\$1.
4. Mineral Reserves are estimated at a cut-off grade of 4.6 g/t AuEq (gold equivalent) using the formula $AuEq = Au + (Sb\% \times 2.36)$.
5. Minimum mining width of 1.2 m used, with planned and unplanned dilution at zero grade.
6. A bulk density of ore was calculated from grade using the stoichiometry of stibnite and waste bulk density was set at 2.65 t/m³ was used.
7. Mineral Resources are inclusive of Mineral Reserves.
8. Numbers may not add due to rounding.

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.

Mining Operations

Production commenced at the Augusta mine in 2006.

The underground mine is accessed by a 4 m wide and 4 m high decline mined at a gradient of 1 in 8 (12.5%). There is horizontal access to the E and W lodes at approximately 20 m level intervals, with 5 m sublevels. The orebody width is variable – from 0.1 m up to 1.2 m in width. The dip of the orebody is 69° on average.

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

Mining Methods

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

Uphole Airleg Stoping

Crown pillars are mined by hand held methods referred to as uphole airleg stoping. Blast holes extend 3 m up dip. A minimum pillar distance of 2 m is used. Stope geometry is engineered to negate the need to use remote loaders for bogging. This results in a recovery of 100 tonnes per 20 m length of strike. This is equivalent to a recovery of 50%. Surveys of crown pillars mined to date are consistent with this figure.

Blast Hole Stoping

Blast hole or long hole stoping involves drilling upholes (average 4 m long) from level to level by mechanical means. These stopes are limited to 10 m along strike. A minimum pillar of 2 metres is left between stopes. It has been assumed that 10% of the blasted ore is lost in either the back fill, fly rock to the level above or due to poor blasting practices. An overall recovery of 72% from a 10 m panel along strike has been used.

Blast Hole Stoping with Cemented Rock Fill

Cemented rock fill has been added to the blast hole stoping method to create a new method of choice for ore extraction at Costerfield. In this method, adjacent 10 m long stopes, blasted using holes drilled from the lower mining level to the upper and filled with screened waste, are separated by 2 m long cemented rock fill pillars. The rock fill pillars obviate the need to leave ore pillars and enable near 100% mining recovery of ore. The cement method also reduces need for ground support and reduces planned and unplanned mining dilution.

Cut & Fill

The Cut & Fill method was the previous mining method of choice until cemented rock fill was introduced to blast hole stopes.

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 gold and an antimony and gold flotation concentrate. The gravity gold concentrate is blended into the flotation concentrate before filtering and bagging.

Markets

Globally, approximately 140,000 t of antimony are produced and consumed annually. The Costerfield mine at full production represents about 2% of this market.

There is an agreement in place between AGD Operations and Zhongnan for the sale of the antimony-gold concentrate produced from the Costerfield mine. This contract has been extended through December 31, 2012.

Contracts

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

Environmental

Reference is made to the Environmental Liabilities portion of the Costerfield description in this Annual Information Form.

Taxes

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

There is more than AUD\$47.5 million in tax loss carry forwards for AGD Operations that will effectively eliminate any income tax being paid in the short life of the current Mineral Reserves.

Capital Costs

The base case life of mine plan through August, 2013 requires approximately AUD\$9.8 million in capital purchases and capital development.

Operating Costs

The total base case operating costs for the life of mine is approximately AUD\$37.8 million, including mining, processing, commercial, and overhead costs.

The table below summarizes the key financial measures of the base case Life of Mine Plan in the Costerfield Technical Report.

Life of Mine Summary –Base Case Plan

		Jan-2012 to Dec-2012	Jan-2013 to Aug-2011	Total
Gold Price	US\$/oz	1,600	1,600	
Antimony Price	US\$/t	12,000	12,000	
FOREX	US\$/A\$	1.0	1.0	
Revenue	A\$M	48.926	20.609	69.535
Total Operating Cost		(25.995)	(11,764)	(37.759)
EBITDA	A\$M	22.931	8.845	31.776
Pre- Tax Profit/(Loss)	A\$M	17.621	6.383	24.004
Capital	A\$M	(9.161)	(0.568)	(9.729)
Before Tax Fee Cash Flow	A\$M	13.512	8.278	21.790

Exploration and Development

For 2012, the following exploration activities are planned:

- Underground drilling on W and N lodes in the Augusta mine to define Mineral Resources adjacent to the current planned life-of-mine Mineral Reserves;
- Surface drilling of the Cuffley lode to extend the initial Inferred Mineral Resources identified in the 2012 Costerfield Technical Report; and
- Systematic bedrock geochemical surveys, sampled with a rotary auger, to identify potential drill targets for future years.

As well, a Preliminary Economic Analysis is being performed on the possibility of developing and mining the Cuffley lode; it is planned for completion in the third quarter of 2012.

6.12 Mineral Projects – Cerro Bayo, Chile

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 underground gold and silver mine is located approximately 130 km south of Coyhaique, the capital of Region XI in southern Chile, and 21 km west of the town of Chile Chico, Chile. The mining operations and associated ore processing facilities lie on the east side of the Andes mountain range at elevations ranging from 600 to 4,500 m ASL and are serviced by an all weather gravel road from Chile Chico.

Ownership

Mineral rights at Cerro Bayo are fully controlled by Compania Minera Cerro Bayo Ltd. (“**CMCB**”), which became a 100% owned subsidiary of the Corporation in August, 2010. The property encompasses 23,096 ha of mensuras (exploitation concessions) and 6,610 ha of manifestaciones (exploration concessions in construction). The Corporation is upgrading all remaining exploration concessions into exploitation concessions in order not to have to reduce its mining concession land area.

The Cerro Bayo mineral resources and mineral reserves and rights to operate are fully contained within the exploitation concessions and include separate surface use agreements from private surface owners and the Chilean government. Exploitation and exploration concessions are maintained by annual payments.

Surface rights on a triangular plot of land, currently owned by the Government of Chile, 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

Under the Cerro Bayo purchase agreement (the “**CB Purchase Agreement**”), the Corporation is obligated to make certain royalty payments to Coeur as described in more detail in Section 5.1 of this Annual Information Form under “Three Year History -2010”.

Environmental Liabilities

Closure and Reclamation Plan

In Chile, there is no specific legislation that establishes the means to finance and guarantee the execution of closure plans. The current legal obligations are for the submission of a closure plan to SERNAGEOMIN and the updating of the plan every five years. Cerro Bayo has prepared closure plans for its overall facilities and a separate plan for the Furioso project. Both have been submitted to SERNAGEOMIN, in compliance with the requirements of D.S. No. 132/04 of the Ministry of Mining.

Furioso Closure Plan

The Furioso property was mined in 2002 and 2003 by CMCB under Coeur ownership. The project area contains natural acid surface water drainage conditions, a situation aggravated by the mining activity. Significant effects in relevant water bodies downstream are mitigated solely through dilution.

During 2007, Cerro Bayo submitted the first closure plan for the Furioso project. Subsequently, in 2009, a new plan was developed. This was an update to, and final version of, the closure plan that was submitted in 2007, that focused on both already undertaken closure actions and actions still to be implemented. Within this context and based on the 2007 closure plan, an initial set of actions (Stage A) was developed, consisting mainly of backfilling the pit with waste rock from the main waste dump (270,000 m³) along with placement of an impermeable clay liner in the backfilled sector, and initial closure of the mine portal. Meanwhile, the effectiveness of treatment ponds and the treatment plant for acid drainage control were tested. The evaluation of these measures led to the

conclusion that a relevant volume of acid water was still being produced, that the ponds had low treatment effectiveness, and that treatment was a poor long-term solution because it must be suspended during winter months when there is no access to the site. Based on the above, a second set of measures (Stage B) was defined as follows: the total amount of extracted waste material is to be returned to the pit area thus preventing the existence of more than one acid water generating source, the slopes will be reshaped, the entire area where waste rock is to be deposited will be lined with an impermeable geomembrane duly protected to dramatically decrease surface water infiltration, and a hydraulic plug will be constructed in order to eliminate acid drainage generation conditions. The plan contemplates that a monitoring plan will be implemented during 2011, at which time it is anticipated that original water quality standards will be resumed. This new plan was submitted to SERNAGEOMIN and discussed with them; however, it has yet to be approved. The reason for this delay is most likely the limited experience of the authority concerning the closure of mine sites. The closure actions associated with Stage B were begun in the field season of 2009-2010 and continued through the 2010-2011 and 2011-2012 seasons (after the Cerro Bayo Technical Report was filed). As of March 2012, the entire reclamation program was completed, leaving only three years of water monitoring in the future.

Cerro Bayo Closure Plan

As of the date of this Annual Information Form, the plan is to begin concurrent reclamation at Cerro Bayo during the first quarter of 2013 and continue through the end of the mine life. Practicing concurrent reclamation has the advantages of minimizing the inventory of un-reclaimed land at any point in time and achieving reclamation for lower total cost than waiting for the end of the mine life, after which the mine operations would not be available to support reclamation and defray overhead costs at this remote location. Waiting until the first quarter of 2013 provides time for the Corporation to conduct exploration in and around workings to be reclaimed in order to discover and evaluate possible resource additions before they are sterilized.

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 replaces 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

Cerro Bayo has presented all of its EIA’s and Environmental Impact Declarations (“DIA”) to the competent authorities. In the case of Cerro Bayo, the competent authority was Comisiones Medioambientales Regionales of the Aisén 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).

Tailing Dam

The Fachinal tailing dam is part of the Cerro Bayo Project that was approved by the environmental authority in 1994. The permit to raise the tailings dam as required for the restart plan has been in place since April 13, 2010. The main inquiries from the authority during the process were related to potential tailing dam infiltration to groundwater. Semi-annual water monitoring reports and trend analyses for the different parameters were stipulated in the approval process.

Processing Plant

The processing plant was approved in 1994 with the original authorization for the Fachinal project. This plant has facilities associated with crushing, flotation, thickening, agitation, and filtration processes, with an approved treatment capacity of up to 65,000 tpm. Additionally, there are ancillary facilities such as offices, warehouses, storage sites, workshops, and water supply facilities. This plant has remained unchanged, and its original approval is valid.

Mining in the Laguna Verde Area

At present, the sector authorized for mining in the Laguna Verde area corresponds to the Dagny, Fabiola and Delia NW veins. Dagny received environmental approval in February, 2009. The permit includes mining of the veins through underground mining and slot cut methods. The waste material will be stored in the existing waste dump (Los Juncos), which has enough capacity. Subsequently, in September, 2009, the project “Ampliacion Proyecto Dagny” was approved in February, 2010. The permit includes incorporation of the Delia NW vein into the mining operation. The Corporation notes that, as of the first quarter of 2012, it has submitted its application for permission to mine the Delia SE vein, received regulatory comments, and has responded to the comments. Receipt of environmental permission is expected later in 2012.

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 placed in temporary closure and extraction tunnels were allowed to flood with groundwater. As a result, to restart mining in this area, a sectorial permit was filed in order to obtain authorization for the transfer of the water from the inside of 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 CONAMA 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 at the site is generated entirely by Cerro Bayo. A central diesel powered generating system is located in a powerhouse near the mill building. The powerhouse consists of six diesel generators each with a nominal 1 megawatt generator. Four generator sets are required to be operational in order for the concentrator to be operated. Additional generator sets are located at each of the mine portals and at remote facilities such as pumping stations.

Water

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 site and diesel deliveries are available. Capacity of the tanks is 400,000 litres contained in two 200,000 litre tanks. Fuel deliveries have historically been from Chilean suppliers. 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 AA 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 tailing dam at Cerro Bayo was originally constructed using cycloned tailings. During April, 2008, Montgomery Watson (“MWH”) issued a tailing dam design report for an earthen dam constructed downstream of the present dam from the downstream toe to the 320 m elevation. Coeur initiated dam construction on the basis of MWH’s design and completed construction of the new earthen dam from the downstream base at the 295 m elevation to the maximum permitted elevation of 316 m. The Corporation has received permission to raise the dam to the 320 m elevation and as of the first quarter, 2012, construction is in progress. At the 320 m elevation, the tailing pond would have storage capacity for 2.5 million t of mill tailings, more than enough for the current life of mine plan.

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, 2011, the operation had a total of 430 employees and 130 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, the Cerro Bayo Property is suitable for year-round operations.

Topography and Vegetation

The Cerro Bayo Property 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

Gold and silver mineralization at the Cerro Bayo Property 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 it 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 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.

Production from the Cerro Bayo District pre-2002 was reported as 2.43 million tonnes with production of 161,200 oz of gold and 10.56 million oz of silver but detailed NI 43-101 compliant reports are not available.

