



MANDALAY RESOURCES

MANDALAY RESOURCES CORPORATION

Annual Information Form

March 31, 2011

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1. ABOUT THIS ANNUAL INFORMATION FORM

The information in this Annual Information Form is presented as at March 31, 2011 unless otherwise indicated. 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; including the ramp up of the amount of ore to be mined and milled at Cerro Bayo (defined below); 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 for La Quebrada, dated March 31, 2010, was prepared under the direction of Leonardo Diaz, Principal Consultant with Antakori S.A., who is the responsible Qualified Person under NI 43-101.

The Costerfield Technical Report, dated May 20, 2010 was prepared by an SRK Consulting team, including Chris Raleigh, John Blackburn, Kobuss du Plooy, Brett Muller, Adriaan du Toit, and Bruce Sommerville, all Qualified Persons under NI 43-101.

The Cerro Bayo Technical Report, dated May 14, 2010, was prepared by an SRK Consulting team, including Leah Mach, Bruce Kennedy, Fernando Rodrigues, George Even, Eric Olin, and Neal Rigby, all Qualified Persons under NI 43-101.

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

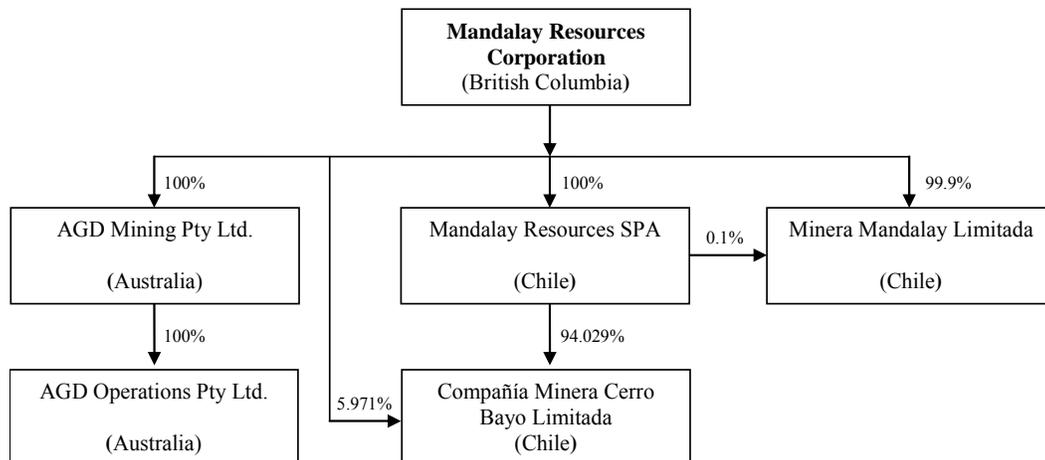
4.1 Name, Address and Incorporation

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

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

4.2 Intercorporate Relationships

The following chart illustrates the structure of the Corporation as at the date of this Annual Information Form. The chart shows the jurisdiction of incorporation of each active subsidiary and the percentage of voting securities beneficially owned by the Corporation or over which the Corporation has control or direction.



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, operates Cerro Bayo in Patagonia, Chile. All of the issued and outstanding securities of Minera Cerro Bayo were 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. It produced no product and generated no revenue, only operating losses. With completion of the Costerfield acquisition on December 1, 2009, the Corporation became a producing company with revenue from gold and antimony sales; higher corporate overheads due to being a producer with growth ambitions and the possibility of generating profit. 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.

2008

In 2008, the Corporation was a pure exploration company with no revenue; exploration was solely supported by the ability to raise equity and/or debt financing. The Corporation postponed a diamond drilling campaign at La Quebrada while it sought financing. Market developments and financial constraints prevented the Corporation from continuing its exploration and drilling program during the year.

In February, the Corporation borrowed CDN\$50,000 from one of its directors.

In August, the Corporation completed a private placement of 222,222 units at a price of CDN\$0.45 per unit for gross proceeds of CDN\$100,000. Each unit consisted of one common share of the Corporation (each, a “**Common Share**”) and one non-transferable share purchase warrant exercisable for eighteen months at a price of CDN\$0.70. The proceeds of the financings were used for general working capital purposes.

Also in August, the Corporation completed a share consolidation on a 10:1 basis. The number of Common Shares post-consolidation was 7,082,850.

On August 5, the Corporation changed its trading symbol on the Toronto Stock Exchange Venture (“**TSXV**”) from “MLR” to “MND”.

2009

During the first eleven months of 2009, the Corporation continued to be a pure exploration company, raising equity to fund its continuing 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 its option agreements with Inversiones Y Minería Andale Ltda. (“**Andale**”) and related parties in relation to the La Quebrada and adjacent Leoncita 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 and a convertible promissory note for a total amount of \$650,000, payable 18 months from the date of 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 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 Santas 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 each of 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, after mapping and sampling in 2010, the Los Santos Ladrones Option was terminated subsequently in June, 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 the 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 Costerfield from 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 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 pursuant to terminate (i) the El Caballo Blanco option, and (ii) 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 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.

In connection with the Offering, the Corporation entered into a securityholders 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%. 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 Western Coal that had been assumed by the Corporation as part of its acquisition of AGD in 2009.

5.2 Significant Acquisitions

The Corporation made the following significant acquisition during the year ended December 31, 2010.

Compañía Minera Cerro Bayo Limitada

As discussed under the heading “General Development of the Business – Three Year History”, in August 2010, the Corporation acquired Minera Cerro Bayo, a wholly owned subsidiary of Coeur d’Alene Mines. Minera Cerro Bayo owns and operates several underground silver-gold mines and a concentrator in the Cerro Bayo mining district of Aysen, Chile. Prior to the acquisition of Minera Cerro Bayo by Mandalay, Cerro Bayo was on care and maintenance. Mining was restarted at Cerro Bayo in the third quarter of 2010. Full details of the Minera Cerro Bayo acquisition may be obtained from the Corporation’s Business Acquisition Report which can be found under the Corporation’s profile at www.sedar.com.

6. DESCRIPTION OF THE BUSINESS

6.1 General Description

Mandalay is a Canadian-based 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 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 and Chile.

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 Mandalay Charter

The Mandalay Resources Corporation Company Charter is a concise declaration of the purpose, values, and intent of the organization.

MANDALAY RESOURCES CORPORATION
Company Charter

We are Mandalay Resources, creators of shareholder value through the acquisition, development, and operational improvement of advanced or producing mineral resource assets. We are growing a critical mass of producing, profitable mines that contain significant, self-funding organic growth opportunities and generate substantial free cash flow to support further acquisitions.

Our mission is to build a values-based and value-focused organization that is founded on safe and efficient work practices, continuous improvement, fiscal responsibility, and effective community relationships.

Our fundamental values are:

Safety

Safety is paramount in all our decisions and actions. We proactively protect people and property.

Integrity

We are our word. We honour our commitments, abide by applicable laws and live by high ethical standards.

Responsibility

We are responsible for our actions and their consequences. We operate with social and environmental responsibility and promote sustainable development.

Excellent Performance and Innovation

We promote excellence in everything we do. We create an environment where innovative ideas and methods to improve our processes and results are encouraged.

Value Creation

We seek and seize every opportunity to create more value with our resources.

Agility

We seek out new opportunities and rapidly respond to new challenges.

We are successful when . . .

Our employees live and work safely and experience the personal satisfaction that comes with high performance and recognition.

Our shareholders realize a superior total return on their investment and support our corporate values.

The communities in which we operate value our presence.

Our environmental impact is minimized and causes no permanent harm.

We are meeting our commitments to all our business partners: governments, suppliers, contractors, customers and communities.

Mandalay's specific commitments relative to safety, health, environment, stakeholders, and sustainability are contained in the complete set of policies contained on the company website, www.mandalayresources.com. Summaries appear below.

6.2.1 Safety and Health

The safety and health of our employees, contractors and consultants at work is a core value of Mandalay Resources. No other business objective has higher priority. Mandalay Resources recognizes that safety and health is paramount to the employee, the family, the community, the customer and the Company. Mandalay

Resources is therefore committed to providing a safe and healthy work environment for all employees and requires that safety should not be compromised for any other business priority. We expect companies providing services to Mandalay Resources to have the same high standards of safety and health as we do. It is the responsibility of the Company to provide the facilities, equipment, tools, procedures, safety programs and training for employees to work injury free. It is the responsibility of each employee to work safely for the benefit of the individual as well as co-workers. This responsibility includes following appropriate safety rules and planning each work activity using appropriate risk assessment, good judgment and skills, along with a sincere dedication to work safely.

6.2.2 Environment

Mandalay Resources is committed to maintaining the highest level of integrity in its corporate responsibilities toward resource development and environmental stewardship. Mandalay is committed to environmental protection throughout the exploration, development, operation and eventual closure and rehabilitation of each of its mines and properties by applying sound judgment, by meeting or exceeding legislative requirements of the jurisdiction in which it does business and by minimizing adverse impacts its activities may have on the environment.

The Corporation's environmental goals are to: (i) protect human health; (ii) minimize impact on the environment while operating; and (iii) return exploration and mining sites to an environmental standard agreed upon with regulators in the governing jurisdictions after completing operations.

6.2.3 Stakeholder and Sustainability

We respect the communities and nations that host our operations and conduct business in a sustainable, socially and environmentally responsible way. We are committed to maintaining transparent and ongoing consultative relationships with all stakeholders. We appreciate the importance of sound relationships with our stakeholders in maintaining and growing our operations, in delivering consistent operational performance and in working towards long-term sustainability.

6.3 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.

6.4 Product, Customer, and Distribution

As of the date of this Annual Information Form, the Corporation has had 16 months of production history at Costerfield since the acquiring transaction on December 1, 2009. Costerfield produces gold-antimony concentrates that are sold to the operation's principal customer, Zhongnan. In late 2010, the Corporation signed a twelve month extension to its concentrate off-take agreement with Zhongnan in respect of all antimony-gold concentrate produced at Costerfield. This most recent extension to the Zhongnan agreement improves the increase in payable percentage antimony and gold.

As of the date of this Annual Information Form, the Corporation had five months of preproduction mine development history at Cerro Bayo and two months of processing history, with one commercial shipment on February 11, 2011 to Dowa Metals and Mining Co.'s ("**Dowa Metals**") plant at Kosaka, Japan. On March 16, 2011, the Dowa plant issued a force majeure suspension of Cerro Bayo's sales contract as a result of damage suffered to infrastructure and power at Dowa Metals' Kosaka refinery in the March 11, 2011 earthquake and tsunami in Japan. The Corporation is currently reviewing its options for responding to the suspension.

