



**MANDALAY RESOURCES**

**MANDALAY RESOURCES CORPORATION**

Annual Information Form

**March 28, 2014**

## TABLE OF CONTENTS

1.	ABOUT THIS ANNUAL INFORMATION FORM.....	1
2.	FORWARD-LOOKING STATEMENTS .....	1
3.	TECHNICAL INFORMATION .....	1
4.	CORPORATE STRUCTURE .....	2
	4.1 Name, Address and Incorporation.....	2
	4.2 Intercorporate Relationships .....	2
5.	GENERAL DEVELOPMENT OF THE BUSINESS.....	3
	5.1 Three Year History.....	3
	5.2 Significant Acquisitions .....	7
6.	DESCRIPTION OF THE BUSINESS.....	7
	6.1 General Description .....	7
	6.2 Material Properties .....	8
	6.3 Product, Customer, and Distribution.....	8
	6.4 Revenues.....	8
	6.5 Competitive Conditions .....	8
	6.6 Cyclicity and Seasonality .....	8
	6.7 Employees and Contractors.....	9
	6.8 Stages of Development .....	9
	6.9 Knowledge and Expertise .....	13
	6.10 Business Outlook for Fiscal 2014 .....	13
	6.11 Mineral Projects – Costerfield, Australia.....	15
	6.12 Mineral Projects – Cerro Bayo, Chile .....	32
	6.13 Mineral Projects - Challacollo, Chile.....	62
	6.14 Mineral Projects – La Quebrada, Chile .....	65
	6.15 Risk Factors .....	83
7.	DIVIDENDS.....	89
8.	CAPITAL STRUCTURE .....	89
9.	MARKET FOR SECURITIES .....	91
10.	ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER.....	91
11.	DIRECTORS AND OFFICERS .....	91
12.	AUDIT COMMITTEE INFORMATION .....	93
	12.1 Description of the Audit Committee .....	93
	12.2 External Auditor Service Fee.....	94
13.	LEGAL PROCEEDINGS AND REGULATORY ACTIONS.....	94
14.	INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS .....	94
15.	TRANSFER AGENTS AND REGISTRARS .....	95
16.	MATERIAL CONTRACTS .....	95
17.	INTERESTS OF EXPERTS .....	95
	17.1 Names of Experts.....	95
	17.2 Interests of Experts.....	95
18.	ADDITIONAL INFORMATION.....	96

## 1. ABOUT THIS ANNUAL INFORMATION FORM

The information in this Annual Information Form is presented as at March X, 2014, unless otherwise indicated, and except for information in documents incorporated by reference that have a different date. All references to dollar amounts and to "\$" or "dollar" in this document are to US dollars, unless indicated otherwise. In this Annual Information Form, references to the "Corporation", or "Mandalay" refer to Mandalay Resources Corporation and its subsidiaries, unless the context otherwise requires or indicates.

## 2. FORWARD-LOOKING STATEMENTS

Forward-looking statements look into the future and provide an opinion as to the effect of certain events and trends on the business. Forward-looking statements may include words such as "plans", "intends", "anticipates", "should", "estimates", "expects", "believes", "indicates", "targeting", "suggests", "continue", "may", "will" and similar expressions. Forward-looking statements include, but are not limited to: statements with respect to the future price of gold, silver, copper, antimony and other metals as well as foreign exchange rates; the estimation of Mineral Reserves and resources and the related results and timing of such estimates; the performance of Mineral Reserve estimates in predicting amount and quality of ore actually mined; the timing and amount of estimated future production, costs of production, capital expenditures; estimates of expected sales volumes and associated operating and capital costs for its silver and gold production; costs and timing for the development of new deposits; success of exploration activities; and environmental permitting time lines. This document contains forward-looking statements about the Corporation's objectives, strategies, financial condition and results, as well as statements with respect to management's beliefs, expectations, anticipations, estimates and intentions. These forward-looking statements are based on current expectations and various factors and assumptions. Accordingly, these statements entail various risks and uncertainties.