During the 2002 to 2008 phase of predominantly underground mining, Coeur delivered a production record as below:

Historical Production at Cerro Bayo:

<u>Period</u>	<u>Tonnes</u>	<u>Au (oz)</u>	<u>Ag (oz)</u>
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
<u>Total</u>	4,894,600	519,000	27,945,200

Source: O'Leary, B. and Sims, J., 2009, Cerro Bayo Mine Technical Report, Prepared for: Coeur d'Alene Mines Corporation, January 1, 2009

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 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.

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 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 period.

Paleozoic molybdenite-quartz veins and veinlets occur in pegmatitic facies of the Patagonian Batholith. Mesozoic, epithermal precious metals deposits, locally containing lead 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 gold and silver 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 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 later 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 gold and silver 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 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 up to 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. 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 up to 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 gold and silver 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 began drilling identified targets in 1986 and continued drilling through August 1989.

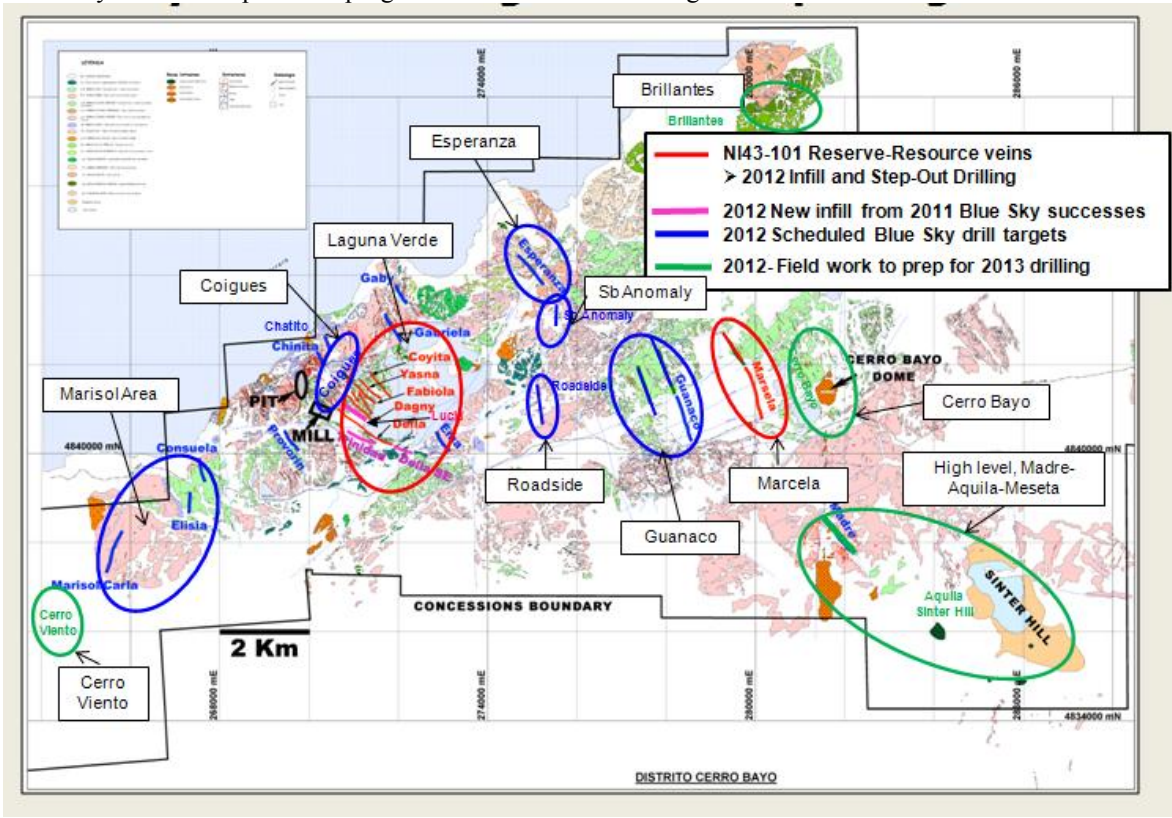
Exploration resumed in the district during the latter part of 1990 by Coeur. From 1990 to 1993, exploration consisted of infill and step-out drilling as well as tunneling, identifying an open pit and underground reserve. A feasibility study was completed in 1994, resulting in a production decision in 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 up to six mineralized veins, including the three named above, plus the Delia 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 eight rigs in late 2011. The program focused on infill and extension of known mineralization in the Dagny, Fabiola, Yasna, Marcela Sur, Delia SW and SE, and Bianca veins.

Mandalay's current exploration program is summarized in the figure below:



Drilling

Total drilling on the project consists of 4,062 diamond drill holes totaling approximately 496,521 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 in 2010 and 2011:

DRILL HOLE DATABASE Mandalay Resources Corp. – Cerro Bayo Property

Area	Year Drilled	Core Holes		RC Holes	
		No. Holes	No. Meters	No. Holes	No. Meters
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	-	-
Laguna Verde (includes Coigues Este)	Pre 2010	1,583	195,087	657	55,689
	2010	15	2,668	-	-
	2011	290	60,457	-	-
Total		4,062	496,521	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 (64mm) 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 and by Coeur/Mandalay personnel using Minera Cerro Bayo-owned rigs (Diamec 252 and Diamec 262).

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 personnel assigned to the Geology Department of the mine.

Drilling Procedure- 2010-2011

Mandalay drilled a total of 305 diamond drill holes totaling 63,125 m at Laguna Verde in 2010 and 2011. All holes were collared and finalized using BQ, NQ and HQ diameter core. The 2010-2011 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. Master Drilling used Boart Longyear F90 and Max1000 drill rigs. All 2010 and 2011 drill core is stored at Granja Temer in Laguna Verde; older core is stored at Guanaco near Cerro Bayo. 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 was not aware of 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 Granja Temer core logging facility by truck. All geological information was manually logged on paper and then transferred to Excel® spreadsheets. In late 2011, core logging was 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 gold and silver 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 4,508 underground channel samples are included in the resources databases. The minimum sample length is 0.10 m and the maximum length is 2.00 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

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.

In their review of the Mandalay database and the laboratory QA/QC program, Roscoe Postle Associates in the Cerro Bayo Technical Report reported 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 furthered considered that the surface drill hole and underground channel databases are valid and are suitable to estimate mineral resources at Cerro Bayo.

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.

Mineral Resources and Reserves at Cerro Bayo

Of the more than 30 veins with at least inferred resources tabulated by Coeur (the previous owner of the property) the Corporation has focused its initial attention on the veins with either: more than 100,000 t of inferred or better resource; or near-term potential for additional drilling to demonstrate more than 100,000 t of resource. The remaining and generally smaller, veins constitute medium-term or long-term exploration targets.

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 such software.

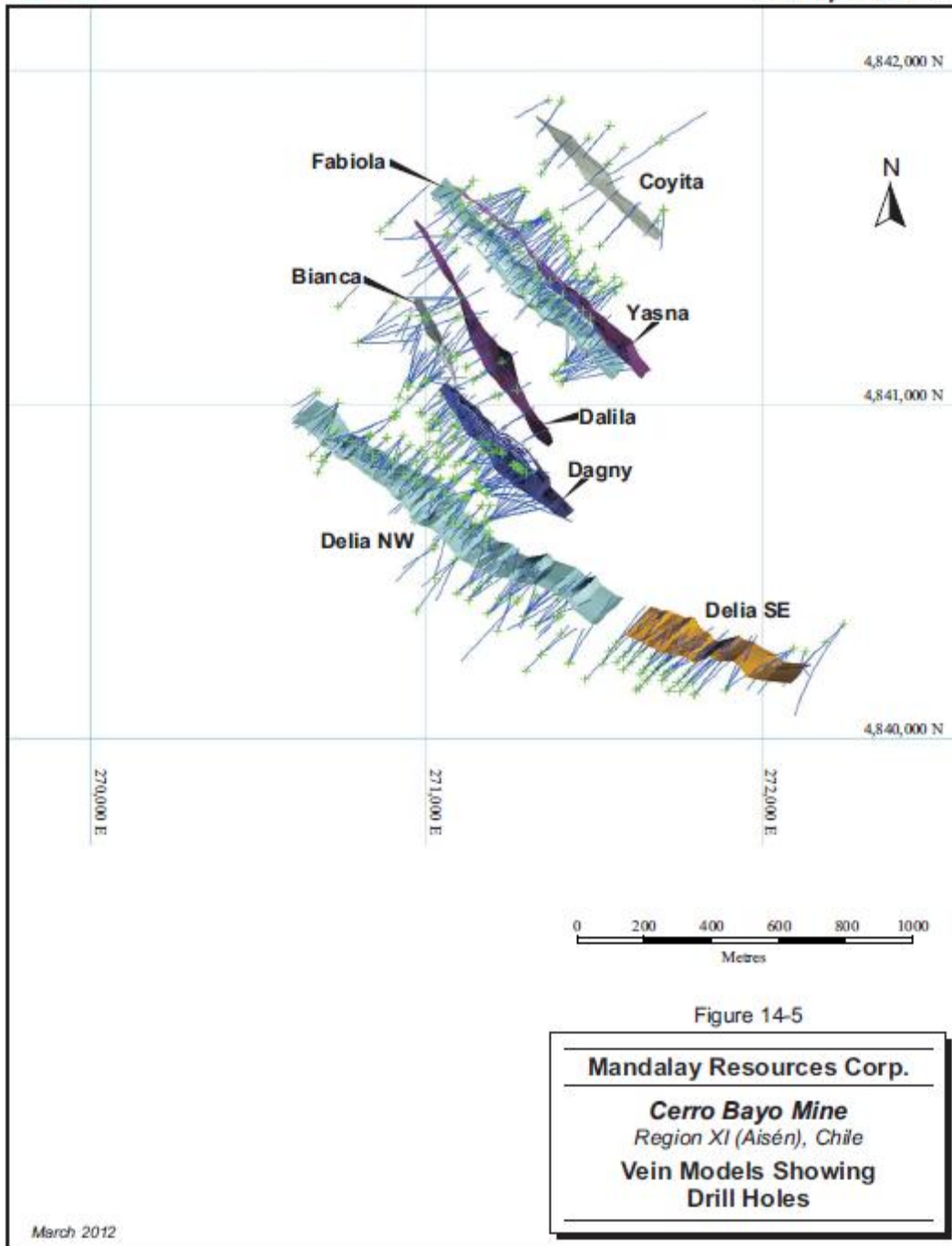
Mineral resources have been defined from geological models prepared on the basis of adequately spaced cross sections and plan views.

The Cerro Bayo Technical Report estimated Mineral Resources for the Bianca, Fabiola, Dagny, Delia, and Yasna veins located on the Cerro Bayo property, during November and December, 2011. Mineral resources are constrained by underground vein models for reporting purposes. Mandalay provided drill hole and density

databases, as well as lithology and mineralization wireframes, in addition to supporting documentation for use in resource estimation for the Bianca, Fabiola, Dagny, Delia, and Yasna veins. Mineralized vein models were interpreted and wireframed by Mandalay.

SRK Consulting (SRK) estimated Mineral Resources for the Coyita, Dalila, and Marcela Sur veins in 2010. Mineral resources are constrained by underground vein models generated by SRK, for reporting purposes. RPA also reviewed these vein models, drill hole and channel sample databases, and supporting documentation. The Cerro Bayo Technical Report reviewed, verified, and adopted SRK's grade estimation and block models provided by Mandalay.

The wireframes and drill hole databases for veins in the Laguna Verde area (all but Marcela Sur) are illustrated below:



The gold and silver grades were estimated using an anisotropic Inverse Distance Cubed model and were validated by several methods. The mineral resources are stated at a cutoff grade of 163 g/t Ag Equivalent (AgEq) based on \$1,400/oz gold and \$26.00/oz silver; the cutoff grade accounts for 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, 2011, 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, 2011, 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)	AgEq Ounces (000)
Measured	121.5	2.8	520.0	672.2	11.0	2,030.7	2,625.1
Indicated	1,544.2	3.1	355.4	521.4	153.1	17,642.3	25,888.1
Total Measured + Indicated	1,665.7	3.1	367.4	532.4	164.2	19,672.9	28,513.2
Inferred	682.4	2.1	239.3	350.8	45.4	5,251.3	7,697.6

Notes:

1. CIM definitions were followed for Mineral Resources.
2. Mineral Resources are estimated at a cut-off grade of 163 g/t AgEq.
3. Mineral Resources are estimated using US\$1,400 per ounce Au, US\$26 per ounce Ag,
4. The AgEq was calculated using the formula $AgEq = Ag + (Au \times 1,400/26)$ where Ag and Au are in grams per tonne after transport, treatment and refining costs are deducted.
5. A minimum vein width of 1.2 m was used.
6. A density of 2.63 t/m³ was used.
7. Numbers may not add due to rounding.
8. Mineral Resources are inclusive of Mineral Reserves.