6.5 Revenues

In the first eleven months of 2009, the Corporation's operations were limited to exploration and thus no revenues from operations were recognized. With the acquisition of Costerfield on December 1, 2009, the Corporation

commenced operations as a producing company and began recording revenues. Revenues for the financial year ended December 31, 2009 were \$317,552, representing gold and antimony sales in the single month of December.

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

6.6 Competitive Conditions

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

6.7 Cyclicity and Seasonality

The Corporation's business and operations are not seasonal. Demand for and pricing of the Corporation's mineral commodities fluctuate throughout the year, and all of the Corporation's properties can be operated year-round.

Demand for and the price 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.

6.8 Employees and Contractors

As at December 31, 2010, the Corporation had a total of 361 employees and 88 contractors, as set out in the chart below.

<u>Site</u>	<u>Employee</u>	<u>Contractor</u>	<u>TOTAL</u>
Cerro Bayo	260	75	335
Costerfield	92	7	99
Corporate¹	9	6	15
TOTAL	361	88	449

¹ Includes business development staff and exploration staff not assigned to mines.

6.9 Stages of Development

6.9.1 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 lode, left over from an earlier episode of mining that ended under previous ownership in the fourth quarter 2009;
2. driving primary development to access deeper levels of the mine, with access to four levels complete and access to deeper levels and another vein in progress;
3. ramping up production and sales as the new faces accessed by the decline are developed; and

4. drilling exploration holes from surface to delineate new resources below existing workings in the Augusta lode down to approximately the 150 m below the current workings.

The following table summarizes certain aspects of production and sales from Costerfield during the fourth quarter of 2010, and during prior quarters.

		12 mo ended 31-Dec-2010	Q4-10	Q3-10	Q2-10	Q1-10	2009 (Q4only)	YTD-2010
COSTERFIELD CAPITAL:								
Decline advance	m	931	229	232	225	244	74	931
Capital development cost per m (incl vert.)	A\$/m	2,958	3,059	3,920	2,840	2,058	2,577	2,958
Property, Plant, and Equipment	A\$	2,835,230	1,220,161	117,715,	474,384	1,022,970	307,390	2,835,230
Exploration spending (capitalized)	A\$	1,046,503	439,583	543,719	57,850	5,351	0	1,046,503
COSTERFIELD PRODUCTION:								
Operating development	m	3,526	1,124	870	960	572	91	3,526
Mined waste	t	69,169	19,980	17,244	13,534	18,411	3,435	69,169
Backfill placed	t	15,427	3,641	3,137	2,168	6,481	1,250	15,427
Mined ore	t	53,021	15,062	12,737	15,003	10,220	1,676	53,021
Operating cost per tonne, mine	A\$/t	208	232	212	179	209	323	208
Processed ore	t	50,713	13,481	14,816	13,672	8,744	1,813	50,713
Cost per tonne processed	A\$/t	75	86	75	64	76	110	75
Mill head Au	g/t	7.36	9.04	6.23	6.73	7.66	5.38	7.36
Mill head Sb	%	4.22	5.31	3.45	3.85	4.43	2.70	4.22
Au recovery	%	78.59	75.97	79.48	81.51	76.53	67.50	78.59
Sb Recovery	%	87.24	83.61	88.01	89.71	87.68	85.70	87.24
Au loss to tails	g/t	1.73	2.44	1.29	1.31	2.02	1.79	1.73
Sb loss to tails	%	0.61	0.99	0.43	0.42	0.62	0.41	0.61
Sulfide concentrate produced	wt	4,149	1,331	1,015	1,072	732	87	4,149
Sulfide concentrate produced	dt	3,495	1,110	847	908	629	75	3,495
Saleable Au produced in sulfide concentrate	oz	5,116	1,981	1,062	1,253	821	133	5,116
Saleable Sb produced in sulfide concentrate	t	1,106	356	267	282	201	23	1,106
Au produced in gravity concentrate	oz	2,281	328	723	706	524	32	2,281
Au produced from leaching tailings	oz	241	21	40	42	138	61	241
Total Costerfield Production								
Total saleable Au produced	oz	7,661	2,330	1,848	2,001	1,483	226	7,661
Total saleable Sb produced	t	1,106	356	267	282	201	23	1,106
Total saleable Au Equiv produced	oz	15,872	5,303	3,911	3,995	2,662	354	15,872
COSTERFIELD SALES:								
Sulfide concentrate sold	dt	3,508	1,323	706	898	581	68	3,508
Saleable Au sold in concentrate	oz	5,092	2,173	855	1,286	778	120	5,092
Saleable Sb sold in concentrate	t	1,131	420	238	278	195	21	1,131
Au sold in gravity concentrate.	oz	1,722	0	549	722	450	49	1,722
Au sold in dore	oz	231	21	35	43	132	54	231
Total Costerfield Sales, adjusted for smelter returns								
Total saleable Au sold	oz	7,317	2,406	1,499	2,051	1,361	222	7,317
Total saleable Sb sold	t	1,141	434	234	278	195	21	1,141
Total saleable Au Equiv. sold	oz	15,832	5,995	3,307	4,030	2,500	341	15,832
COSTERFIELD UNIT COSTS:								
Total site cash operating cost/tonne milled	A\$/t	319	293	302	322	382	575	319
Total site cash operating cost/tonne milled	US\$/t	293	288	277	282	344	534	293
Total cash cost/oz saleable Au Equiv. Sold ¹	US\$/oz	958	808	966	955	1,203	2,835	958
Total cash cost/oz saleable Au Equiv. Produced ¹	US\$/oz	936	732	1,048	964	1,129	2,738	936

*Numbers may not precisely add due to rounding

Notes:

- (1) The 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.

The year 2010 was one of development and production ramp-up for Costerfield, beginning from the mine restart in the fourth quarter of 2009, when Mandalay acquired the property. The Costerfield ramp-up plan anticipated advancing the primary decline by approximately 80 linear meters (m) per month to access new levels of the mine below the current workings (each vertical meter of decent requires about 10 meters of primary decline). The ramp-up encountered a series of adverse events related to the record rainfall experienced in the second and third quarters of 2010, including flooding of the deeper levels of the mine, rock falls, electrical outages, a mill motor failure, and difficulties processing wet ore. As well, the capital development advance rate was significantly below expectations early in the year due to low equipment availability, which delayed production from high grade areas of the mine. By year-end all of these difficulties had been overcome and the mine achieved design production rates in December of 2010.

By December 31, 2010, the Corporation had completed 931 m of primary development and accessed all four new levels required to deliver the targeted production volume. The Corporation has decided to continue capital development at approximately the same rate of spend during 2011 in order to access deeper levels of the ore shoot being defined by the Augusta Deeps drill program.

During the three months ended December 31, 2010, Costerfield produced a quarterly record 15,062 tonnes (t) of ore while also mining a record 19,980 t of waste and completing a record 1,124 m of operating development. The mine also placed the second best quarterly total of 3,641 t of backfill. This performance demonstrates a strong recovery from the flooding and ground control issues due to the rains experienced in the third quarter of 2010 and a balanced state of mine development that portends well for future results.

During the fourth quarter of 2010, the concentrator processed 13,481 t of ore with record high antimony grades (5.31% in fourth quarter, 2010, vs 4.22% year-to-date) and gold grades (9.04 grams per tonne (g/t) in fourth quarter, 2010, vs 7.36 g/t year-to-date). This combination of high throughput and high grade led to record quarterly concentrate production of 1,110 dry metric tonnes (dmt) of concentrate, saleable antimony production of 356 t and saleable gold production of 2,330 ounces (oz). Record sales volumes were also achieved in the fourth quarter of 2010: 1,323 dmt of concentrate, 420 t of antimony, and 2,194 oz of gold. These high head grades were expected from the ore reserve model on which the mine plans are based, and are expected to continue as deeper levels of the mine are accessed.

During the full year 2010, Costerfield produced 53,021 t of ore, while also mining 69,169 t of waste and placing 15,427 t of backfill. The corresponding performance in 2009 (1,676 t ore, 3,435 t waste, and 1,250 t backfill) was representative of only one month's performance (December). The 3,526 m of operating development and 931 m of capital development during the entire 2010 year compare to the 91 m of operating development and 74 m of capital development during the one month of December, 2009.

During the full year 2010, the concentrator processed 50,713 t of ore, producing 3,495 dmt of concentrate, 7,661 oz of saleable gold and 1,106 t of saleable antimony. This compares with the single month of December, 2009, in which 1,813 t ore was processed, producing 75 dmt of concentrate, 226 oz saleable gold, and 23 t of antimony.

Sales for the full year 2010 were 7,317 oz of gold and 1,141 t of antimony. For the single month of December, 2009 222 oz of gold and 21 t of antimony were sold.

Total site operating costs decreased from \$534/t ore in the fourth quarter of 2009 to \$288/t ore in the fourth quarter of 2010 as volumes increased and efficiencies were generated. The increasing head grades and metal output through the year (see above) resulted in cost per ounce of equivalent gold declining from \$2,738 in the fourth quarter of 2009, to \$732 in the fourth quarter of 2010.

During the fourth quarter, the Corporation changed its processing flow sheet, blending gravity gold concentrate, previously sold to an independent refiner, with flotation concentrate to produce a high-gold antimony concentrate as a single product. The technical results of this change were a success, and coupled with new smelter terms that

include a higher payable gold percent, the single product scheme will produce better cash returns for concentrate sold than cash returns from producing two separate products. The new scheme also results in a simpler processing flow sheet and lower operating costs. The Corporation liquidated its stockpile of previously produced gravity gold concentrate in the first quarter of 2011.

The tailings leach operation, described in last year's Annual Information Form, was curtailed in February, 2011 due to poor leaching and recovery performance.

6.9.2 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 two of four veins included in the current life-of mine-plan, Dagny and Fabiola, beginning in September, 2010;
3. restarting the Cerro Bayo mill in January, 2011;
4. ramping up production and sales; and
5. drilling in-fill holes on the Yasna vein.

The acquisition of Minera Cerro Bayo, completed during the third quarter of 2010, set the stage for intensive mine development in the first two of four planned veins: Dagny and Fabiola. Development ore was stockpiled during the fourth quarter of 2010 and processed to concentrate after the plant restart on January 10, 2011. The commencement of ore processing followed a successful test run of the concentrator on low-grade material during the last week of December, 2010. The first commercial shipment of concentrate occurred on February 11, 2011.