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

It is important to note that:

- Unless otherwise indicated, forward-looking statements in this Annual Information Form describe management's expectations as at the date of this Annual Information Form.
- Readers are cautioned not to place undue reliance on these statements as the Corporation's actual results may differ materially from its expectations if known and unknown risks or uncertainties affect its business, or if the estimates or assumptions prove inaccurate. Therefore, no assurance can be provided that forward-looking statements will materialize.
- The Corporation assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or for any other reason, except as may otherwise be required pursuant to applicable laws.

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

## 3. TECHNICAL INFORMATION

Technical information provided herein for the La Quebrada copper-silver property ("**La Quebrada**"), the Costerfield gold-antimony mine ("**Costerfield**"), the Cerro Bayo silver-gold mine ("**Cerro Bayo**"), and the Challacollo silver-gold property ("**Challacollo**") is based upon information contained in the technical reports in respect of the properties, prepared pursuant to National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("**NI 43-101**") (each, a "**Technical Report**" and collectively, the "**Technical Reports**").

The technical report in respect of Cerro Bayo, entitled “Technical Report on the Cerro Bayo Project, Region XI (Aysen), Chile” and dated March 27, 2014 (the “**Cerro Bayo Technical Report**”), was prepared by Roscoe Postle Associates Inc. (“**RPA**”), authored by Normand L. Lecuyer (P.Eng.) and Rosmery Julia Cárdenas Barzola, MAusIMM CP (Geo), both independent Qualified Persons under NI 43-101.

The technical report in respect of Costerfield, entitled “Mandalay Resources Corporation: Costerfield Operation, Victoria Australia: Mineral Resource and Mineral Reserve Technical Report: SRK Project No. PLI014” and dated March 25, 2014 (the “**Costerfield Technical Report**”), was prepared by SRK Consultants (“**SRK**”), authored by Peter Fairfield, Principal Consultant (Project Evaluation), BEng (Mining), FAusIMM (No: 106754); and Brett Muller, SRK Associate, Principal Consulting Engineer (Metallurgy), B.Eng. (Minerals Engineering and Extractive Metallurgy), B.Com. (Finance); Bob Lindbury, all independent Qualified Persons under NI 43-101.

The technical report in respect of La Quebrada, entitled “La Quebrada Copper-Silver Project, Casa De Piedra Sector, Technical Report” and dated August 14, 2012, (the “**La Quebrada Technical Report**”), was prepared by Michael Easdon M.Sc., CPG-07646, an independent Qualified Person under NI 43-101 and filed on August 16, 2012.

The technical report in respect of Challacollo entitled “Technical Report on the Challacollo Silver-Gold Project, Region I, Chile” and dated January 30, 2014, (the “**Challacollo Technical Report**”) was prepared by RPA, authored by Luke Evans, M.Sc., P.Eng., an independent Qualified Person under NI 43-101 and filed on February 7, 2014.