Cerro Bayo mineral reserves were calculated using metal prices of \$1,200/oz gold and \$22.00/oz silver. Mining recovery of 90% 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 (“LOM”) costs derived from 2010-2011 actual experience, and typical commercial terms for concentrate and including deductions for transport treatment, and refining costs this led to a primary cutoff grade of 197 g/t AgEq.

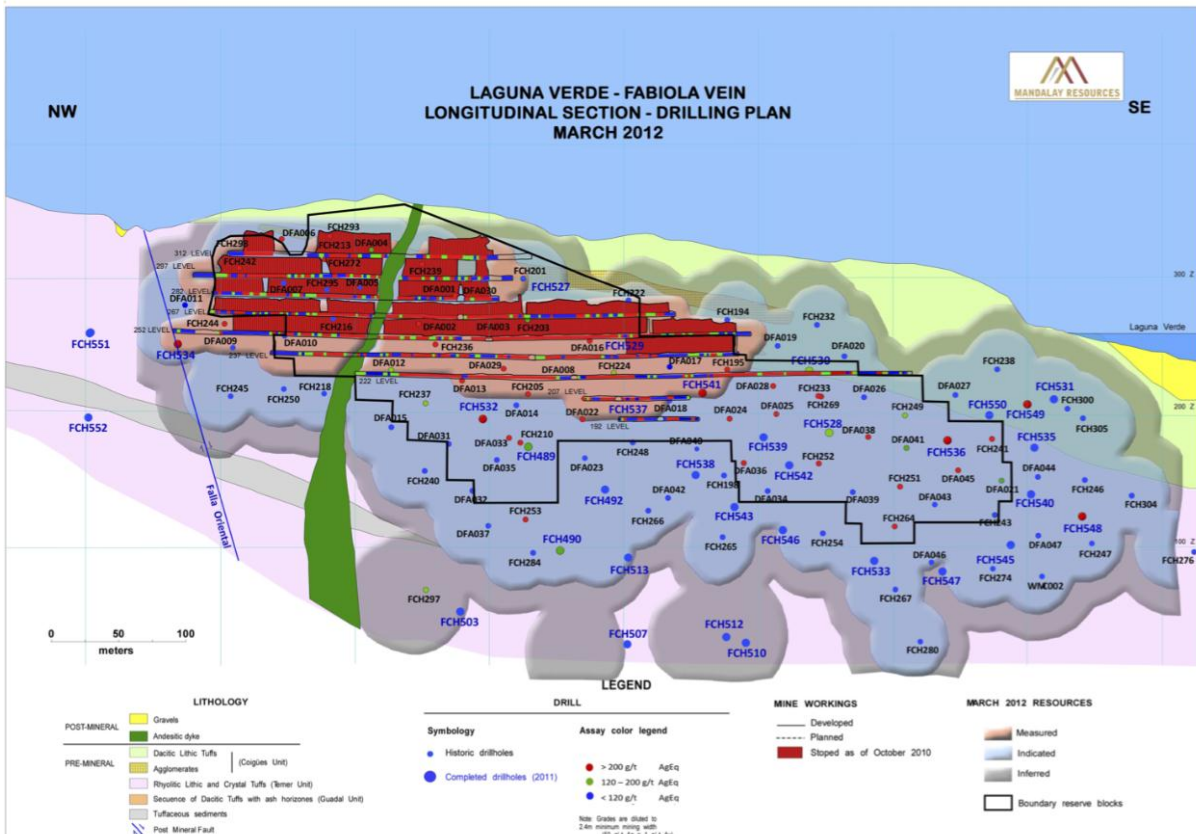
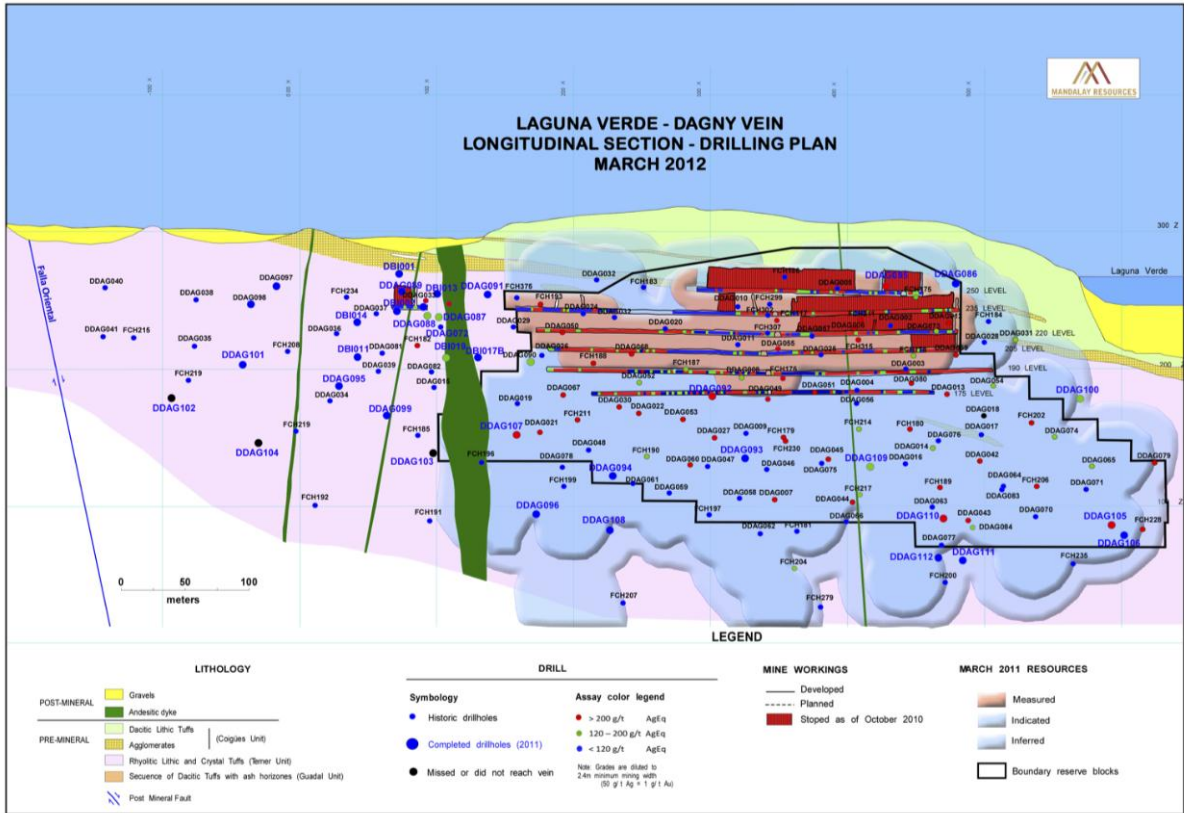
Table: Mineral Reserves of the Cerro Bayo Mine as of December 31, 2011.

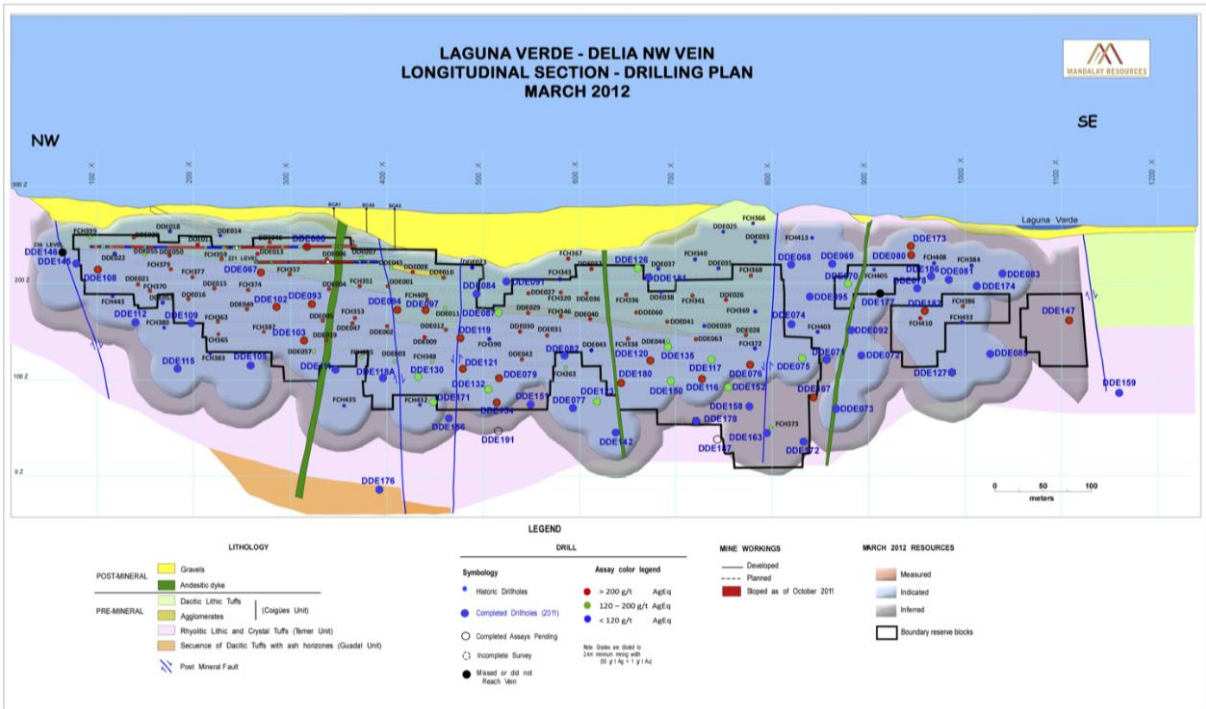
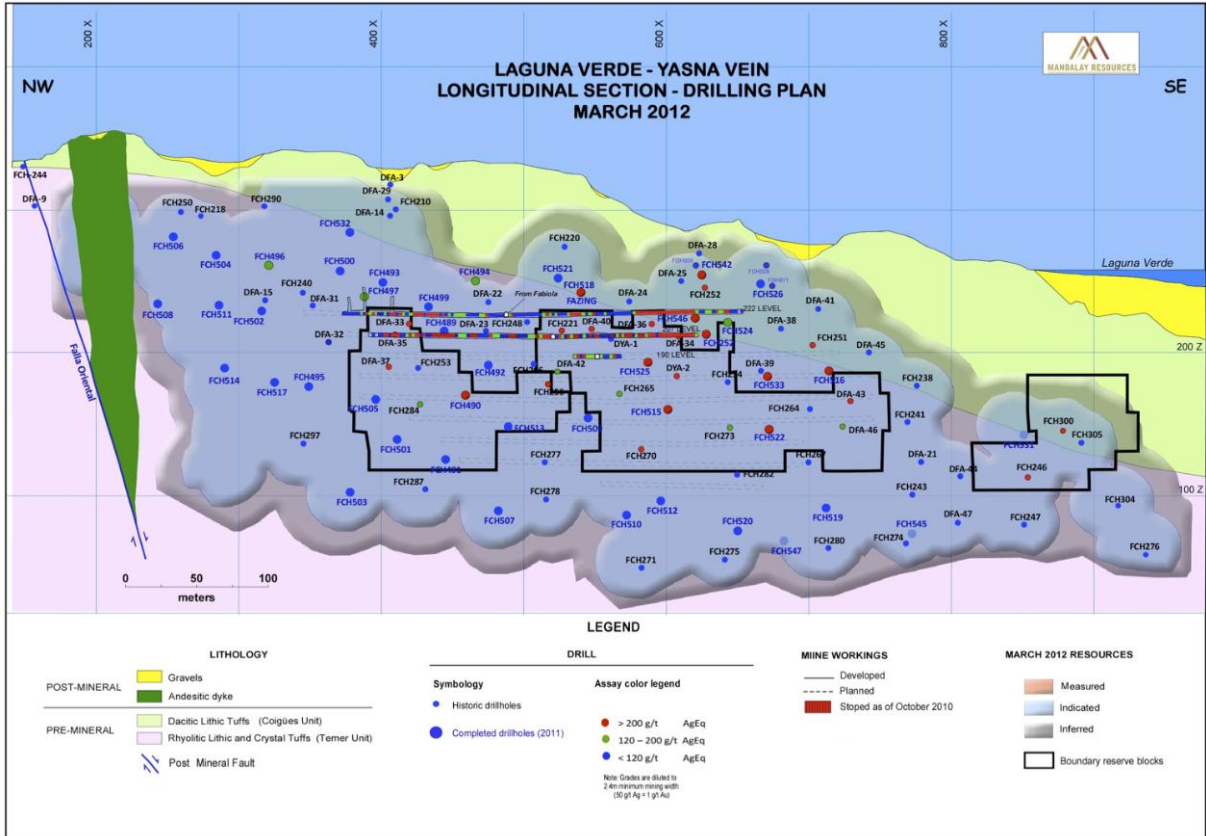
Category	Tonnes (000s)	Grade (g/t Au)	Grade (g/t Ag)	Grade (g/t AgEq)	Au Ounces (000)	Ag Ounces (000)	AgEq Ounces (000)
Proven	156	1.9	341	444	10	1,713	2,233
Probable	1,859	2.1	238	352	125	14,247	21,047
Proven + Probable	2,016	2.1	246	359	135	15,960	23,279