The following table summarizes certain aspects of capital development activities at and production from Cerro Bayo during the three and twelve months ended December 31, 2010. No ore processing or commercial sales occurred during 2010.

CERRO BAYO Re-start Summary		Year ended December 31, 2010	Q4 2010	Q3 2010
Capital development advance	m	547	521	27
Operating development	m	856	779	76
Capital developments pending	US\$	4,658,945	3,300,984	1,357,961
Capital spending(equipment)	US\$	1,189,244	949,960	239,284
Mined waste tonnes	t	34,721	33,155	1,566
Mined ore tonnes	t	12,048	10,505	1,543
Mined Ag grade	g/t	282	296	188
Mined Ag	oz	109,337	100,011	9,327
Mined Au grade	g/t	0.86	0.86	0.90
Mined Au	oz	334	290	45

Fourth quarter mine development at Cerro Bayo focused on continued development of the Dagny and Fabiola veins. By December 31, 2010, 547 m of primary horizontal development and 856 m of secondary horizontal development were achieved on those veins. As well, 236 m of vertical development were completed to install ventilation and escape ways. Total ore mined and stockpiled in front of the mill as of December 31, 2010, was 12,048 ts containing average grades of 0.86 g/t gold and 282 g/t silver, for total contained 334 oz gold and

109,337 oz silver. Processing during January, 2011, included this material, plus newly mined ore during the month.

Application to Chile's National Service of Geology and Mining ("SERNAGEOMIN") for permission to mine a third vein, the Delia NW, was completed during the fourth quarter of 2010, with a positive decision received in the first quarter of 2011.

During the fourth quarter, a two-rig drilling program was executed that focused on converting the inferred resources contained in the Yasna vein into measured and indicated resources and proven and probable reserves. Results of this work will be complete and released in the second quarter of 2011.

6.9.3 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 permitting for an initial drilling campaign, with the permit received in the first quarter of 2011.

6.10 Knowledge and Expertise

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

6.11 Business Outlook for Fiscal 2011

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, 2010, the Corporation had a working capital of \$21,317,922 and cash and cash equivalents of \$14,923,106. In 2011, the Corporation's plan is to be cash-flow positive throughout the year at current metal prices.

At Costerfield, the Corporation plans to mine and mill approximately 6,000 tpm ore throughout the year from which it will expect to recover and sell gold and antimony in the volumes and for the costs in the table below:

Costerfield Plan	2011E
Gold Sold (oz)	16,000-18,000
Antimony Sold (t)	2,400-2,600
Operating Costs (US\$ M)	2 1-25
Concentrate Shipping and Treatment (US\$ M)	1.0-1.5
Expensed Exploration (US\$ M)	1.3-1.7
Cash Cost/ oz Au Equiv.	500-600
Capital Expenditure (US\$ M)	10-12

This plan will be achieved by continuing capital development below the 1,000 m level (approximately 200 m below surface) reached in the fourth quarter of 2010 and out to the N-lode. Capital expenditure for the year, in addition to capital development spending, includes expanding tailings pond capacity, incremental mobile fleet and concentrator improvements, and capitalized drilling in the Augusta Deeps, where new intercepts will serve to infill and extend existing ore reserves. Brownfields exploration drilling will be expensed.

The Corporation plans to continue the Augusta Deeps core drilling program at Costerfield through 2011 with 11,500 m of core costing an estimated \$2,100,000. This is approximately the same monthly rate of progress as achieved in 2010, but carried on for the whole year 2011 rather than the half year in 2010. The Deeps drill results through December 31, 2010 (see below), are being compiled into a new, independent NI 43-101 report by Snowden Mining Industry Consultants, for the purpose of compiling new resource and reserve estimates. The preliminary results of this report are not known at this time, but the Corporation currently anticipates receiving such results in April, 2011 and publishing the final technical report within the required time period thereafter. As well, the Corporation has begun its Phase 1 Brownfields district exploration program in March, 2011, in which it plans to drill some 4,000 m of core in 2011 for a total expenditure estimated at \$1,500,000.

At Cerro Bayo, the Corporation plans to increase the current mining and milling rate to approximately 12,000-16,000 tpm as the Dagny and Fabiola veins continue to be developed and enter into the production phase. The Corporation expects to begin capital development on the Delia NW vein in late March, 2011. By the fourth quarter of 2011, when delivery of development ore from Delia NW is expected to begin, total ore production is expected to rise to 20,000-22,000 tpm.

During 2011, the Corporation plans to sell the expected volumes of gold and silver for the expected operating and capital costs summarized below:

Cerro Bayo Plan	2011E
Gold Sold(oz)	10,000 - 12,000
Silver Sold (oz)	1.5m - 2m
Operating Costs (US\$ M)	29 - 30
Concentrate Shipping and Treatment (US\$ M)	3.7 – 3.8
Expensed Exploration (US\$ M)	1.8 – 1.9
Cash Cost/ oz Ag net Au credit	10.00-11.00
Capital Expenditure (US M)	15-17

On March 16, 2011, Mandalay received notice from Dowa Metals and Mining, its primary customer for silver-gold concentrate from Cerro Bayo, of the force majeure suspension of Cerro Bayo's sales contract as a result of damage suffered to infrastructure and power at Dowa Metal's Kosaka refinery in the March 11 Japanese earthquake and tsunami. In light of this event, Mandalay is reviewing its operational and sales options for Cerro Bayo and will inform the market of any changes once this review is complete.

During 2011, the Corporation plans to spend about \$7,200,000 at Cerro Bayo on 73,000 m of core drilling for infill and step out drilling of ore shoots currently in the mine plan, plus initial testing of additional vein targets. The goal is to double reserves that were reported in the Cerro Bayo Technical Report as well as stock the target portfolio with confirmed targets ready for infill drilling in 2012. The Corporation expects to issue an interim reserves and resources update in the second quarter of 2011.

At La Quebrada, all exploration permits are now in place and the Corporation expects to begin drilling in April, 2011. The Corporation plans to spend approximately \$948,000 on 1900 m of drilling to follow up two previously defined targets. Pending results of this program, further work may be undertaken later in the year.

6.12 Mineral Projects – Costerfield, Australia

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

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

Permitting

Primary approval for 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. For the life of the current proven and probable reserves, the total antimony revenue is estimated in the Costerfield Technical Report at AUD\$15,169,671; the total selling costs are estimated at AUD\$863,438 and the royalty payable is estimated at AUD\$393,421.

There is no royalty payable on gold production.

Environmental Liabilities

Identified below are issues that required immediate attention that were identified in the Costerfield Technical Report. Progress the Corporation has made since this report was completed is included with each item:

- 2009 AIF: The ground water extraction volume entitlement 69 Megalitres per year (ML/y) According to mine records, extraction over the past eleven months has been 72.8 ML. Progress to date: Costerfield has applied for, and received, an increase in permitted ground water extraction to 179 ML/y. For the 12 months ending December, 2010, this limit was not reached. However, the mine is currently extracting

an average of 18.25 ML/month. This rate will exceed the limit of 179 ML/y in 2011 and we propose to apply for a limit increase to 250 ML/y. 2009 AIF: First and Second Schedule Conditions: The authorization of this right is for the extraction of groundwater from specific bores that have been numbered, identified, and metered. Progress to date: Each bore has an allowable extraction rate and volume. These conditions are not currently being complied with as dewatering is taking place from the underground workings and not from the designated bores, but the Corporation is in the process of addressing this issue. Progress to date: Currently the mine does not extract significant water from bores, but only from underground workings at the rate of 6 + litres/second (l/s). Part of the DPI approval for the new tailings lift is a complete water management plan for the site. Preparation of this plan was begun in 2010 and will be completed by mid-2011 when the tailings permit is anticipated to be received, with the assistance of a dedicated Hydrologist on site. This plan will address all water-related issues.

- 2009 AIF: Excess water stored in the Brunswick tailings dam has been used on the waste rock dumps for dust suppression purposes. In a district with possible naturally high levels of metals in surface and ground-waters, such disposal of mine water, without thorough characterization of both natural and mine waters to determine the factual net impact of such disposal, could create a potential liability for the Corporation. Progress to date: No mine water is currently being used on waste dumps and Brunswick Tailings water is not being used for dust suppression anywhere in the mine or vicinity. The following activities are occurring to mitigate excess water issues, all with permission from the Victorian EPA: excess water is being stored in the Brunswick Open Pit; we are transporting 100 ML to the Heathcote Open Pit and anticipate applying for permission to transport another 100ML in March, 2011; excess water is being re-injected into old workings at the rate of slightly less than 0.5 litres/second (l/s); the mine has an evaporator in place at the Brunswick open pit, that evaporates a minimum of 300,000 litres per day (l/d) and another evaporator is currently being sourced. Investigations and designs are in progress for the construction of 2 new evaporation/storage facilities for 120 ML of water. These will be constructed as soon as land can be obtained in the vicinity. All this will form part of the long term water management plan.

Local Resources and Infrastructure

Power

AGD Operations purchases electricity for the Costerfield directly from the main national electricity grid and has connections at both the Brunswick plant site and the Augusta underground mine site. AGD Operations purchases this power under contract from Tru Energy Australia. This three-year contract expires at the end of May, 2011.

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

- Augusta mine, a 800 kilowatt (kW) feed at a power factor of 0.8; and
- Brunswick plant, a 758 kW feed at a power factor of 0.8.

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

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

Water

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

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

The mine does not have a permit to discharge water from the site. The current Victorian EPA permit allows 100 ML to be removed from site to the Heathcote open pit.

The site has a 179 ML/y water right for extraction from underground and from two surface bores. The site water storage capacity is approximately 40 ML excluding the tailings storage facilities. The DPI has allowed us to store water in the Brunswick open pit as well, significantly increasing water storage capacity.

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 new Cell #2 of the 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 216 m ASL to about 268 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.

Gold-antimony veins of the Augusta lodes typically comprise quartz (laminated to brecciated) and sulphides. The dominant sulphide mineral is stibnite (Sb₂S₃). 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 which host resources but not reserves. 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; it is open at depth.