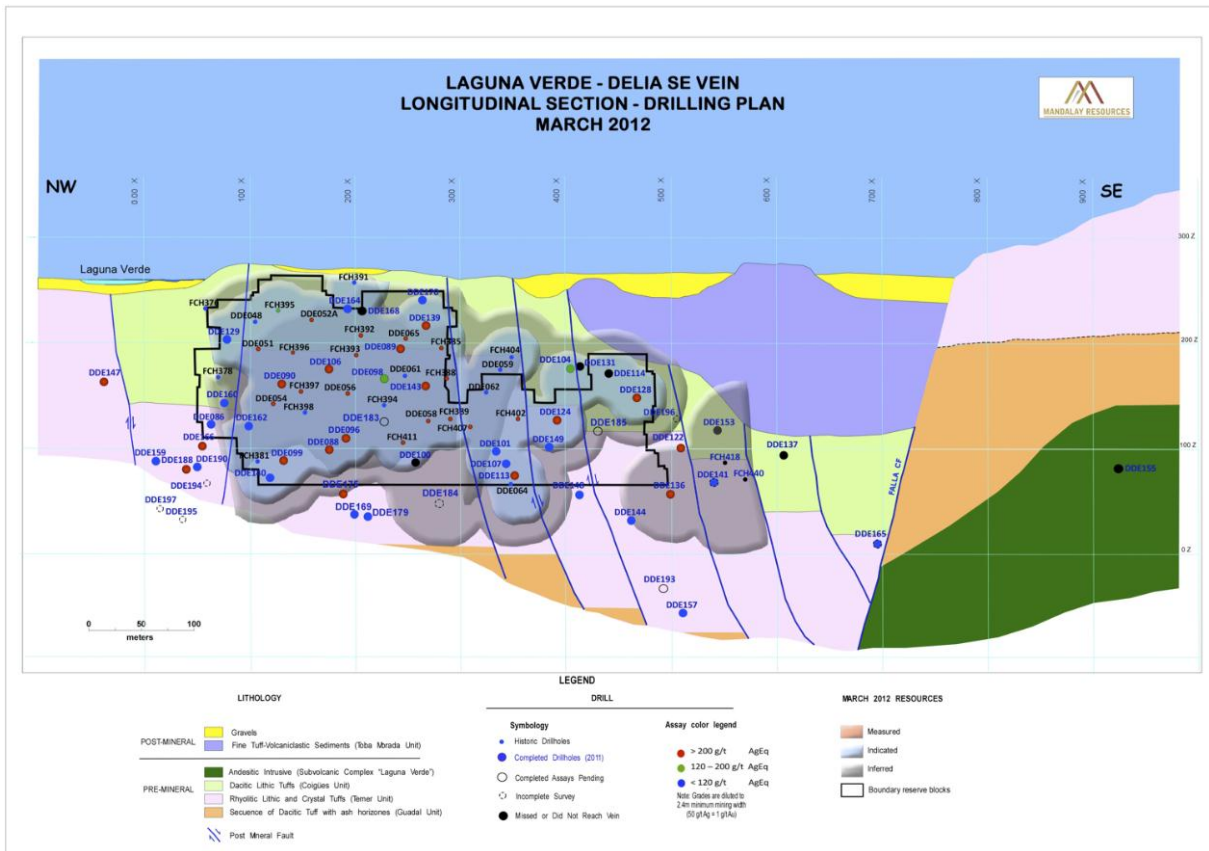
Notes:

1. CIM definitions were followed for Mineral Reserves.
2. Mineral Reserves are estimated at a cut-off grade of 197 g/t Ag Eq.
3. Mineral Reserves are estimated using an average long-term gold price of US\$1,200 per ounce, a silver price of US\$22 per ounce and a US\$/C\$ exchange rate of 1.
4. The AgEq calculated using the formula $AgEq = Ag + (Au \times 1,200/22)$, where Ag and Au are in grams per tonne after transport, treatment and refining costs are deducted.
5. A minimum mining width of 2.4 m was used. Dilution grades vary by vein up to 0.32 g/t Au and 45 g/t Ag for the Dagny and Bianca veins.
6. Density is 2.63 t/m³.
7. Numbers may not add due to rounding.

Longitudinal sections relating drill intercepts, mine samples, 2010-2011 stoping, and the new resources and reserves, appear below for the principal veins: Dagny, Fabiola, Yasna, Delia NW, and Delia SE:







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 the Cerro Bayo hill. Underground mining, using a combination of shrinkage stope and longhole open stope 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 back 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 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 LOM was increased from about three years in the 2010 plan to about six years in the Cerro Bayo Technical Report.

Mining Methods and Plan

The Corporation decided for safety and productivity reasons to resume its underground mining solely with the longhole open retreat stope 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 it by having three mines in operation and one in development at any one time. Dagny (and nearby Bianca), Fabiola (and nearby Yasna) and Delia NW are in production as of the date of this Annual Information Form. An increase in production rate is anticipated in the first quarter of 2012 when stoping of Delia NW is anticipated to begin. The current life-of-mine plan from the Cerro Bayo Technical Report shows almost six years

of production, with Delia SE capital development beginning in 2014 and Marcela Sur coming on-stream after Dagny and Fabiola diminish. The opportunity exists to produce from Delia SE and/or Marcela Sur earlier to take advantage of the approximately 450 tpd spare capacity in the plant should drilling in 2012 add significantly more reserves to the property.

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 longhole retreat open stopping 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 is hauled to each mine portal by underground dump truck, where it is stockpiled for later haulage to either the crusher or waste dumps by surface equipment.

Opportunities to extend the base case six year mine life include:

- Extending the life of Dagny, Yasna, and Fabiola veins - longitudinal drill sections of these veins and lake-floor sonar surveys suggest that these veins all project out under Laguna Verde. Drilling is planned for 2012 to test whether these extensions contain potentially economic grades.
- Drilling additional indicated mineral resource on nearby veins - there are several veins near the Dagny, Fabiola, and Delia veins that have inferred resources defined but little or no indicated resource and therefore no mine plan or reserves (for example, Dalila, Coyita, Trinidad). Yasna was one such vein that was converted to ore in 2011. The others in Laguna Verde will be drilled and converted, if feasible, in 2012.
- Finding and developing new veins - there are abundant untested or insufficiently tested veins on the property. A blue-sky discovery at any one of these would raise the possibility of adding more economic veins to the portfolio, perhaps mining four at once rather than the current three. About half of planned 2012 drilling is for first-pass testing of these targets, to be followed up as appropriate in 2013.

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/h to feed an 18 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 gold and silver values 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 1,000-1,200 tpd. Therefore, there is substantial spare capacity available in the plant in the event that exploration discovers additional reserve life extending the base case mine lives and/or discovers additional veins such that four veins can be producing at the same time.

Markets

There are off-take agreements in place between Minera Cerro Bayo and Dowa, Teck (Trail, BC) and LS Niko for the sale of concentrate in 2012.

Contracts

The 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 which has been extended to June, 2012. Negotiations for a new contract are expected to occur in the second quarter of 2012.

Environmental

The Corporation has environmental permits in place to mine the veins in the base case mine plan, except for the Delia SE and the Marcela veins. The Delia SE permit is in the advanced stages of the approval process, with initial application, regulatory comments, and the Corporation's response complete. The Marcela vein requires only permission to discharge water as the existing mine is pumped out. CMCB anticipates both these permits will be obtained in sufficient time to deliver the mine plan.

During the first quarter of 2012, the Corporation completed virtually the entire reclamation project at Furioso. The remainder of the project consists solely of three years of monitoring.

Taxes

A Chilean company's profit is subject to a 20% first category tax.

There is approximately \$15.5 million in tax loss carry forwards for CMCB that will substantially reduce any income tax being paid in the life of the current Mineral Reserves.

Capital Costs

The base case LOM plan presented in the Cerro Bayo Technical Report used to test the financial viability of reserves requires about \$19.6 million in Property, Plant, and Equipment purchases; \$31.4 million in capital development; and \$14.5 million in reclamation spending. The base case plan factored in an additional \$9.8 million (15%) as contingency.

Operating Costs

For the LOM cash flow model, the operating costs used are \$62/t for mining, \$34/t for processing and \$23.50/t for general and administration. These are based on actual operating costs experienced in 2011. While a higher level of waste development was capitalized during 2011, the LOM plan has approximately 29% of development (waste) capitalized and 71% of development (ore) in operating cost. The unit rate applied to waste development is US\$3,300 per metre of advance.

The table below summarizes the key financial measures presented in the Cerro Bayo Technical Report base case LOM Plan:

		2012	2013	2014	2015	2016	2017
Au price	\$/oz	1,700	1,700	1,500	1,400	1,200	1,200
Ag price	\$/oz	34.00	33.00	30.00	28.00	22.00	22.00
Ore mined	'000 t	358	427	444	333	301	149
Ore milled	'000 t	358	427	444	333	301	149
Au sold	oz	15,510	21,759	23,229	17,060	22,705	13,752
Ag sold	oz	2,766,566	2,924,434	2,734,680	1,886,598	2,407,553	968,520
Net Revenue (Net Smelts Royalty ("NSR") less freight & royalty)	US\$M	108.046	118.267	100.737	66.152	70.813	33.534
Total Site Operating Cost	US\$M	(42.784)	(50.971)	(53.105)	(39.770)	(35.930)	(17.804)
EBITDA	US\$M	65.262	67.296	47.632	26.382	34.883	15.730
Income tax	US\$M	(5.754)	(9.383)	(5.616)	(2.603)	(4.587)	(2.832)
Capital (incl. contingency)	US\$M	(18.566)	(16.577)	(17.274)	(12.311)	(10.087)	(422)
After tax free Cash Flow	US\$M	40.942	41.336	24.742	11.468	20.208	12.476

Exploration and Development

For 2012, Mandalay anticipates continuing capital development on Dagny, Fabiola, Bianca, and Yasna veins consistent with maintaining sustainable production. It also anticipates continuing capital development on Delia NW so that by the fourth quarter of 2012 it has reached sustainable production. The Company anticipates completing the permitting process on the proposed Delia SE mine by the end of 2012.

The 2012 exploration program approved and in progress fully deploys the four Company-owned rigs for 12 months and the four contractor rigs for about seven months and 71,000 m. Depending on the results of drilling in the first half of the year, the Company has the option to contract for more drilling in the second half of the year. Goals of the 2012 program are to:

- Complete infill and extensional drilling of Delia NW and Delia SE veins, converting new and existing Mineral Resources to Mineral Reserves by mid-year if feasible;
- Convert Mineral Resources in Dalila vein to Mineral Reserves by mid-year if feasible;

- Infill and extend Marcela Sur vein, and several subsidiary veins in the Laguna Verde area (e.g. Lucia, Trinidad, Silvita and others), generating new Mineral Resources which may possibly be converted to Mineral Reserves depending on economic feasibility;
- Test the Dagny, Fabiola, and Yasna veins for extensions out under Laguna Verde from drill collars along the shore;
- Test blue sky targets Gabriella, Marisol, Coigues Este, Guanaco, Esperanza, and others for potentially economic mineralization, to be followed up by more drilling if positive.

6.13 Mineral Projects – La Quebrada, Chile

Unless otherwise stated, information referenced in this section referring to La Quebrada is based on the La Quebrada Technical Report, - filed on SEDAR on April 15, 2010. It can be accessed at www.sedar.com. The report was prepared by Leonardo Diaz (PhD and MAusIMM), Principal Consultant with Antakori S.A. and an Independent Qualified Person under NI 43-101. Ronald Luethe, General Manager of Mandalay Chile Ltda., an Idaho registered Professional Geologist and an AIPG Certified Professional Geologist, has reviewed and approved the scientific and technical information pertaining to La Quebrada in this Annual Information Form.

Location and Area

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

The property comprises 63 mining concessions which total 7,418 hectares. The Chilean Mining Code distinguishes two major concession types, "mensuras", (roughly equivalent to exploration leases) and "pedimentos" (exploration leases). Of the total number of concessions, 58 (6,118 ha) are mensuras and 5 (1,300 ha) are pedimentos. During 2011, Minera Mandalay Ltda. acquired additional concessions in the La Quebrada area bring the total to 76, of which 59 are mensuras, (5,825 ha) and 17 are manifestaciones (3,082 ha), which are mensuras in process of constitution

Ownership

Mineral rights on the property are 100% owned by the Corporation, with a 2% NSR to the previous owner, Andale. See "Description of the Business."

The surface rights belong to "Comunidad Agrícola Olla de Caldera de Elqui". The Corporation has an agreement with the community that allows the exploration and passage within the property.

Permitting

A "Declaración de Impacto Ambiental" (DIA or Environmental Impact Assessment) is required for all ground-disturbing exploration activities. The Corporation completed this work in the fourth quarter of 2010 and obtained the permit for drilling in the first quarter of 2011, after which it executed its 2011 drill program. Application for a second round of drilling was submitted in the fourth quarter of 2011 and the DIA was received in early first quarter, 2012.

Climate

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

Local Resources and Infrastructure

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

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

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

Topography and Vegetation

La Quebrada is located between 1,000 and 1,500 m ASL within the Cordillera Principal. Relief is moderate except where drainage incision has formed local canyons.

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

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

Accessibility

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

Environmental Liabilities

There are no known environmental liabilities at La Quebrada. Small dumps near historic exploration adits are considered to present no major environmental liability.

Geology and Mineralization

The Lower Cretaceous Arqueros Formation hosts the Cu-Ag mineralization at La Quebrada. The Arqueros Formation has been mapped and described by previous workers. It comprises five members in a conformable sequence with an approximate aggregate thickness of 1,250 m. The base of the Arqueros Formation is not exposed in the region. At its top, it is concordant with the overlying Quebrada Marquesa Formation.

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

In general terms, Ka1, Ka3 and Ka5 are volcanic or lava units and Ka2 and Ka4 are sedimentary horizons. Mineralization in the form of copper oxides (on surface) and primary sulphides (at depth) occurs at the base of the Ka2 and Ka4 units as well as the base of the overlying Quebrada Marquesa Formation. The volcanic units also contain copper mineralization, but it is generally discontinuous and localized.

In the lower unit (Ka2), mineralization is related to brecciated calcareous sandstones and chert beds that occur mainly in the Leoncita area.

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

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

- Epigenetic copper mineralization (steeply-dipping veins and related manto deposits) within the Marquesa Formation of the Talcuna district 15 km SSE of La Quebrada;
- Stratiform hydrothermal manganese deposits hosted by the Arqueros and Marquesa Formations throughout a N-S belt 25 km wide and 70 km long;
- Epigenetic barite-calcite-silver veins of the Arqueros district located about 5 km south of La Quebrada;
- Numerous barite-calcite-quartz-chalcopyrite veins distributed within the Arqueros Formation in and around the La Quebrada property;
- Contact copper skarn mineralization of the San Antonio district located about 12 km to the SW of La Quebrada; and
- Copper mineralization hosted by limestones and calcareous sediments of the Arqueros Fm. on the La Quebrada property. Mapping by Corporation geologists since the La Quebrada Report was published has demonstrated that calcareous sedimentary rocks of the lower Quebrada Marquesa formation also host Cu-Ag mineralization, particularly at the Casa de Piedra target.

History

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

United Nations-ENAMI

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

Drill intersections included:

UN-ENAMI Drill Results

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

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

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

Placer Dome

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

Placer Dome Drill Results

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

Noranda

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

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

Minera Teck Chile

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

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

Mandalay Resources Corporation 2003

Information about exploration conducted by Mandalay from 2003-2005 was taken mainly from the Sandidge and Cox (2005) technical report.

In 2003, Mandalay financed and supervised an exploration program undertaken by Inversiones Y Minería Andale Ltda. (the then current property owner) consisting of RC and diamond (DD) core drilling, logging,

assaying, and subsequent geological mapping and outcrop sampling throughout areas of the La Quebrada property.

Mineralized intervals were calculated at a 0.2 % Cu cut-off, with a minimum 3 m interval length and 2 m maximum internal dilution.

Below are the mineralized intervals from the 2003 drilling campaign:

Casa de Piedra Mineralized Intervals (2003)

Hole ID	Location X	Location Y	Interval
PQ-03	314,950	6,708,100	4 m (22-26) @ 0.47 Cu %, 3.5 gpt Ag 6 m (34-40) @ 0.6 Cu %, 5 gpt Ag
PQ-04	314,547	6,707,616	6 m (19-25) @ 0.76 Cu %, 6.7 gpt Ag 5 m (31-36) @ 0.27 Cu %, 2.7 gpt Ag 4 m (46-50) @ 1.05 Cu %, 7.5 gpt Ag
PQ-05	314,435	6,707,484	5 m (9-14) @ 0.76 Cu %, 8.6 gpt Ag 7 m (20-27) @ 0.19 Cu %, 4.2 gpt Ag 4 m (36-40) @ 0.69 Cu %, 6 gpt Ag
PQ-06	314,435	6,707,176	6 m (23-29) @ 0.93 Cu %, 9 gpt Ag

Cerro Colorado mineralized intervals (2003)

Hole ID	Location X	Location Y	Interval
PQ-09	312,025	6,704,925	3 m (12-15) @ 0.64 Cu %, 2 gpt Ag
PQ-10	311,683	6,705,105	3 m (4-7) @ 0.86 Cu %, gpt Ag 4 m (15-19) @ 0.37 Cu %, gpt Ag 7 m (25-32) @ 0.58 Cu %, gpt Ag
PQ-11	311,477	6,705,347	6 m (5-11) @ 0.31 Cu %, gpt Ag
PQ-12	311,851	6,705,643	3 m (0-3) @ 0.37 Cu %, gpt Ag 3 m (10-13) @ 0.36 Cu %, gpt Ag

Dalmatas mineralized intervals (2003)

Hole ID	Location X	Location Y	Interval
PQ-13	309,393	6,698,233	4 m (41-45) @ 0.7 Cu %, gpt Ag 5 m (47-52) @ 0.85 Cu %, gpt Ag 4 m (63-67) @ 0.29 Cu %, gpt Ag
PQ-15	309,482	6,696,817	9 m (5-14) @ 0.62 Cu %, gpt Ag

Mandalay Exploration – 2005-2006

In 2005-2006, Mandalay financed and supervised a trenching and drilling campaign at La Quebrada. During this time, 132 shallow hand-dug trenches were dug and 101 RC holes and 11 core holes were drilled across the property.

Mandalay Exploration- 2009-2010

In October, 2009, Mandalay started detailed mapping of the property to complement previous work and gain a better understanding of the tectonically complex locality. At the same time, the 2003 and 2005-2006 drilling data was recovered and compiled by Leonardo Diaz (PhD and MAusIMM), Principal Consultant with Antakori S.A. and a Qualified Person under NI 43-101 and included in the La Quebrada Technical Report.

During 2010, geological mapping at La Quebrada was led by Richard Jeanne of Richard A. Jeanne Ltd. Stratigraphic work at La Quebrada was initiated on the Leoncita-Dálmatas properties, as the best exposures of the Arqueros Formation are located there. These more complete and detailed stratigraphic sections are the basis for the entire project area stratigraphy.

At Casa de Piedra, approximately 15 km² was mapped at a scale of 1:5000 and an additional 20+ km² was reconnoitered and, locally, reconnaissance mapped. Mapping by Mandalay geologists since the La Quebrada Technical Report was published has demonstrated that calcareous sedimentary rocks of the lower Quebrada Marquesa Formation host Cu-Ag mineralization at the Casa de Piedra target that Mandalay believes is an extension of the adjacent Tugal pit mineralization.

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

Drilling

Diamond Drilling

Eleven core holes were drilled during the 2005-2006 campaign. The drilling contractor, Geo-Operaciones Limitada, used a Diamond Drilling Geostar rig. Total drilling was 1,301.45 m and the deepest drill hole was 200 m. All but two of the drill holes were inclined (-60 to -65 degrees) and the azimuth was northeast (30 to 50 degrees). All core was NQ diameter with the exception of the first metres of each hole where casing was needed.

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

RC Drilling

101 reverse circulation, chip recovery holes were drilled by Geo-Operaciones Limitada between November 2005 and May 2006 for a total length of 12,628 m. The deepest hole was 264 m, and most of the holes were between 100 and 150 m long. Most of the holes were drilled between 30 and 50 degrees azimuth (perpendicular to bedding) with inclinations between -60 to -70 degrees. Only two holes were drilled vertically. The hole diameter was mostly 5½ in with only six holes drilled with a slightly lesser diameter of 5¾.

Summary of drilling results from 2005-2006: Mineralized intervals were calculated at a 0.2 % Cu cut-off, with a minimum 3 m interval length and 2 m maximum internal dilution.

Casa de Piedra Drill Hole Mineralized Intervals (2005-2006)

Hole ID	Location X	Location Y	Interval
RC-096	314,774	6,707,734	9 m (32-41) @ 0.15 Cu %, 3.4 gpt Ag
RC-097	315,155	6,707,573	6 m (146-152) @ 0.35 Cu %, 6.4 gpt Ag 4 m (159-163) @ 0.83 Cu %, 8.4 gpt Ag 12 m (170-182) @ 0.38 Cu %, 4.3 gpt Ag
DDH-11	312,263	6,709,320	3 m (11-14) @ 0.5 Cu %, 9.2 gpt Ag

Dálmatas Mineralized Intervals (2005-2006)

Hole ID	Location X	Location Y	Interval
DDH-07	307,902	6,699,239	3 m (4-7) @ 0.46 Cu %, 5.7 ppt Ag

DDH-08	307,007	6,699,514	5 m (22-27) @ 0.31 Cu %, 0.8 gpt Ag
RC-021	307,777	6,699,465	3 m (4-7) @ 0.4 Cu %, 4.9 gpt Ag 7 m (12-19) @ 0.49 Cu %, 4 gpt Ag
RC-038	306,990	6,699,768	3 m (57-60) @ 3.3 Cu %, 9 gpt Ag
RC-039	307,060	6,699,655	3 m (20-23) @ 0.26 Cu %, 1.4 gpt Ag
RC-057	309,326	6,697,849	12 m (12-24) @ 1.08 Cu %, 3.6 gpt Ag
RC-060	309,485	6,698,150	8 m (33-41) @ 0.34 Cu %, 3.2 gpt Ag
RC-063	309,290	6,698,064	5 m (91-96) @ 0.58 Cu %, 5.7 gpt Ag
RC-065	309,562	6,697,870	7 m (6-13) @ 0.36 Cu %, 3.5 gpt Ag 4 m (125-129) @ 0.18 Cu %, 1.5 gpt Ag 6 m (193-199) @ 0.22 Cu %, 0.2 gpt Ag
RC-067	309,887	6,698,367	6 m (7-13) @ 0.28 Cu %, 0.3 gpt Ag
RC-068	309,821	6,698,634	17 m (146-163) @ 0.76 Cu %, 12.3 gpt Ag
RC-078	307,762	6,699,700	5 m (0-5) @ 0.59 Cu %, 8 gpt Ag
RC-079	307,893	6,699,650	3 m (12-15) @ 0.44 Cu %, 4.6 gpt Ag 4 m (37-41) @ 0.64 Cu %, 3.9 gpt Ag
RC-084	309,665	6,699,314	3 m (6-9) @ 0.27 Cu %, 1.53 gpt Ag
RC-098	307,005	6,699,512	3 m (0-3) @ 0.3 Cu %, 2.5 gpt Ag

Leoncita Mineralized Intervals (2006)

Hole ID	Location X	Location Y	Interval
DDH-01	306,980	6,701,176	5 m (0-5) @ 0.95 Cu %, 1.7 gpt Ag
DDH-02	307,605	6,701,189	18 m (4-22) @ 0.69 Cu %, 0.9 gpt Ag
DDH-05	309,420	6,700,846	4 m (68-72) @ 0.34 Cu %, 2.2 gpt Ag
RC-001	307,075	6,701,130	4 m (4-8) @ 0.46 Cu %, 2.7 gpt Ag 4 m (13-17) @ 0.31 Cu %, 1 gpt Ag
RC-009	307,255	6,701,645	5 m (50-55) @ 0.15 Cu %, 1.2 gpt Ag
RC-028	307,004	6,701,748	10 m (58-68) @ 0.62 Cu %, 2.3 gpt Ag
RC-031	307,164	6,700,828	7 m (7-14) @ 0.8 Cu %, 2.3 gpt Ag 10 m (27-37) @ 0.79 Cu %, 7.1 gpt Ag
RC-032	307,231	6,700,774	5 m (8-13) @ 0.29 Cu %, 1.5 gpt Ag 7 m (47-54) @ 0.33 Cu %, 0.6 gpt Ag 10 m (85-95) @ 0.25 Cu %, 0.25 gpt Ag
RC-046	309,323	6,700,495	3 m (73-76) @ 0.29 Cu %, 2.2 gpt Ag
RC-075	308,376	6,701,731	5 m (133-138) @ 0.83 Cu %, 6 gpt Ag
RC-077	308,154	6,701,695	3 m (147-150) @ 0.39 Cu %, 5.1 gpt Ag
RC-099	306,982	6,701,178	3 m (0-3) @ 0.39 Cu %, 0.97 gpt Ag
RC-101	309,422	6,700,846	3 m (83-86) @ 0.26 Cu %, 2.5 gpt Ag

Geographic/Grid Control

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

Bulk Density Determinations

No density measurements have been undertaken at the project.