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

History

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

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

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

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

(Source: Fredericksen Technical Report)

Resource Category	Kt²	Au g/t	Sb %	Au oz	Sb t	Au Eq oz³	Au Eq g/t³
Measured	72.9	16.1	9.6	37,700	7,000	79,700	34.0
Indicated	151.4	9.6	4.8	46,700	7,300	90,300	18.6
Measured & Indicated	224.2	11.7	6.4	84,400	14,300	170,000	23.6

Resource Category	Kt²	Au g/t	Sb %	Au oz	Sb t	Au Eq oz³	Au Eq g/t³
Inferred	126.9	9.2	4.5	37,400	5,700	72,000	17.5

Notes:

- (1) The reader is cautioned that mineral resources that are not mineral reserves do not have demonstrated economic viability.
- (2) Mineral Resources are diluted mineral resources reported to a cut-off of 4.6 g/t Au Equivalents at 1.2 m. Mineral Resources are inclusive of Mineral Reserves.
- (3) Au equivalent oz = Au oz + Sb t * Sb price/Au price; Au price = \$1,000/oz; Sb price = \$6,000/t.

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

For information with respect to the historic production at the Augusta mine prior to Mandalay ownership, reference is made to section 4.3 of the Costerfield Technical Report.

Exploration

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

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

Mineralization

Veins at Augusta typically comprise quartz (laminated to brecciated) and sulphides. The dominant sulphide mineral is stibnite (Sb₂S₃). 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. Sericitisation 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 Ser-altered host rock by quartz occurs, with some remobilisation of sericite into convoluted cross-cutting veinlets
3. Open-space deposition of carbonate in quartz vughs
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
5. Re-crystallisation / annealing of stibnite

Ore shoots in the veins are typically 0.25-1.0 m thick and extend for 200 or more m 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 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 Fredericksen Technical Report reports that drilling dates back to 1966 in the Costerfield area. The table below presents the drilling history at the Augusta deposit.

Pre-Mandalay Drilling history at Costerfield (1960 – 2009)

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

Drilling Procedure

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

Drilling is carried out in a staged fashion with initial exploration drilling occurring at 100 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.

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

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

Sampling Method and Approach

Sampling occurs from both the drill core and directly from underground face samples. Diamond holes are orientated so that the drill holes are as close as possible to being perpendicular 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. The data is recorded within the geotechnical database. In order to maximize core recovery and mineralized sample size, 80% of the core drilled at AGD Operations drilling program is of HQ3 size.

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

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

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

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

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

Sample Security

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

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

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

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

Sample Quality

This discussion on sample quality is based on information from the Fredericksen Technical Report. The Fredericksen Technical Report presents results for the three standards AGD07-01, G902-2 and G901-8. GD902-2 and GD901-8 are commercially available standards from Geostats Pty Ltd.

For gold (“**Au**”), the charts indicate a reasonable level of accuracy is achieved. For antimony (“**Sb**”), the first quartile of the data set appears to be high biased, while the later three quartiles appears to be assayed to a reasonable level of accuracy.

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

Data Verification

Historic data in the Costerfield area has not been subjected to modern Quality Assurance Quality Control (“**QA/QC**”) procedures. The Fredericksen Technical Report reports that holes prior to hole MH064 were not subjected to any QA/QC analysis. Since then, the QA/QC procedures have been put in place and evolved.

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

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

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

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

Mineral Resources and Reserves

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

Resources

(Source: SRK Costerfield Technical Report)

Resources (as at 31-Mar-09)^{(1) (2)}

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

Notes:

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

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

Reserves¹

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

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

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

Mining Operations—History and Life of Mine Plan

Production commenced at the Augusta mine in 2006.

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

From April 1, 2009, total production from the mine, as reported by AGD Operations, has been 24,300 t at 7.1 g/t Au and 4.3% Sb to February 28, 2010.

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 8 m level intervals. 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 has been deployed at the Augusta mine, and such methods are described below.

Uphole Airleg Stopping

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

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

- Planned Dilution
 - Calculated by diluting the lode tonnes and grade to a minimum mining width of 0.6 m. This has been done by design each stope in Mine2-4D at 0.6 m wide and the interrogation uses this design shape to calculate tonnes.
- Unplanned Dilution
 - Unplanned dilution will be the sum of the unplanned hanging wall dilution and dilution during stope bogging. Due to the short strike of the uphole airleg stope's hanging wall dilution has been predicted as 20%. Historically, the hanging wall dilution has been greater than this but the stope strike lengths were up to 10 m in length. The overall dilution for uphole airleg stopes will be 30%.
- Mining Recovery
 - Due to the short strike stope length and placing of a bund in the stope prior to firing the ore loss during bogging is assumed to be zero. Bogging dilution has been assumed to ensure recovery is 100%. The ore loss during firing however has been assumed to be 10% due to some current uphole stopes not pulling to designed dimensions. This figure is based on observations from stopes that have been mined this year. Ore loss due to the leaving of pillars is based on taking a 4 m stope and leaving a 2 m pillar which lowers the recovery to 60%.

Blasthole Stopping

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

The poor historical success of the blasthole stopping method is attributed to several factors, including poor ground conditions in the upper levels of the mine, relatively wide development headings, poor drilling accuracy and lack

of good engineering support for blasting and backfilling. Ground conditions are improving at the new lower levels of the mine, and mining widths of 1.8 m have been achieved. When all these improvements are in place, it may be desirable to implement a test blast hole stope with tightly engineered blasting and backfilling, to determine if conditions for feasible and economical implementation of the method are now present.

Cut & Fill

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

- Planned Dilution
 - Planned dilution in the cut and fill areas is a function of orebody width versus drive width.
- Unplanned Dilution
 - Unplanned dilution has been included to account for drive overbreak during mining, and fall off due to structure. This figure is measured and documented onsite by the survey department. The total unplanned dilution for all development and flat backing is currently at 16%.
- Mining Recovery (Ore Loss)
 - The first sill drive on a level has been assigned a mining recovery of 100% as this is a full-face development heading. For subsequent levels, the mining recovery is 95% to allow for ore loss during blasting and bogging of waste fill.

With the application of this improved production plan, SRK sees no major threats to the target 5,000 tpm production rate for the rest of the mine life through November 2011.

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 concentrate.

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

Markets

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 Hunan Zhongnan Antimony & Tungsten Trading Co. Ltd. for the sale of the antimony-gold concentrate produced from the Costerfield mine. This contract has been extended through December 31, 2011.

Contracts

The underground mining activity is carried out solely by internal 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, and Section 6.2 of this Annual Information Form.

Mandalay will place an additional environmental reclamation bond of approximately AUD\$1,200,000 by March 31, 2011.

Taxes

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

There is more than AUD\$40,000,000 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 requires about AUD\$800,000 in capital purchases and AUD\$1,200,000 in capital development for the current proven and probable reserves to be extracted over the SRK base case life of mine through 2011.

Operating Costs

The total base case operating costs for the life of mine is about AUD\$24,000,000, or AUD\$380/t ore mined and milled, including mining, processing, commercial, and overhead costs.

The table below summarizes the key financial measures of the SRK base case Life of Mine Plan. Small differences between these numbers and those contained in the SRK report result from immaterial improvements in the financial model since completion of the Costerfield Technical Report and rounding.

Life of Mine Summary – SRK NI-43-101 Base Case Plan

		<u>Mar-2010 to Dec-2010</u>	<u>Jan-2011 to Nov-2011</u>	<u>Total</u>
Gold Price	US\$/oz	1,000	1,000	
Antimony Price	US\$/t	6,000	6,000	
FOREX	US\$/A\$	0.90	0.90	
Ore Mined	t	40,400	25,200	65,600
OreMilled	t	40,400	25,400	65,800
Au Sold	oz	12,3000	8,400	20,700
Sb Sold	t	1,500	1,000	2,500
Revenue	A\$	22,300	15,900	38,200
Total Operating Cost		(12,900)	(11,700)	(24,600)
EBITDA	A\$	9,400	4,200	13,600
After Tax Oper. Cash Flow	A\$	8,200	5,300	13,500
Capital	A\$	(800)		(800)
Capital Development	A\$	(1,100)	(100)	(1,200)
Bonding	A\$	(1,200)		(1,200)
Borrowings	A\$	(500)	(400)	(900)

		<u>Mar-2010 to Dec-2010</u>	<u>Jan-2011 to Nov-2011</u>	<u>Total</u>
After Tax Fee Cash Flow	AS	<u>3,800</u>	<u>5,100</u>	<u>8,900</u>

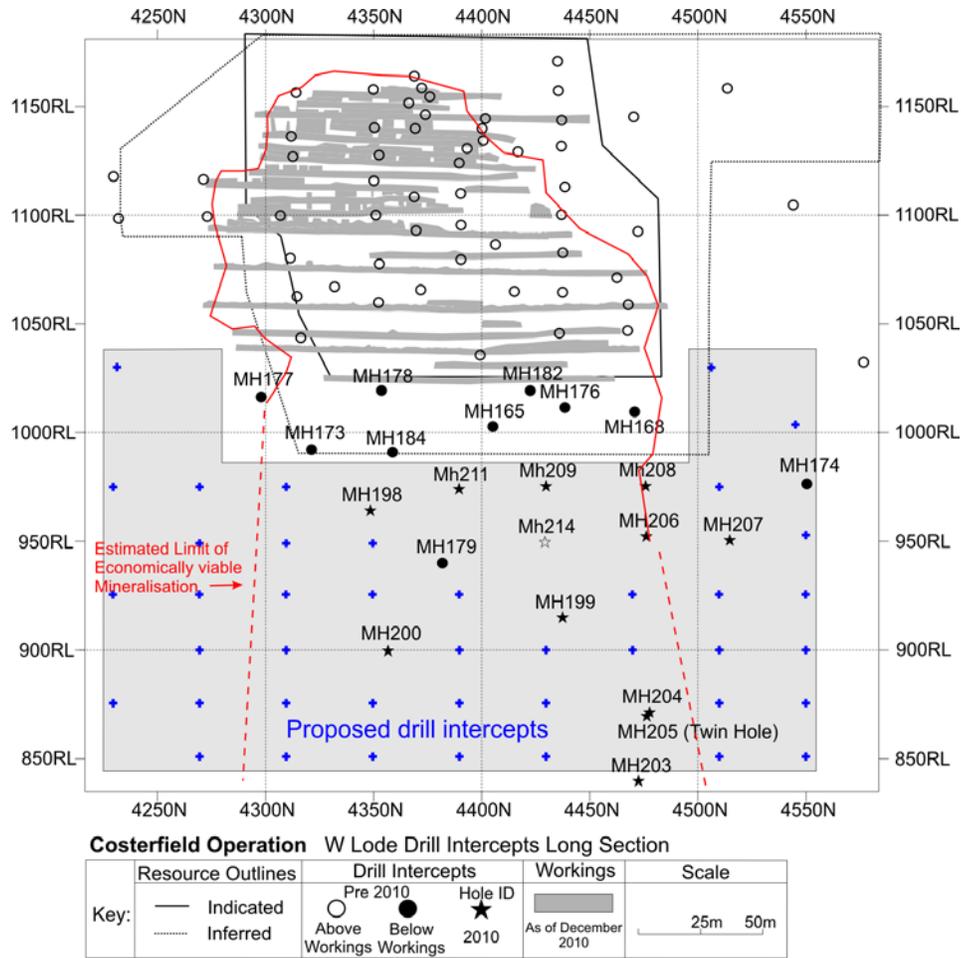
Update on Augusta Deeps Drilling

The Augusta Deeps drill program is being carried out under the direction of Neil Schunke, a member of AusIMM and a qualified person under NI 43-101. This update on the Augusta Deeps drilling program was prepared by Mark Sander, Chief Operating Officer of Mandalay, a member of AusIMM and a Qualified Person under NI 43-101.