Preliminary Environmental Study

As described above, since the La Quebrada Technical Report was published, Mandalay has performed the necessary DIA for an initial drilling program and received the required permit in the first quarter of 2011. Subsequent to the La Quebrada Technical Report and to completing the initial drill program, the Corporation applied for and received another permit for follow-up drilling in the first quarter, 2012.

Sampling Analysis

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

Core Logging and Sampling Procedure

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

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

Samples were marked by the geologist at 1 m intervals. Initially, only the sedimentary units were analyzed. On a second pass, more and different lithologies were sampled and assayed. No reference or standard samples were introduced in the core sampling or assaying stream except for laboratory standards.

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

Reference samples were introduced at a fixed position every 20 samples (i.e., samples ending in 00, 20, 40 60 and 80 are special samples). One of the three standards, one blank or a duplicate was introduced in the sampling stream. The standard to be inserted was selected randomly and not according to the expected grade of the interval. Control of the sample numbers for the reference samples and duplicates was not kept carefully and the information is partial or incomplete in that regard.

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

- Mineralized intervals were calculated at a 0.2 % Cu cut-off, with a minimum 3 m interval length and 2 m maximum internal dilution; and
- During the drilling, it was noted that fines were being lost in the cyclone exhaust. Samples from the emitted dust were sampled and assayed. Returned values were above or similar to the original samples.

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

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

Sample Quality

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

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

Quality Control Measures

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

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

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

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

Data Verification

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

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

Security of Samples

After the cutting or splitting procedure, samples were kept at an on-site camp until shipped to the lab. The samples had continued surveillance for 24 hours a day until the time shipped. Samples were sent packed in large

canvas bags with a work order stating the number of samples on each bag. There is no record of lost samples in the company logs.

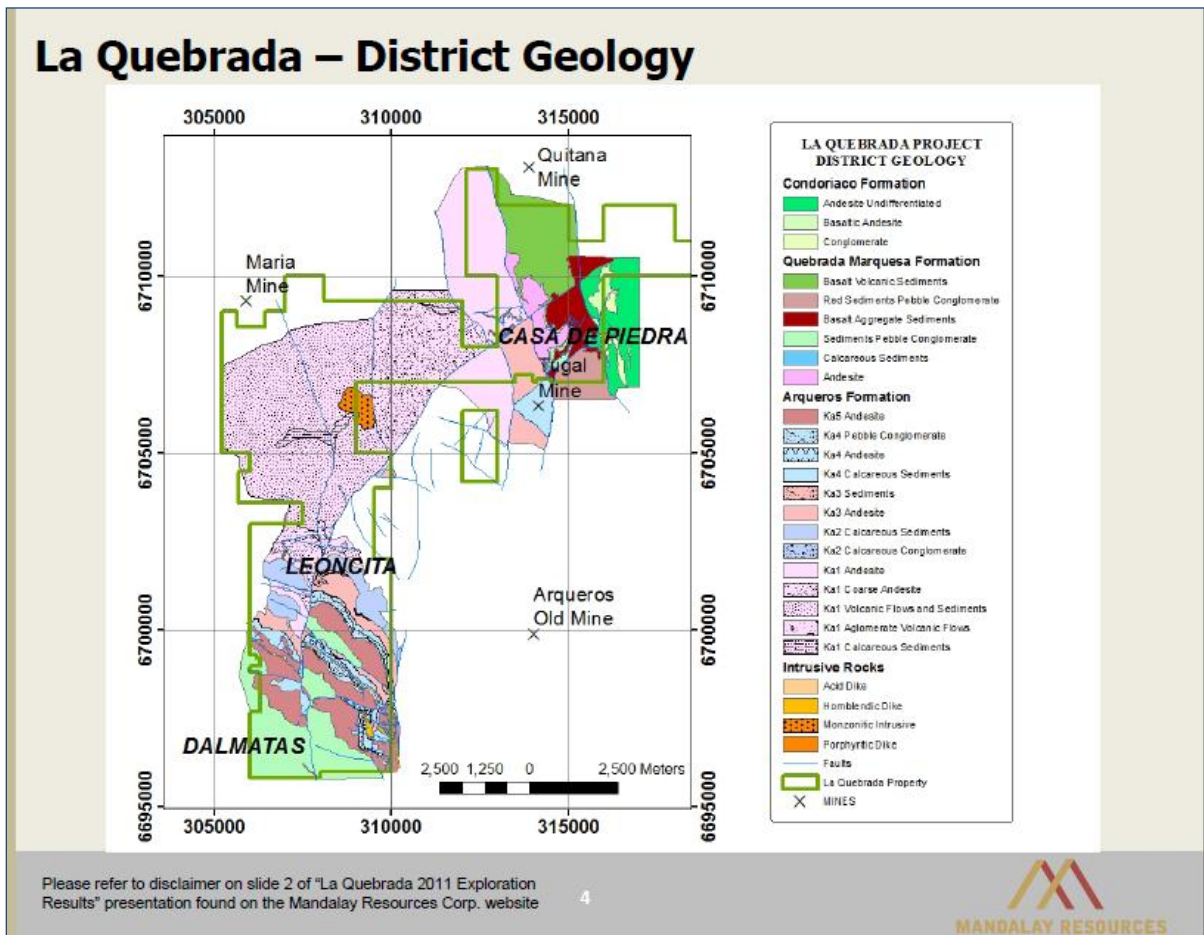
Mineral Reserves and Resources

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

Mandalay Exploration 2011

The 2011 drilling program at La Quebrada (performed after the La Quebrada Technical Report) was supervised by Ronald Luethe, General Manager of Mandalay Chile Ltda., an Idaho registered Professional Geologist and an AIPG Certified Professional Geologist.

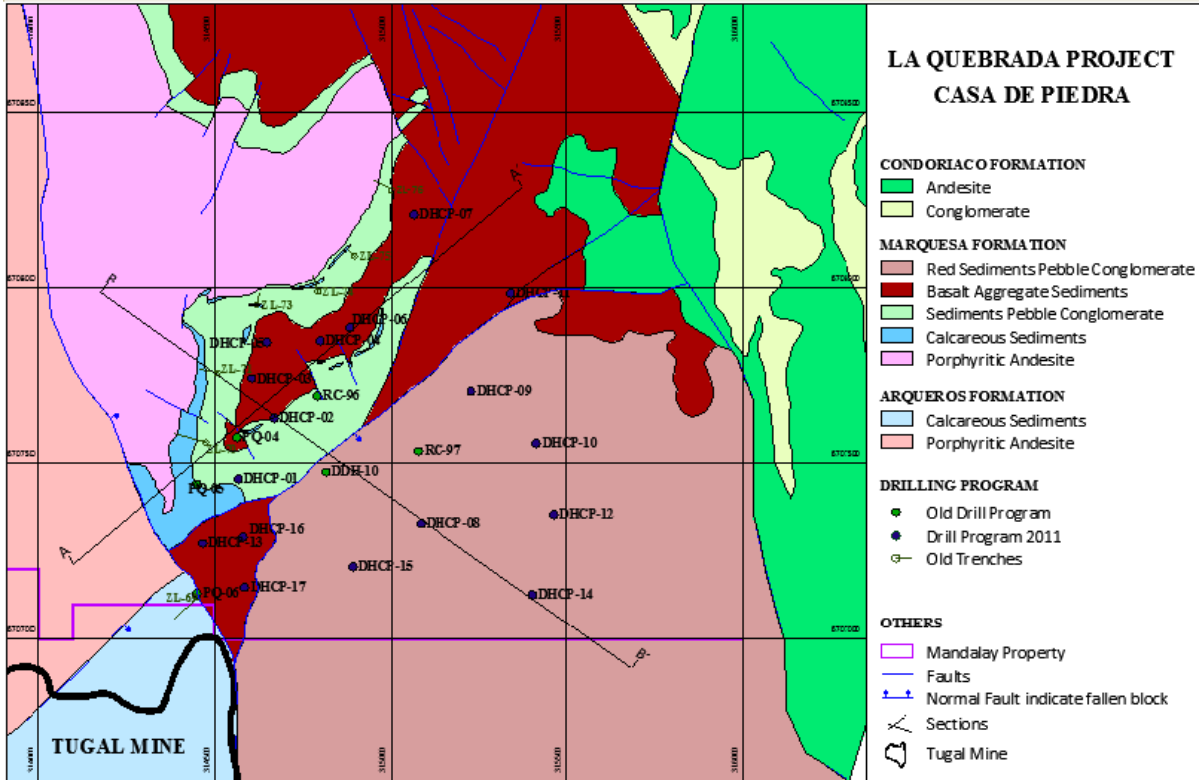
The 3,276 m program consisted of seventeen in-fill and step-out holes (2,932 m) in the Casa de Piedra target, and two exploratory holes (344 m) in the Leoncita North target (see below for the La Quebrada District Geology Map). Assay results for the mineralized intervals intersected by these drill holes are summarized in the table below. All holes were drilled with HQTW diameter core that was logged by Mandalay geologists prior to being sawed and analyzed by the ALS laboratory in La Serena, Chile.



Please refer to disclaimer on slide 2 of "La Quebrada 2011 Exploration Results" presentation found on the Mandalay Resources Corp. website

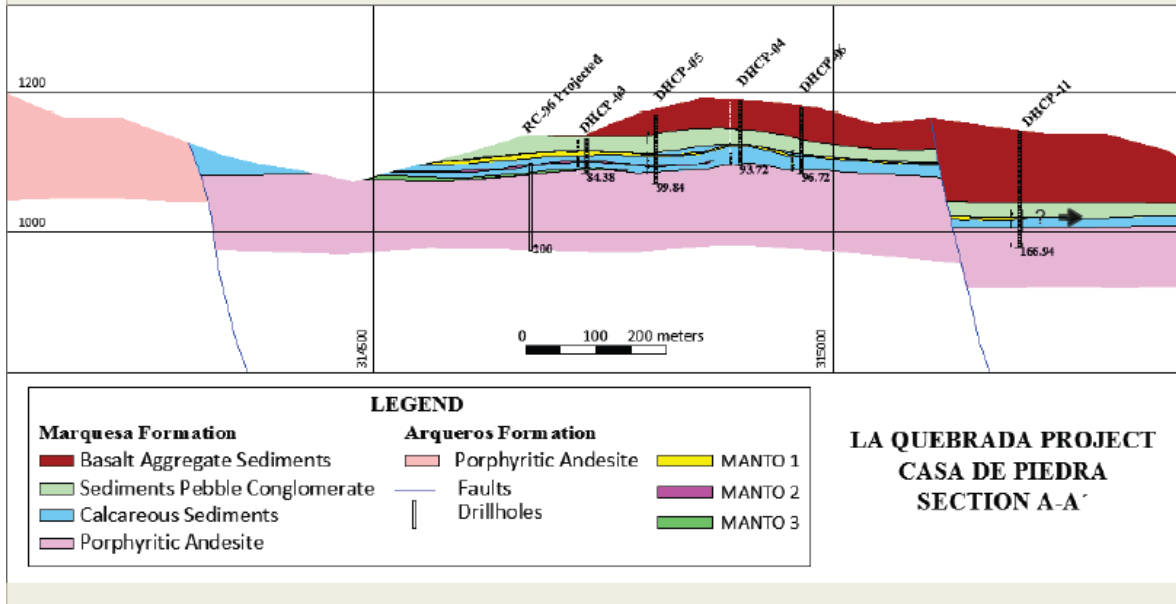
At Casa de Piedra, drilling intersected three principal copper-silver mineralized beds (“mantos”) ranging in thickness from 1 to 10 m with intervening intervals of thin, discontinuous mineralization (see below for Casa de Piedra Geology and Drill Hole Location Map and for Casa de Piedra cross section A-A’ and B-B’). Mineralization in the mantos consists primarily of finely disseminated bornite and chalcopyrite hosted by calcareous sedimentary rocks of the Quebrada Marquesa Formation. Average weighted copper grades of the mantos intercepted in this round of drilling range from 0.15% to 1.59% and average silver grades from 1 g/t to 27 g/t. Copper and silver grades are directly correlated.