During the months of July to December, 2010 (after completion of the Technical Report), the Corporation drilled 11 core intercepts of the Augusta W-Lode beneath the current workings. A table of the assay results and a long section showing the new assays in relation to mining are shown below:

W Lode Drilling Intercepts of the Augusta Deeps Program

<u>Hole ID</u>	<u>Intercept Northing (GDA94)</u>	<u>Intercept Easting (GDA94)</u>	<u>Intercept Depth(m)</u>	<u>True Width(m)</u>	<u>Gold Grade (g/t)</u>	<u>Antimony Grade(%)</u>
MH198	5914154.1	304139.2	213.7	0.34	81.0	53.5
MH199	5914237.8	304110.8	262.8	4.20	33.8	5.5
MH200	5914158.4	304119.8	278.9	0.23	4.9	2.8
MH203	5914271.7	304098.6	340.9	0.55	3.0	7.2
MH204	5914277.4	304099.4	308.4	0.92	9.7	4.9
MH205	5914276.6	304099.6	309.5	0.92	8.9	6.2
MH206	5914278.3	304105.3	226.5	0.10	13.2	2.4
MH207	5914314.3	304095.9	228.4	1.46	0.9	0.2
MH208	5914279.5	304114.7	197.0	1.21	4.8	0.4
MH209	5914230.6	304122.8	203.3	1.35	14.7	3.9
MH211	5914196.2	304127.9	201.2	0.65	44.2	20.7



Based on these results, the Corporation expects a significant increase in proven and probable reserves with an extended life of mine plan. It has retained Snowden Mining Industry Consultants to prepare an independent NI 43-101 report with a new resource and reserves estimation. The preliminary results of this report are not known at the time of writing this AIF; the Corporation currently anticipates receiving and releasing such results in April 2011 and publishing the final technical report within the required time period thereafter. Drilling will continue through 2011 to continue defining the W-lode at greater depth.

6.13 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 prepared by Leah Mach, CPG, MSc; Bruce Kennedy, P.E.; Fernando Rodrigues, B.S. Mining, MAusIMM; George Even, MAusIMM, AIG; Eric Olin, MAusIMM; and Neal Rigby, CEng, MIMMM, PhD, all Qualified Persons under NI 43-101.

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 12 km due 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 and are serviced by an all weather gravel road from Chile Chico.

Ownership

Mineral rights for Cerro Bayo are fully controlled by Compania Minera Cerro Bayo Ltda., which became a 100% owned subsidiary of the Corporation in August, 2010. The property encompasses 23,106 hectares (ha) of exploitation concessions and 4,700 ha of exploration concessions. The Corporation is converting the exploration concessions to exploitation concessions and so does not have to reduce its exploration 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, underlie 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 AIF 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 Minera Cerro Bayo 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 in the 2010-2011 season (after the Technical Report was filed). Through March 2011, backfilling of the pit, surface recontouring, and the bulkhead

for the underground mine have been completed. One more working field season is contemplated for installation of the geomembrane.

While the plan has not been approved yet, SERNAGEOMIN has been informed about the activities that are being undertaken. The cost of closure and reclamation of the Furioso property to be conducted over the period from 2009 to 2011 was estimated by SRK at \$5,300,000. As of March, 2011, US\$3,600,000 remains to be spent on the project. Under the terms of the CB Purchase Agreement, the Corporation is responsible for the first \$6,000,000 of reclamation costs for the Furioso property and 50% of any costs in excess of \$6,000,000.

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 unreclaimed 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 available there 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 National Commission for the Environment (“**CONAMA**”), whose functions and administration are regulated by Law 19.300. In addition, the government organized Regional Commissions for the Environment (“**COREMA**”) in each region of the Chilean territory as advisory agencies to each respective regional government on environmental matters.

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 either COREMA or CONAMA, as the case may be, with all the public agencies during the assessment process. The corresponding environmental resolution of COREMA or CONAMA is based on the reports of the 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 is COREMA of the Aysen 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.

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 t/month. 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 Dagny 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 2011, it is preparing its application for permission to mine the Delia SE vein.

Mining in the Cerro Bayo Area

Mining of the 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, in order 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 generator 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. As of the date of this Annual Information Form, the powerhouse has partially rehabilitated and is supplying the concentrator with required power. A new generator set has been ordered in preparation for commencing development on the new Delia NW mine and another will be needed when the Delia SE mine is started.

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 totalling 291 l/s. When operational, plant use 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 l contained in two 200,000 l tanks. Fuel deliveries have historically been from Chilean suppliers. All mine and mill shop facilities are in good repair, clean and usable. Mobile equipment has been stored inside and under cover and 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. Coeur has received permission to raise the dam to the 320 m elevation. At the 320 m elevation the tailing pond would have storage capacity for 2.5 million t of mill tailings. At the present time, the tailing dam has 4 m of freeboard and the operating permit requires that a minimum freeboard of 1.5 m be maintained.

The MWH report shows that 264,826 m³ of excavated material must be transported and placed on the dam in order to complete the dam construction to the 320 m elevation. Based on Coeur’s actual transport and placement costs of \$5.10/m³ (\$: Peso = 1:525), SRK roughly estimated the cost of constructing the dam to the 320 m elevation at \$1,500,000.

Waste Disposal

The sewage system design uses septic tanks. During normal operations, a contractor pumps these tanks out monthly. During the current shutdown conditions, they are pumped as needed.

Workforce

The workforce for the mine operation is sourced from the surrounding area and neighbouring town, Chile Chico. There is adequate manpower available in the area. As of December 31, 2010, the operation had a total of 260 employees and 75 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 ties to Coihaique and eventually to the port of Puerto Chacabuco on the Pacific Ocean. There is also barge and ferry service from Chile Chico to Puerto Ibanez 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 Ibanez from Puerto Chacabuco by truck and then barged across the lake to Chile Chico. Charter air-service is available from Balmaceda to Chile Chico, 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.

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 are interbedded in places with the volcanic rocks. The belt is unconformably overlain by plateau basalts that range in age from Early to Late Tertiary.

Molybdenite-quartz veins and veinlets occur in pegmatitic facies of the Patagonian Batholith; they also include scheelite and complex minerals of uranium and thorium. Precious metals related locally to lead and zinc minerals have also been explored and mined in vein occurrences in the Chilean-Argentinean Patagonia. Cerro Bayo in Chile and Martha, Cerro Vanguardia, Manantial Espejo, and San Jose in Argentina are the largest 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 environments. An epithermal gold-silver mineralization event hosted mainly in NNW and N-S to NNE structural trends with local bonanza grades, such as the Cerro Bayo, Cascada and Coigues Este (in Laguna Verde zone) 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 zone and is interpreted as being a result of igneous intrusions, doming, and subsequent collapse. A late 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 50 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. Mineral shoots typically are subhorizontal, 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 sections 5 and 7, respectively, of the Cerro Bayo Technical Report.

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. 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 was completed between November 2001 and April 2002.

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
Total	<u>4,894,600</u>	<u>519,000</u>	<u>27,945,200</u>

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 reserves, despite the high volume of resource discovery in recent years.

Exploration

Historical Exploration

After gold and silver mineralization was identified in the 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 at the Project in the latter part of 1990 by CSA. 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.

Since November 2001, additional mineralized high-grade silver and gold vein systems have been discovered from surface and underground exploration in the Cerro Bayo District. The latest of these was the Delia NW and SE vein, discovered after the mine was put on care and maintenance in October 2008. That vein constitutes a significant part of the current resource.

Historical Drilling

The Cerro Bayo Property's current mineral resources and mineral reserves are based on data generated from 3,581 core holes totaling 401,716 m, 666 RC holes totaling 57,271 m; and 27,130 channel samples totaling 68,553 m. To date, a combined total of 527,540 m in core drilling, RC drilling and channel sampling have been done in the Cerro Bayo District. Totals are shown below:

<u>Area</u>	<u>Sample Type</u>	<u>Number of Holes/Samples</u>	<u>Metres</u>
Delia*	Core	132	22,013
Cerro Bayo/Guanaco	Core	1,967	206,486
	Reverse Circulation	9	1,582
	Channel	21,324	40,133
Laguna Verde	Core	1,407	163,407
Mallines	Reverse Circulation	657	55,689
	Channel	5,155	26,932
	Core	54	6,995
Cascada	Core	153	24,828
	Channel	504	1,391
Total Core Holes*		3,713	423,729
Total RC Holes		666	57,271
Total Channel Samples		26,983	68,456
Grand Total*		31,362	549,456

**Updated by SRK to include drilling completed during 2009.*

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 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

During 2008 a total of 137 holes were drilled for a total of 28,234 m for the purpose of testing new targets and defining additional mineral resources; and a total of 141 drill holes were drilled for a total of 24,224 m for the purpose of defining new mineral reserves.

Since the start of drilling in the district in 1985, all core and drill chips have been logged in detail using standard industry practices.

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

Sampling Method and Approach

CMBC sampling protocols for reverse circulation and core drilling samples are considered by the authors of the Cerro Bayo Technical Report to be appropriate for this operation and in line with acceptable best practice and industry standard norms.