Casa de Piedra – Geology & Drill Hole Location Map



Please refer to disclaimer on slide 2 of "La Quebrada 2011 Exploration Results" presentation found on the Mandalay Resources Corp. website

Casa de Piedra – Geology Cross-section A-A'



Casa de Piedra – Geology Cross-section B-B'

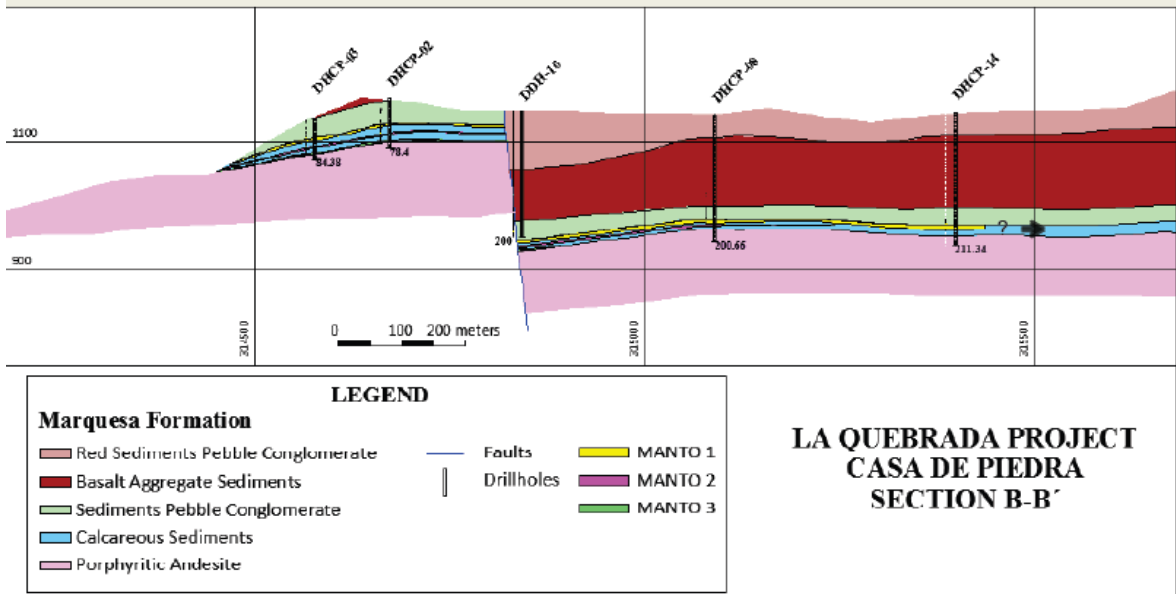


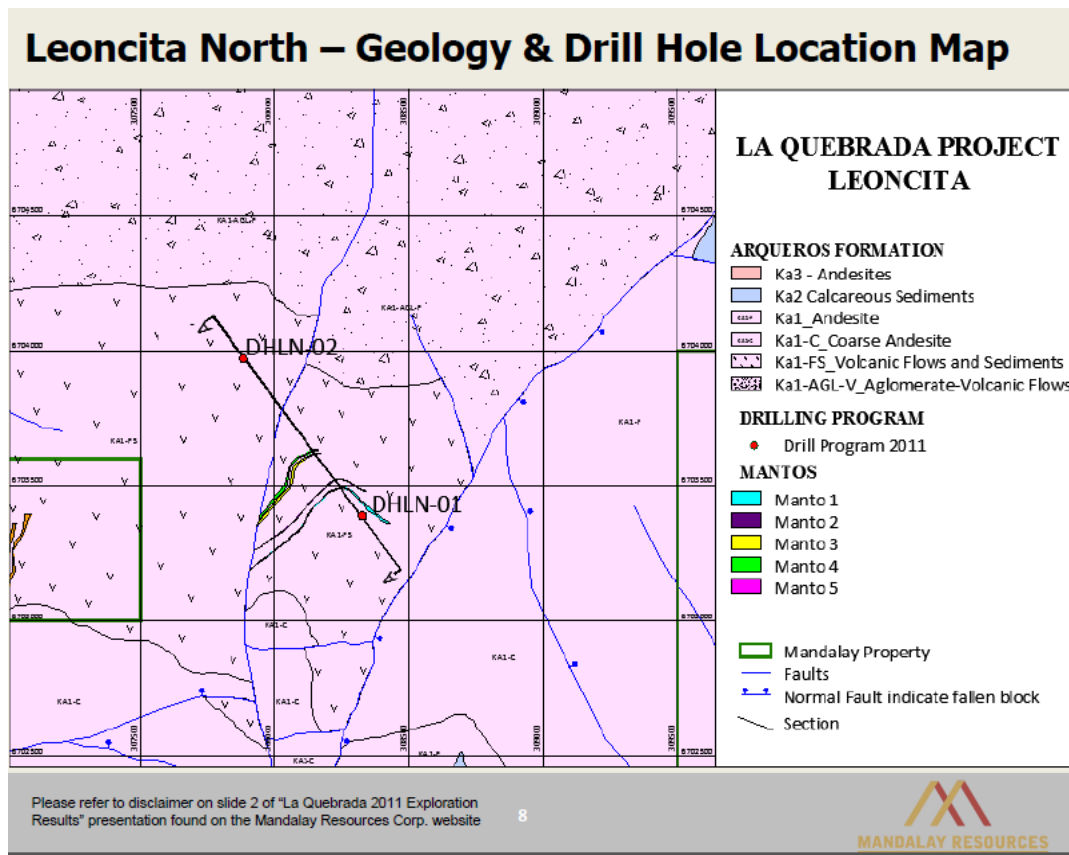
TABLE 1

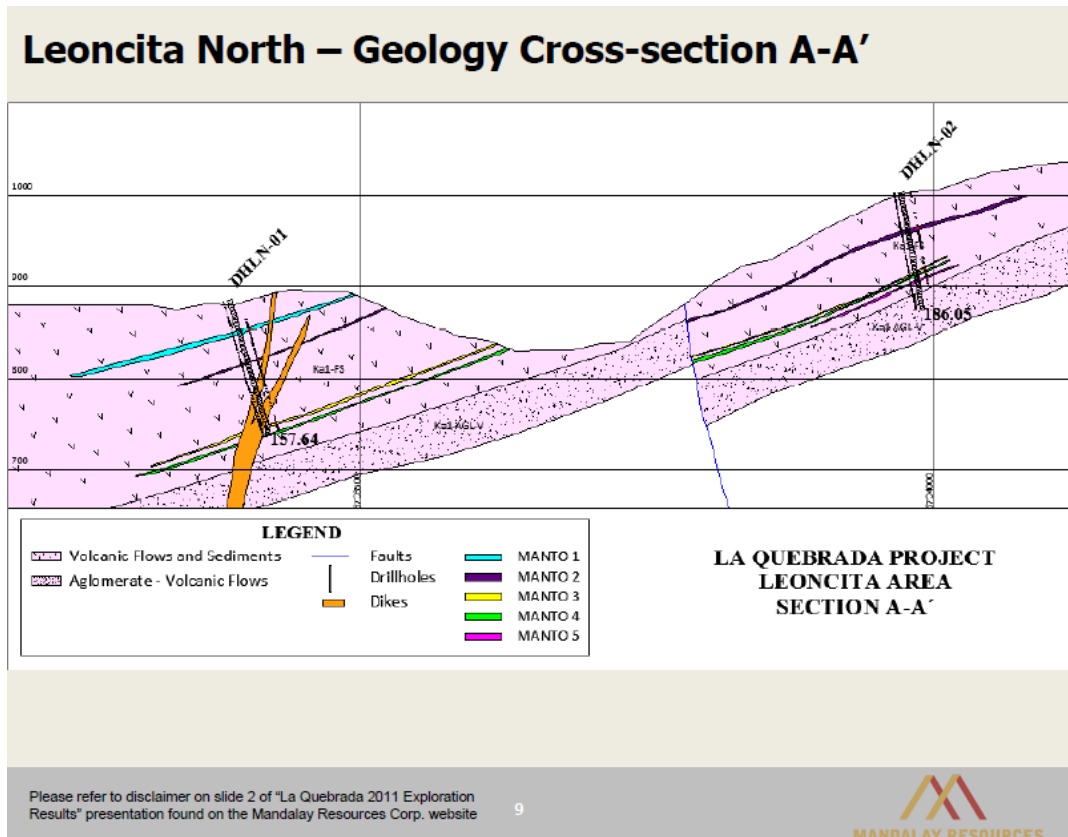
SECTOR CASA DE PIEDRA					
HOLE	FROM m	TO m	TRUE THICKNESS m	Ag g/t	Cu %
MANTO 1					
DHCP-01	22.5	30.5	8.0	12	0.80
DHCP-02	41.1	45.3	4.2	5	0.55
DHCP-03	51.0	56.9	5.9	4	0.28
DHCP-04	62.2	64.8	2.6	8	0.34
DHCP-05	56.5	58.5	2.0	7	0.42
DHCP-06	68.5	70.6	2.1	27	1.02
DHCP-07		dike			
DHCP-08	165.8	171.2	5.4	11	0.82
DHCP-09	139.7	144.0	4.3	11	1.03
DHCP-10	137.3	141.4	4.1	16	1.17
DHCP-11	124.1	128.2	4.1	17	0.79
DHCP-12		dike			
DHCP-13	42.5	43.2	0.7	11	0.31
DHCP-14	178.5	185.7	7.2	5	0.49
DHCP-15	213.8	223.9	10.1	9	0.57
DHCP-16	87.1	92.9	5.5	6	0.73
DHCP-17	98.8	102.8	3.9	11	0.99

SECTOR CASA DE PIEDRA					
HOLE	FROM m	TO m	TRUE THICKNESS m	Ag g/t	Cu %
MANTO 2					
DHCP-01	38.5	42.5	4.0	8	0.46
DHCP-02	53.7	57.7	4.0	3	0.42
DHCP-03	64.9	67.1	2.2	6	0.54
DHCP-04		dike			
DHCP-05	72.7	74.7	2.0	4	0.69
DHCP-06	80.5	82.5	2.0	11	1.39
DHCP-07		dike			
DHCP-08		dike			
DHCP-09	153.7	156.1	2.4	3	0.29
DHCP-10	149.8	151.7	1.9	7	0.21
DHCP-11	Not intersected				
DHCP-12	Not intersected				
DHCP-13		dike			
DHCP-14		dike			
DHCP-15	229.8	231.8	2.0	3	0.31
DHCP-16	101.6	103.4	1.7	1	0.35
DHCP-17	112.0	114.5	2.5	7	0.48

The two holes drilled at the Leoncito North target intersected several thin (< 2 m) mantos and a single 2.2 m to 3.5 m thick manto that contains copper and silver values of 1.31% to 1.64% and silver values of 22 to 53 g/t, the highest grades so far intersected on the property. The principal manto at Leoncito north is hosted by a permeable, interflow horizon between porphyritic and site flows (see below for Leoncito North Geology and Drill Hole Location Map and for Leoncito North Cross Section A-A’).

Mandalay’s 2011 drilling confirmed the geological model of the copper-silver mantos. Mandalay plans a second round of drilling during 2012 in order to fill in the Casa de Piedra target and prepare an NI 43-101-compliant Inferred Resource estimation. As of the date of this Annual Information Form, permits for this second round of drilling have been received and the drilling is complete.