All mineralized intervals have been sampled and assayed using geological criteria. Mineralized intervals are selected for assaying for gold and silver content. In cases where the holes are aimed for 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 0.15 m to a maximum of 2.0 m. The mean length is 0.50 m. Due to the small core size (BQ), the entire core is consumed in the sample preparation and assaying process. Digital photographs are taken of the core to keep a permanent record. Intervals that are not assayed remain in storage at the mine site. 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, nearly 15,000 channel samples with a total length of over 47,000 m are included in the database. Channel sampling is done with a jack hammer in both open pits and underground. Samples are taken perpendicular to the mineralized structure at intervals of 3 m in underground operations and every 5m in open pits. For underground mining the samples are taken from the back, and the sampling is repeated every 4-5 m of vertical advance (approximately two cuts or lifts).

The minimum sample length is 0.30 m and the maximum length is 1.00 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”. After the samples have been collected they are sent to the assay lab for gold and silver analysis.

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. There is a complete assay laboratory located on site. This lab contains all the facilities for sample preparation, fire, wet and atomic absorption assays, as well as offices, washrooms, reagents and general storage. Both mine and exploration samples are assayed in this facility. Outside consultants have set up the testing procedures in accordance with industry standards. Snowden Mining Consultants Inc. and Jacobs Engineering have both reviewed the Minera Cerro Bayo lab (2001). Although the lab is not certified, their findings were that the laboratory meets international standard operating procedures.

All exploration and production sampling at Cerro Bayo is done by Minera Cerro Bayo Geology Department personnel.

Sample Security

Each sample is identified with a unique sample number that is tracked throughout the assaying process. There is no shipment of samples to offsite or third party facilities.

Sample Quality

In the Cerro Bayo Technical Report, SRK was of the opinion that the sample quality was acceptable according to recognized international best practice standards.

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. No sample preparation or assay problems have been found by SRK.

Data Verification

Coeur South America Exploration verified all drillhole data collected during 2007 and 2008 and utilized in the Resource database. An acQuire Technology Solutions Pty. Ltd. (“acQuire”) geologic data management system was implemented at Cerro Bayo in 2007-2008. All exploration drillhole data for the Dagny, Fabiola and Yasna veins have been input and verified through acQuire. Each assay is linked to an original certificate location after the certificates are automatically loaded to the system. All geologic drillhole data is entered at Chile Chico under the supervision of the geology staff.

While SRK’s additional verification of the data was rather limited in time and breadth, the general flow of data from original drill hole logs, drill hole surveys, sampling, sample preparation and laboratory procedures, lab certificates, and the construction of cross-sections, have been reviewed and found to be done in accordance with generally accepted best practice standards.

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

Mineral Resources and Reserves at Cerro Bayo

Of the more than 30 veins with at least inferred resources tabulated by previous owner Coeur, the Corporation has focused its initial attention on the seven 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 remainder of the smaller veins may constitute medium-term or long-term exploration targets.

For three of the veins in focus, Dagny, Fabiola, and Yasna, SRK verified previous resource and reserve estimates performed by Scott Wilson Roscoe Postle Associates Inc. (SWRPA), using GEMCOM software in October, 2008. For Delia NW and SE vein, SRK validated previous resource and reserve estimates performed by John Sims of Coeur, using GEMCOM software in December 2009. For Marcela Sur, Coyita, and Dalila, SRK performed its own new resource and reserve estimates in April 2010, using Maptek’s Vulcan software.

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 it.

Mineral Resources

	<u>Tonnes</u>	<u>Au (g/t)</u>	<u>Ag (g/t)</u>	<u>Au (Oz)</u>	<u>Ag (Oz)</u>
Measured	-	-	-	-	-
Indicated	615,269	3.6	471	70,305	9,321,361
Measured + Indicated	615,269	3.6	471	70,305	9,321,361
Inferred	475,163	2.7	359	41,077	5,484,894

Source: Mandalay Resources Corporation NI 43-101 Technical Report Cerro Bayo Mine, Chile; prepared by SRK Consulting, dated 14-May-2010.

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

The data used in the resource estimation consists of core drilling and additionally, at the Marcela Sur vein, channel sampling. The data has been appropriately composited and analyzed for capping values.

The gold and silver grades were estimated using Inverse Distance Cubed (ID3) and were validated by several methods. The mineral resources are stated in at a cutoff grade of 4.5 g/t AuEq based on \$900/oz gold and \$15.00/oz silver; the metal recoveries for gold and silver are very close so recovery was not used in the equivalency calculation. A rock density of 2.65 g/cc was used for all areas in the resource estimation. The resources are stated as of March 1, 2010, and are inclusive of mineral reserves. The reader is cautioned that mineral resources that are not mineral reserves do not have demonstrated economic viability.

Mineral Reserves as of March 1, 2010

	<u>Tonnes (t)</u>	<u>Au (g/t)</u>	<u>Ag (g/t)</u>	<u>Au (Oz)</u>	<u>Ag (Oz)</u>
Proven	-	-	-	-	-
Probable	692,175	2.6	300	58,098	6,684,904
Proven + Probable	692,175	2.6	300	58,098	6,684,904

Source: Mandalay Resources Corporation NI 43-101 Technical Report Cerro Bayo Mine, Chile; prepared by SRK Consulting, dated 14-May-2010.

The mineral reserves were calculated using metal prices of \$900/oz gold and \$15.00/oz silver. Given estimated costs, this led to a primary cutoff grade of 4.75 g/t Au equivalent. Stope designs based on elevation levels from 12 to 20 m were prepared to evaluate if an area of a level could be classified as reserves based on a 4.75g/t equivalent gold cutoff. Two different cutoffs were applied to derive the minable reserves from available resources. The first cut-off is called the incremental cutoff and it is set between 2.72 g/t to 4.75 g/t equivalent gold. The incremental cut-off costing does not include the access, ventilation, dewatering cost to get to the stope area since the higher grade stopes carry these costs. The second cut-off is set to 4.75 g/t and above equivalent gold. This cut-off includes all historic costs (\$116.84/t) and SRK evaluated all stopes, access, ventilation and haulage drifts based on this cutoff. The incremental cut-off blocks were added to the reserves since they showed profit based on applied selected historic cost and already developed levels. The assumed gold and silver plant recoveries are 93%.

History and Life of Mine Plan

Coeur mined from open pits in the Laguna Verde area from 1995 to 2000, when it ran out of open pit ore. It curtailed production through 2002, during which time it discovered and developed underground mines on veins adjacent to Cerro Bayo proper. Underground mining with a combination of shrinkage stoping and longhole open stoping 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 which contains the largest resource of the three. Together with remnants of the Marcela vein ore shoot in the Cerro Bayo area, Dagny, Fabiola, and Delia form the core of the base case mine plan on which the acquisition of Cerro Bayo was justified and reserves declared.

Mining Methods and Plan

The Corporation decided for safety and productivity reasons to resume its underground mining with the longhole open stoping method.

The overall plan is 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 Fabiola are in production as of the date of this Annual Information Form, with development of Delia NW anticipated to begin late in the first quarter, 2011. Delia NW will begin production in the fourth quarter of 2011, so that there will be three mines in production at the peak rate of about 1,200 tpd. The current NI 43-101 life-of-reserve mine plan shows three years of production, with Marcela Sur coming on-stream in mid-2012 as Dagny and Fabiola diminish.

The basic design of each mine is similar. Each is accessed by a single 4 m x 4 m spiral ramp with a ventilation/secondary escape raise of 4 m x 4 m. Production sublevel drifts are developed along the strike of the vein with a minimum width of 3.0 m. If the vein is wider, the width of the drift is the same as the width of the vein. Stopping is by the overhand longhole open stoping method, with mucking by remote control LHD's. As of the date of this Annual Information Form, the mine has been stoping for only a few weeks and the need for post-extraction back fill has not arisen. Conditions encountered so far suggest backfill may not be needed.

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 three year mine life, ideally at the sustained 1,200 tpd (three-mine) level include:

- Extending the life of Dagny and Fabiola veins - Operating development on the upper levels of both veins since restart have encountered substantially more material above cutoff grade than predicted by the block models used in the NI 43-101 report. The impact of this favorable result has not yet been integrated into a new ore reserve estimate, but it will clearly extend the life of these mines. In addition, there are inferred mineral resources below these levels that are being infill-drilled with a four-rig drill campaign with the goal of upgrading this resource to the indicated category;
- 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 (e.g. Yasna, Dalila, Coyita). Infill and extensional drilling began on Yasna, the highest priority of these veins, in November, 2010, and was recently completed. The Corporation is in the process of preparing a resource estimation and mine plan for this vein, which can be accessed via the Fabiola mine, and expects to be able to announce the results during the second quarter, 2011; and
- Finding and developing new veins - there are several 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.

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 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.

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.

SRK, based on review of metallurgical testing and historic concentrator performance, elected 93% recovery for both gold and silver for their estimation of reserves. Concentrator performance in the few operating weeks since startup on January 10, 2011, has averaged 89.8% for silver and 90.4% for gold while operating on low-grade development ore. Beginning in the middle of March, as ore grades increased with commencement of stoping higher grade material, recoveries have reached 92.3% for silver and 90.8% for gold.

The capacity of the concentrator is approximately 1,600 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 in the plant, which will be available 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 is an off-take agreement in place between Minera Cerro Bayo and Dow Chemicals and Mining for the sale of 300 tpm concentrate (the "**Dowa Agreement**"). As described above, on March 16, 2011, Dow Chemicals issued a force majeure suspension of Cerro Bayo's sale contract due to damage suffered to infrastructure and power at Dow Chemicals' Akita refinery as a result of the severe earthquake and tsunami of March 11, 2011. The Corporation is currently reviewing its options for responding to the suspension.

As production increases above the current level in the second half of 2011, the Corporation anticipates beginning negotiations in respect of an off-take agreement with a second customer.

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.

Environmental

The Corporation has environmental permits in place to mine the veins of the base case mine plan, except for a water discharge permit for dewatering the Marcela mine in 2012. Management of the Corporation anticipates being able to obtain this permit in sufficient time to begin dewatering according to the mine plan.

During the fourth quarter of 2010 and first quarter of 2011, the Corporation completed approximately 50% of the reclamation project at Furioso. The remainder of the project will be complete during the 2011 summer construction season.

Taxes

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

There are approximately \$32,000,000 in tax loss carry forwards for Minera Cerro Bayo that will substantially reduce any income tax being paid in the short life of the current Mineral Reserves.

Capital Costs

The base case life of mine plan requires about \$11,800,000 in capital including capital purchases, salvage, and reclamation cost and \$5,200,000 in capital development for the current proven and probable reserves to be extracted over the SRK base case life of mine through 2013.

Operating Costs

The total base case operating costs for the life of mine is about \$77,500,000, or \$112/t ore mined and milled, including mining, processing, and overhead costs.

The table below summarizes the key financial measures of the SRK base case Life of Mine Plan:

		<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Au price	\$/oz	\$1,000	\$1,000	\$1,000	\$1,000
Ag price	\$/oz	\$17.00	\$17.00	\$17.00	\$17.00
Ore mined	t	254,137	380,608	57,130	-
Ore milled	t	254,137	360,000	78,038	-
Au sold	oz	18,156	25,879	8,510	-
Ag sold	oz	2,169,335	2,909,826	982,390	-
Net Revenue (NSR less freight and royalty)	US\$	<u>51,347</u>	<u>69,898</u>	<u>23,448</u>	-
Total Site Operating Cost	US\$	<u>(31,186)</u>	<u>(35,333)</u>	<u>(10,964)</u>	-
EBITDA	US\$	20,161	34,565	12,484	-
Income tax	US\$	-	(8,297)	(3,631)	-
VAT refund	US\$	\$3,500	-	-	-
Capital	US\$	(6,197)	(1,520)	2,398	(6,484)
Capital Development	US\$	(4,099)	(1,031)	(44)	-
Working Capital	US\$	(6,237)	(829)	4,874	2,193
After tax free CF	US\$	<u>7,128</u>	<u>22,888</u>	<u>16,081</u>	<u>4,291</u>

6.14 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 a Qualified Person under NI 43-101.

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 claims which total 7,418 hectares. The Chilean Mining Code distinguishes two major types of claims, “mensuras”, roughly equivalent to mining leases and “pedimentos”, or exploration leases. Of the total number of claims, 58 (6118 ha) are mensuras and 5 (1300 ha) are pedimentos.

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” (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.

Climate

The property is located in the Coastal Cordillera at altitudes from 1,000 to 1,500 m above sea level (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 audits. Underground water has been intercepted in drillholes, but its quantity and quality has not been assessed. Nearby mines haul water from about 25 km from a source at the Elqui river valley. The Corporation believes that the property has suitable sites for dumps, tailing areas and potential processing plants due to the mostly gently sloping landscape.

It is anticipated that power will be obtained from the high voltage power line that runs along the Elqui river valley (about 25 km away) that forms part of the national grid system and currently feeds neighbouring 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 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 considered to be mostly alluvial-colluvial, with coarse size particles and little displacement produced mostly by in-situ erosion. Organic soil cover is low to non-existent.

Accessibility

Access is via paved and gravel roads, with an approximate driving time of 2 hours from La Serena. A network of drilling pad access roads provides 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 audits 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 occurs at the base of the Ka2 and Ka4 units. The volcanic units also contain copper mineralization, but it is generally discontinuous and localized.

In the lower unit (Ka2), mineralization appears 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 andesites.

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

- Epigenetic Cu mineralization (steeply-dipping veins and related manto deposits) within the Marquesa Formation of the Talcuna district 15 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 Arqueros Formations in and around the La Quebrada property;
- Contact Cu skarn mineralization of the San Antonio district located about 12 km to the SW of La Quebrada; and
- Cu 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 Cu-Ag 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

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

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

Further testing was carried out in 1969 and 1970 by the Denver Equipment 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 Cu 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

<u>Hole</u>	<u>Interval (m)</u>	<u>% Cu</u>	<u>G/t Ag</u>
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 Andalé Ltda. In 1995 and in 1996, Noranda carried out a program of rock chip, soil and stream sediment geochemistry, ground magnetic survey,

and a single line of IP. Noranda reported assays of 0.64% Cu over 19.5 m and 0.54% Cu over 43.5 m from exposures of volcanics, 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 volcanics.

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

Minera Teck Chile

Minera Teck Chile S.A. optioned the La Quebrada property in 1998. Teck's exploration work covered a period from 1998 to 2000. The initial program involved the collection of 230 channel samples from outcropping carbonate beds and the underlying altered 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 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
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Hole ID	Location X	Location Y	Interval
PQ-09	312,025	6,704,925	3 m (12-15) @ 0.64 Cu %, 2 gpt Ag
PQ-10	311,683	6,705,105	3 m (4-7) @ 0.86 Cu %, gpt Ag 4 m (15-19) @ 0.37 Cu %, gpt Ag 7 m (25-32) @ 0.58 Cu %, gpt Ag
PQ-11	311,477	6,705,347	6 m (5-11) @ 0.31 Cu %, gpt Ag
PQ-12	311,851	6,705,643	3 m (0-3) @ 0.37 Cu %, gpt Ag 3 m (10-13) @ 0.36 Cu %, gpt Ag

Dalmatas mineralized intervals (2003)

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

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

Mandalay Exploration - Recent

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

Mapping

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 Fm are located there. These more complete and detailed stratigraphic sections are the basis for the entire project area stratigraphy.

At Casa de Piedra, approximately 15 km² was mapped at a scale of 1:5000 and an additional 20+ km 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, whereas ore being mined at the adjacent Tugal pit is hosted by the Arqueros Formation..

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 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 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 (2006)

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

Dalmatas Mineralized Intervals (2006)

Hole ID	Location X	Location Y	Interval
DDH-07	307,902	6,699,239	3 m (4-7) @ 0.46 Cu %, 5.7 ppt Ag
DDH-08	307,007	6,699,514	5 m (22-27) @ 0.31 Cu %, 0.8 gpt Ag
RC-021	307,777	6,699,465	3 m (4-7) @ 0.4 Cu %, 4.9 gpt Ag 7 m (12-19) @ 0.49 Cu %, 4 gpt Ag
RC-038	306,990	6,699,768	3 m (57-60) @ 3.3 Cu %, 9 gpt Ag
RC-039	307,060	6,699,655	3 m (20-23) @ 0.26 Cu %, 1.4 gpt Ag
RC-057	309,326	6,697,849	12 m (12-24) @ 1.08 Cu %, 3.6 gpt Ag
RC-060	309,485	6,698,150	8 m (33-41) @ 0.34 Cu %, 3.2 gpt Ag
RC-063	309,290	6,698,064	5 m (91-96) @ 0.58 Cu %, 5.7 gpt Ag
RC-065	309,562	6,697,870	7 m (6-13) @ 0.36 Cu %, 3.5 gpt Ag 4 m (125-129) @ 0.18 Cu %, 1.5 gpt Ag 6 m (193-199) @ 0.22 Cu %, 0.2 gpt Ag
RC-067	309,887	6,698,367	6 m (7-13) @ 0.28 Cu % 0.3 gpt Ag

Hole ID	Location X	Location Y	Interval
RC-068	309,821	6,698,634	17 m (146-163) @ 0.76 Cu %, 12.3 gpt Ag
RC-078	307,762	6,699,700	5 m (0-5) @ 0.59 Cu %, 8 gpt Ag
RC-079	307,893	6,699,650	3 m (12-15) @ 0.44 Cu %, 4.6 gpt Ag 4 m (37-41) @ 0.64 Cu %, 3.9 gpt Ag
RC-084	309,665	6,699,314	3 m (6-9) @ 0.27 Cu %, 1.53 gpt Ag
RC-098	307,005	6,699,512	3 m (0-3) @ 0.3 Cu %, 2.5 gpt Ag

Leoncita Mineralized Intervals (2006)

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

The Corporation intends to drill the most favourable targets in the second and third quarters of 2011 and bring all the data together to deliver an NI 43-101 compliant resource estimation and report should the drilling be successful in delineating a resource.

Geographic/Grid Control

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

Bulk Density Determinations

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

Preliminary Environmental Study

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, 2011.

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 standardize drill log form was used to record the observed data including collar data, survey data, intervals, rock type, mineralization, alteration type and other relevant characteristics.

Samples were marked by the geologist at 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 presumably can correspond to hosting horizons.

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

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

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

Some steps to control possible loss of fines in the RC drilling were 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

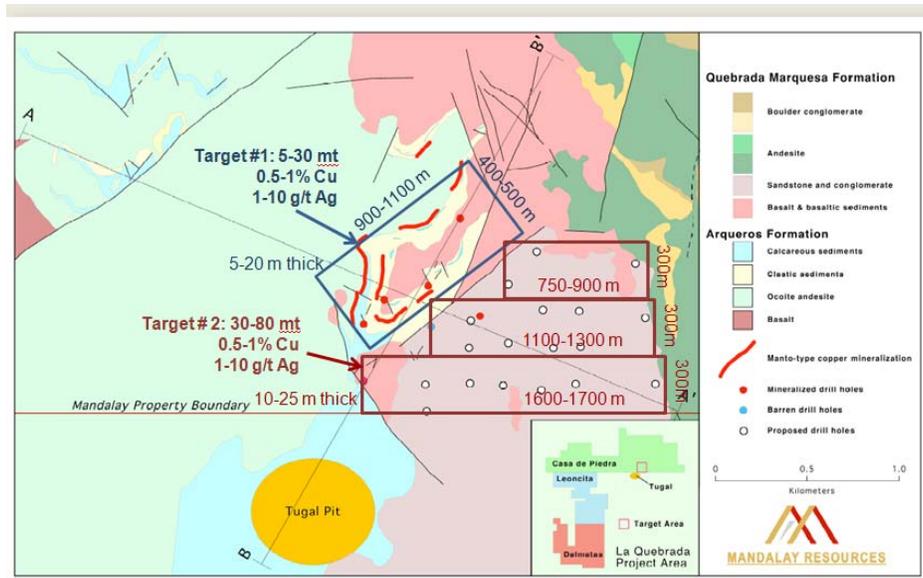
After the cutting or splitting procedure, samples were kept at an on-site camp until shipped to the lab. The samples had continued surveillance for 24 hours a day until the time shipped. Samples were sent packed in large canvas bags with a work order stating the number of samples on each bag. There is 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.

Exploration Targets

Mandalay intends to drill the Casa de Piedra target in 2011. The Corporation is targeting 35-100 million tonnes of rock that could contain grades of 0.5 to 1% Cu and 1-10 g/t Ag. This target tonnage was estimated by calculating the volume of rectangular prisms drawn to approximate the favorable geology in plain view, using a range of vertical thickness and grades as revealed in a few historic drill holes that penetrate the target (see figure below).



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

6.15 Risk Factors

The Corporation is exposed to a variety of risks in the normal course of operations that could significantly affect its performance and could cause its actual results to differ in material respects from its anticipated results. These risks are discussed below and are in addition to those outlined elsewhere in this Annual Information Form and in the Corporation's public filings with the Canadian securities regulatory authorities, including the Corporation's management's discussion and analysis of financial condition and results of operations for the year ended December 31, 2009 and 2010, 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; 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 are inherently cyclical and cannot be predicted with certainty; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. As a result, it is possible that financial performance of mineral properties will differ from plans and forecasts made in advance by the Corporation.