6.14 Risk Factors

The Corporation is exposed to a variety of risks in the normal course of operations that could significantly affect its performance and could cause its actual results to differ in material respects from its anticipated results. These risks are discussed below and are in addition to those outlined elsewhere in this Annual Information Form and in the Corporation's public filings with the Canadian securities regulatory authorities, including the Corporation's management's discussion and analysis of financial condition and results of operations for the year ended December 31, 2010 and 2011, both 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/or personal injury, death and/or legal liability. Although precautions to minimize risk will be taken, operations are subject to hazards that may have a material adverse impact on the business, operations and financial performance of Mandalay.

Mining Industry Risks

The exploration for and development of mineral deposits involves a high degree of risk, which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties that are explored are ultimately developed into producing mines. Substantial expenses may be required to locate and establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. There is no certainty that the exploration programs planned by the Corporation will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, such as the following: the particular attributes of the deposit, including size, grade and proximity to infrastructure; metal prices, which 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

Should the Corporation bring a property to production, the profitability of its operations will be dependent in part upon the market price of mineral commodities and precious metals. Mineral 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 stability can all cause significant price fluctuations. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The price of mineral commodities has fluctuated widely in recent years, and future price declines could cause commercial production to be 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.

Customer Concentration

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, 2011, the five largest customers accounted for 100% of the Corporation's total sales.

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 dictate that climatic conditions have an impact on operations and, in particular, severe weather could disrupt the delivery of supplies, equipment and fuel. It is, therefore, possible that exploration and mining activity levels 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 could have a negative impact on the financial performance of those operations.

Environmental Risks and Hazards

All phases of the Corporation's operations are subject to environmental regulation in the jurisdictions in which the Corporation operates. 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 existing owners or operators of the properties. Government approvals and permits are currently, or may in the future be, required in connection with the Corporation's operations. To the extent such approvals are required and not 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 have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Corporation and cause increases in exploration expenses, capital expenditures or production costs, reduction in levels of production at producing properties, or abandonment or delays in development of new mining properties.

Requirement of Additional Financing

The exploration and development of the Corporation's properties, including continued 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. Failure to comply with such requirements 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 tonnes and grade of mineral resources and reserves. Until the mineralized material is actually mined and processed, mineral resource and reserves size and grade 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 ore tonnage 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.

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.

Licenses and Permits

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

Title Matters

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

Short History of Profitability

The Corporation was an exploration and development stage company until December 1, 2009, with neither revenues nor profits. Mandalay's history as a producing company encompasses the last nine financial quarters, during which time the company has improved to generating positive operating margins and net income. However, there can be no assurance that the operations of the Corporation will be profitable in the future.

Uninsured Risks

The Corporation does not carry insurance to protect against certain risks. Risks 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 revenues of the Corporation, its operations and financial condition could be materially adversely affected.

Repatriation of Earnings

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

Properties without Known Mineable Reserves

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

Dependence upon Key Management Personnel and Executives

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

Dependence on Major Customers

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

Infrastructure

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

Litigation

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

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.

Absence of Dividends

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

Risk of Dilution

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

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.

7. DIVIDENDS

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

8. CAPITAL STRUCTURE

General Description of Capital Structure

Mandalay became a reporting issuer on December 14, 2000 and had its Common Shares listed, posted and called for trading on the TSXV on March 28, 2001. On June 25, 2010, the Common Shares of Mandalay commenced trading on the TSX and were delisted from the TSXV.

Common Shares

The authorized capital of Mandalay is an unlimited number of Common Shares, of which 270,510,575 were issued as at March 30, 2012. The holders of Common Shares are entitled to receive notice of and attend all meetings of shareholders, with each Common Share entitling the holder to one vote on any resolution to be passed at such shareholder meetings. The holders of Common Shares are entitled to dividends if and when declared by the Board of Directors. The holders of Common Shares are entitled, upon the liquidation, dissolution or winding up of Mandalay, to receive the remaining assets of Mandalay available for distribution to shareholders.

Stock Options

Pursuant to the 10% rolling stock option plan of the Corporation (the “**Stock Option Plan**”), which authorizes the directors of the Corporation to grant options for up to 10% of the issued and outstanding Common Shares, as at the date of this Annual Information Form, the following options were outstanding under the Stock Option Plan, each option exercisable to purchase one Common Share. For additional information on the Stock Option Plan, see the Corporation’s management information circular dated May 19, 2011 on the Corporation’s SEDAR profile. The total number of outstanding options as at March 30, 2012 is 17,371,466.

Issue Date	Exercise Price CDN\$	Number of Options	Expiry Date
Mar 9, 2012	0.83	4,055,000	Mar 9, 2017
Dec 2, 2011	0.70	490,000	Dec 2, 2016
Jul 4, 2011	0.76	450,000	Jul 4, 2016
Apr 11, 2011	0.580	470,000	Apr 11, 2016
Mar 11, 2011	0.560	3,965,000	Mar 11, 2016
Jan 25, 2011	0.420	355,000	Jan 25, 2016
Oct 6, 2010	0.330	300,000	Oct 6, 2015
Sep 16, 2010	0.335	100,000	Sep 16, 2015
Sep 7, 2010	0.310	50,000	Sep 7, 2015
Aug 30, 2010	0.260	50,000	Aug 30, 2015
Aug 26, 2010	0.260	1,452,500	Aug 26, 2015
Dec 7, 2009	0.255	5,369,586	Dec 7, 2014
Jun 24, 2009	0.500	24,380	May 9, 2012
Jun 24, 2009	0.500	80,000	Nov 1, 2012
Aug 21, 2008	0.500	150,000	Aug 21, 2013
Jul 17, 2007	0.500	10,000	Jul 17, 2012

Share Purchase Warrants

As at the date of this Annual Information Form, the following warrants to purchase Common Shares were outstanding. A holder of warrants is not entitled to any rights as a shareholder of the Corporation, including without limitation, voting rights. The total number of outstanding warrants as at March 30, 2012 is 105,234,312.

Issue Date	Exercise Price CDN\$	Number of Warrants	Expiry Date
Aug 6, 2010	0.33	39,419,312	Aug 6, 2012
Nov 30, 2009	0.465	42,665,000	Nov 30, 2014
Nov 30, 2009	0.310	19,950,000	Nov 30, 2014
Oct 15, 2009	0.465	1,600,000	Oct 15, 2014
Jul 22, 2009	0.200	600,000	Jul 22, 2014
Apr 22, 2009	0.200	1,000,000	Apr 22, 2014

9. 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 2011 is set out below.

Month	High CDN(\$)	Low CDN(\$)	Close CDN(\$)	Total Monthly Volume
January 2011	0.50	0.40	0.45	3,353,849
February 2011	0.68	0.40	0.60	3,963,600
March 2011	0.62	0.46	0.57	2,756,331
April 2011	0.87	0.53	0.86	5,985,001
May 2011	0.97	0.69	0.86	5,174,945
June 2011	0.90	0.70	0.79	2,493,432
July 2011	0.80	0.62	0.71	6,206,954
August 2011	0.71	0.57	0.66	2,885,111
September 2011	0.78	0.57	0.60	4,184,888
October 2011	0.72	0.54	0.66	1,373,013
November 2011	0.75	0.57	0.71	1,702,045
December 2011	0.72	0.55	0.66	1,614,540

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

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

11. DIRECTORS AND OFFICERS

The following table sets forth the name, province or state, country of residence, position held with the Corporation and principal occupation of each of the directors and executive officers of the Corporation. Each director will hold office until the Corporation's next annual meeting of shareholders or until their successors are duly elected or appointed.

Name, Province/State and Country of Residence	Position with the Corporation	Principal Occupation (1)(2)	Director/Officer Since
Abraham Jonker ⁽³⁾⁽⁴⁾ British Columbia, Canada	Interim Chairman and Director	Chartered Accountant CFO, WCC (Till April 1, 2011)	August 2010
Robert Doyle ⁽³⁾ Ontario, Canada	Director	Corporate Director	April 2010
Peter Rhys Jones ⁽⁵⁾⁽⁶⁾ Ontario, Canada	Director	CEO of HudBay Minerals Inc. (Canadian mining company)	August 2010
Robert Anthony Paul Griffin ⁽³⁾⁽⁵⁾ Ontario, Canada	Director	Partner, West Face (Investment management)	August 2010
Belinda Labatte Ontario, Canada	Corporate Secretary	Principal, The Capital Lab Inc. (Investor relations)	March 2010
Bradford A. Mills London, United Kingdom	Chief Executive Officer and Director	Prior to 2009 <ul style="list-style-type: none"> CEO of Lonmin plc (Platinum group metals mining company) 	September 2009

Mark Sander Pennsylvania, United States	Chief Operating Officer	Prior to 2009 <ul style="list-style-type: none"> • Founder of and consultant with Integrity Leadership Group, LLC (Management Consulting) 	December 2009
Sanjay Swarup Twickenham, United Kingdom	Chief Financial Officer and Director	Prior to 2009 <ul style="list-style-type: none"> • Senior Planning and Analysis Manager, BP plc, London. (Oil & gas company) • Interim Group Business Analysis Manager, Lonmin plc. (Platinum group metals mining company) 	Officer: December 2009 Director: April 2010

Notes:

- (1) The information supplied by the directors and officers of the Corporation.
- (2) The information provided reflects the principal occupation, of the individual over the preceding five years.
- (3) Member of the Corporation’s audit committee (the “Audit Committee”)
- (4) On June 17, 2011 John Byrne resigned as Director and Chairman of the Board of Directors and Mr. Jonker was appointed as the Interim Chairman.
- (5) Member of Compensation, Corporate Governance & Nominating Committee and Safety, Health and Environmental Committee.
- (6) Peter Rhys Jones is currently retired.

As of March 30, 2012, the directors and executive officers of the Corporation, as a group, beneficially owned, or controlled or directed, directly or indirectly, approximately [153,096,984] Common Shares, representing approximately [56.68]% 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 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.

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 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. In addition, each of the directors of the Corporation is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest in accordance with the procedures set forth in the BCBCA and applicable laws.

12. AUDIT COMMITTEE INFORMATION

12.1 Description of the Audit Committee

The Audit Committee assists the Board of Directors 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 Company'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) Robert Anthony Paul 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 NXA Inc. 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. He 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 Masters Degree in South African and International Tax from the Rand Afrikaans University. Mr. Jonker has over 17 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.

12.2 External Auditor Service Fee

Fees paid to Mandalay’s auditor, Deloitte &Touche LLP for the past two years were as follows:

	<u>2011</u>	<u>2010</u>
	<u>CDN\$</u>	<u>CDN\$</u>
Audit Fees	\$471,000	\$415,000
Audit-Related Fees ¹	\$103,000	\$100,000
Tax Fees ²	\$58,530	\$90,250
All Other Fees ³	Nil	\$150,000
Total Fees	\$632,530	\$755,250

1. “Audit-Related Fees” include assurance and related services related to the performance of the audit or review of financial statements and not reported under “Audit Fees” above.
2. “Tax Fees” include tax compliance, tax advice and tax planning.
3. “All Other Fees” include various non-audit services.

13. 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.

14. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as described elsewhere in this Annual Information Form, since January 1, 2009, 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.

15. TRANSFER AGENTS AND REGISTRARS

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

16. 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 2011 or before fiscal 2011 but are still in effect.

17. INTERESTS OF EXPERTS

17.1 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, 2011.

Deloitte & Touche 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 30, 2012, was prepared by Roscoe, authored by Normand Lecuyer (P.Eng.) and Patti Nakai-Lajoie (P.Geo.), both Independent Qualified Persons under NI 43-101.

The Costerfield Report, dated March 30, 2012 was prepared by Snowden, authored by Dr. Simon C. Dominy (BSc(Hons) MSc(Eng), PhD, PgDip (MinsEng) FAusIMM (CP), FGS (CGeol), FIMMM (CEng), FAIG (RPGeo); MCSM) and Cindy-Lee Cox (BAppSc (Geol), ASMB, PgDip (Min Eng), MAusIMM(CP), MSME), both Independent Qualified Persons under NI 43-101.

The La Quebrada Technical Report, dated March 31, 2010, was prepared under the direction of Leonardo Diaz, Principal Consultant with Antakori S.A., who is an independent Qualified Person under NI 43-101.

17.2 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.

18. 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, 2011 and management information circular dated May 20, 2011 which is available on the Corporation's SEDAR profile.

SCHEDULE A
MANDALAY RESOURCES CORPORATION

(the “Company”)

AUDIT COMMITTEE CHARTER

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 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).

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).

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.

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.

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.