In addition, it is also common for mining operations to experience unexpected problems both during the start up and during ongoing operations. To the extent that unexpected problems occur 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 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 price of mineral commodities subsequent to the date of any estimate of mineral reserve or mineral resource may require revision of such estimate. An adverse fluctuation in the market price of mineral commodities may cause a re-evaluation of the economic feasibility of any project. If the economic feasibility is subsequently questioned, the Corporation may be adversely affected and may have to write off costs previously incurred.

Customer Concentration

The Corporation has several large customers for its concentrates, including Dowa Metals, 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, 2010, the five largest customers accounted for 100% of the Corporation's total sales. With respect to the declaration of Force Majeure declared by Dowa for concentrates from Cerro Bayo, the extent to which the Corporation is able to find alternate customers, if needed, is presently unknown, and failure resume deliveries under the Dowa Agreement or to secure alternate customers could have a material adverse affect on the Corporation's financial performance.

Project Development, Expansion Targets and Operational Delays

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

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

The location of 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 related issues or problems or issues with the supply of goods or services could have a serious impact on the financial performance of those operations.

Environmental Risks and Hazards

All phases of the Corporation's operations are subject to environmental regulation in the jurisdictions in which it operates. Environmental legislation is evolving in a manner 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 obtained, the Corporation may be curtailed or prohibited from proceeding with planned exploration or development of mineral properties.

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

Requirement of Additional Financing

The exploration and development of the Corporation's properties, including continued 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 may 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.

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 and Chilean pesos, while its products are priced exclusively in US dollars. Going forward, the Corporation will report its financial performance 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.

No 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 five 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 because of high premium costs or for other reasons. Failure to have insurance coverage for any one or more of such risks or hazards could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Competition

The mining industry is intensely competitive in all of its phases and the Corporation will compete with many companies possessing greater financial and technical resources. Competition in the mining industry is primarily for 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 property acquisition); 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. Further, increased competition can result in increased costs and lower prices for metal and minerals produced which, in turn, reduces profitability. Consequently, the revenues of the Corporation, its operations and financial condition could be materially adversely affected.

Repatriation of Earnings

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

Properties without Known Mineable Reserves

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

Dependence upon Key Management Personnel and Executives

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

Dependence on Major Customers

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

Infrastructure

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

Litigation

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

Potential Volatility of Market Price of Common Shares

Securities traded on the 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 Corporation's shares. Moreover, it is likely that during future quarterly periods, the Corporation's results and exploration activities may fluctuate significantly or may fail to meet the expectations of stock market analysts and investors and, in such event, the market price of the Common Shares could be materially adversely affected. In the past, securities class action litigation has often been initiated following periods of volatility in the market price of a company's securities. Such litigation, if brought against the Corporation, could result in substantial costs and a diversion of management's attention and resources, which could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Possible Conflicts of Interest of Directors and Officers of the Corporation

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

Absence of Dividends

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

Risk of Dilution

Under applicable Canadian law and the rules of the 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: 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 and, as such, a substantial portion of the Corporation's business is exposed to various degrees of political, economic and other risks and uncertainties. Although Chile has a mature and stable political system and enjoys one of the best country risk ratings of the region, there is always the potential for changes in mining policies or shifts in political attitude towards foreign investment in natural resources. Changes, even if minor in nature, may adversely affect the Corporation's 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 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 TSX and were delisted from TSXV.

Common Shares

The authorized capital of Mandalay is an unlimited number of Common Shares, of which 218,448,362 were issued as at March 31, 2011. The holders of Common Shares are entitled to receive notice of and attend all meetings of shareholders, with each Common Share entitling the holder to one vote on any resolution to be passed at such shareholder meetings. The holders of Common Shares are entitled to dividends if and when declared by the Board of Directors. The holders of Common Shares are entitled, upon the liquidation, dissolution or winding up of Mandalay, to receive the remaining assets of Mandalay available for distribution to shareholders.

Stock Options

Pursuant to the 10% rolling stock option plan of the Corporation (the "**Stock Option Plan**") which authorizes the directors of the Corporation to grant options for up to 10% of the issued and outstanding Common Shares, as at the date of this Annual Information Form, the following options were outstanding under the Stock Option Plan, each option exercisable to purchase one Common Share. For additional information on the Stock Option Plan, see the Corporation's management information circular dated March 24, 2010 on the Corporation's SEDAR profile. The total number of outstanding options as at March 31, 2011 is 13,784,696.

Issue Date	Exercise Price CND\$	As of March 31, 2011	Expiry Date
Mar 11, 2011	0.560	3,983,750	Mar 11, 2016
Jan 25, 2011	0.420	355,000	Jan 25, 2016
Oct 20, 2010	0.328	75,000	Oct 20, 2015
Oct 16, 2010	0.330	300,000	Oct 16, 2015
Sep 16, 2010	0.335	100,000	Sep 16, 2015
Sep 7, 2010	0.310	150,000	Sep 7, 2015
Aug 30, 2010	0.260	50,000	Aug 30, 2015
Aug 6, 2010	0.260	1,745,000	Aug 26, 2015
Dec 7, 2009	0.255	6,674,086	Dec 7, 2014
Jun 24, 2009	0.500	87,480	Nov 20, 2011
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 31, 2011 is 156,595,025.

Issue Date	Exercise Price CND\$	As of March 31, 2011	Expiry Date
Aug 6, 2010	0.33	85,892,357	Aug 6, 2012
Nov 30, 2009	0.465	44,400,000	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
Jun 24, 2009	0.250	2,992,668	Jun 24, 2011
Apr 22, 2009	0.200	1,160,000	Apr 22, 2014

9. MARKET FOR SECURITIES

9.1 Trading Price and Volume

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 2010 is set out below.

Month	High CDN(\$)	Low CDN(\$)	Close CDN(\$)	Total Monthly Volume
January 2010	0.395	0.29	0.35	207,879
February 2010	0.36	0.3	0.3	181,800
March 2010	0.42	0.27	0.355	1,193,691
April 2010	0.38	0.3	0.34	1,011,470
May 2010	0.4	0.31	0.32	754,608
June 2010	0.36	0.29	0.29	557,350

Month	High CDN(\$)	Low CDN(\$)	Close CDN(\$)	Total Monthly Volume
July 2010	0.345	0.29	0.3	381,000
August 2010	0.365	0.23	0.32	347,985
September 2010	0.37	0.28	0.29	309,930
October 2010	0.355	0.285	0.305	346,900
November 2010	0.35	0.25	0.345	3,369,866
December 2010	0.52	0.32	0.46	20,759,676

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 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
John J. Byrne ⁽⁴⁾ Melbourne, Australia	Chairman and Director	Executive Chairman of Wasabi Energy Ltd.	July 2009
Robert Doyle ⁽³⁾ Ontario, Canada	Director	Corporate Director	April 2010
Peter Rhys Jones ⁽⁴⁾ Ontario, Canada	Director	CEO of HudBay Minerals Inc	August 2010
Robert Anthony Paul Griffin ⁽³⁾ Ontario, Canada	Director	Investment Manager	August 2010
Abraham Jonker ⁽³⁾ British Columbia, Canada	Director	Chartered Accountant	August 2010
Belinda Labatte Ontario, Canada	Corporate Secretary	Principal, The Capital Lab Inc.	March 2010
Bradford A. Mills London, United Kingdom	Chief Executive Officer and Director	Chief Executive Officer of the Corporation	September 2009
Mark Sander Pennsylvania, United States	Chief Operating Officer	Chief Operating Officer of the Corporation	December 2009
Sanjay Swarup Twickenham, United Kingdom	Chief Financial Officer and Director	Chief Financial Officer of the Corporation	Officer: December 2009 Director: April 2010

Notes:

- (1) Information supplied by the directors and officers.
- (2) Over past 5 years
- (3) Member of Audit Committee.
- (4) Member of Compensation, Corporate Governance & Nominating Committee and Safety, Health and Environmental Committee.

As of March 31, 2011, the directors and executive officers of the Corporation, as a group, beneficially owned, or controlled or directed, directly or indirectly, approximately 138,557,034 Common Shares, representing approximately 63.45% 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 R. 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. Consequently, there exists the possibility for such directors and officers to be in a position of conflict. The Corporation expects that any decision made by any of such directors and officers involving the Corporation will be made in

accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Corporation and its shareholders.

12. LEGAL PROCEEDINGS

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

13. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as described elsewhere in this Annual Information Form, since January 1, 2008, no director, executive officer or 10% shareholder of the Corporation or any associate or affiliate of any such person or company, has or had any material interest, direct or indirect, in any transaction that has materially affected or will materially affect the Corporation or any of its subsidiaries.

14. TRANSFER AGENTS AND REGISTRARS

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

15. MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business and not required to be filed under Section 12.2 of National Instrument 51-102 – Continuous Disclosure Obligations (“**NI 51-102**”), there are no contracts which are regarded as material and which were entered into by the Corporation within fiscal 2010 or before fiscal 2010 but are still in effect.

16. INTERESTS OF EXPERTS

16.1 Names of Experts

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

Deloitte & Touche LLP 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.

Leah Mach, CPG, MSc, Bruce Kennedy, P.E., Fernando Rodrigues, B.S. Mining, MAusIMM George Even, MAusIMM, AI, Eric Olin, MAusIMM, Neal Rigby, CEng, MIMMM, PhD, constitute the team of SRK Consulting that prepared the Technical Report dated May 14, 2010, entitled NI 43-101 Technical Report Cerro Bayo Mine, Chile.

Chris Raleigh, John Blackburn, Kobuss du Plooy, Brett Muller, Adriaan du Toit, and Bruce Sommerville, all Qualified Persons under NI 43-101, constitute the SRK Consulting team that prepared the Technical Report dated May 20, 2010, entitled “Costerfield Gold and Antimony Project, Augusta and Brunswick Deposits Located in Costerfield, Victoria, Australia”.

Leonardo Diaz (PhD and MSusIMM), Principal Consultant with Antakori S.A., is the author responsible for the preparation of the Technical Report dated March 31, 2010 entitled “La Quebrada Project, La Serena, Chile”.

16.2 Interests of Experts

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

elected, appointed or employed as a director, officer or employee of the Corporation or of any associate or affiliate of the Corporation.

17. ADDITIONAL INFORMATION

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