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

#### **4. CORPORATE STRUCTURE**

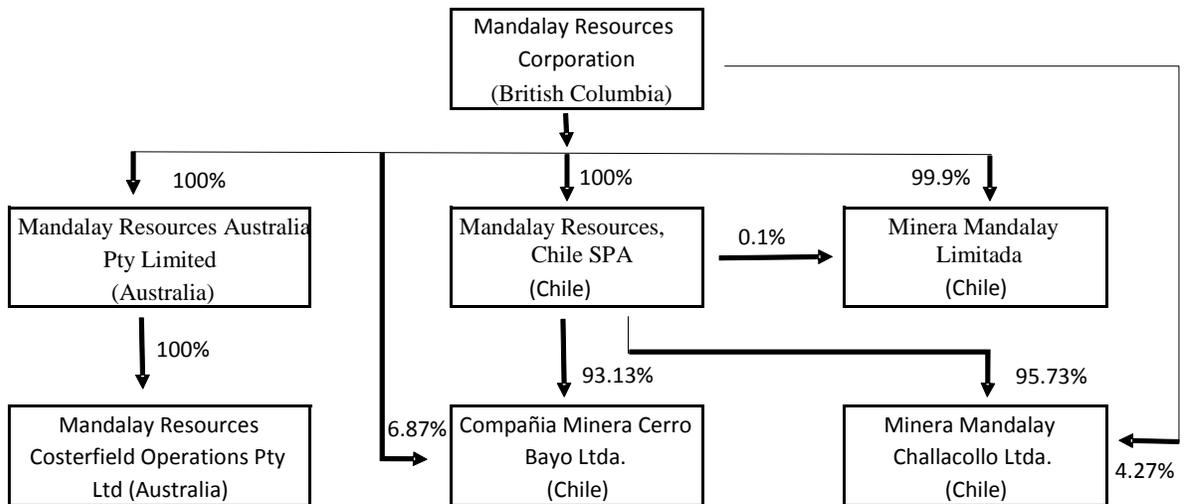
##### **4.1 Name, Address and Incorporation**

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

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

##### **4.2 Intercorporate Relationships**

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



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

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

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

## 5. GENERAL DEVELOPMENT OF THE BUSINESS

### 5.1 Three Year History

With the completion of the Costerfield acquisition on December 1, 2009, the Corporation evolved into a producing company with revenue from gold and antimony sales. By the fourth quarter of 2010, it had grown to a two-mine operation with the acquisition of Cerro Bayo in August, 2010, and was generating positive net income. By the fourth quarter of 2011, the ramp-up of production at Cerro Bayo was approximately 75 percent complete and the Corporation completed its first full calendar year of profitable operations. The Corporation began paying dividends in the third quarter of 2012. By the fourth quarter of 2012, the ramp-up of production at Cerro Bayo was complete and both of the Corporation’s mines were producing at sustainable, full rates.

## 2011

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

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

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

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

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

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

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

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

On August 24, Mandalay provided an update on exploration drilling being conducted at Costerfield. At the "Augusta Deepes" project, where Mandalay's focus was on infilling and extending the W-Lode ore shoot in the existing Augusta mine, drilling from the start of the year to the end of July generated 15 new intercepts of W-Lode, of which ten were above the mill feed cut-off grade and over the minimum 1.8 m mining width. These intercepts confirmed and extended the inferred resource beneath current reserves estimated from 2010 drilling and described in a Costerfield technical report filed by the Corporation on June 2, 2011. At the "Brownfields" project, where Mandalay was drill-testing targets for new shoots along strike of the E- and W-Lodes north and south of the Augusta mine, drilling from the start of the year to the end of July confirmed and expanded drill

targets beneath inferred resources previously reported in the Costerfield technical report on the N-Lode East and N-Lode West veins and resulted in the identification of a potential new mineralized shoot beneath the historic Alison mine workings.

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

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

In October, the TSX approved the Corporation's notice of intention to make a normal course issuer bid ("**NCIB**") for 5% of the issued and outstanding Common Shares and CDN\$0.33 common share purchase warrants as of October 11, 2011, at the market prices of such Common Shares and common share purchase warrants at the time of acquisition.

## 2012

On February 23, Mandalay announced the results of its 2011 exploration programs at Cerro Bayo (8 rigs for 60,074 m drilled) and Costerfield (3 rigs for 13,365 m drilled). These results included more than doubling its contained silver ("**Ag**") reserves, increasing its contained gold ("**Au**") reserves by 85%, and replacing its contained antimony ("**Sb**") reserve. For more information on these increases, reference is made to the Independent Technical Reports filed on Cerro Bayo (exact date in March, 2012) and Costerfield (exact date in March, 2012), since superseded in March, 2013 later Technical Reports on each property.

On February 24, civil unrest in the Aysén Province of Chile, triggered by subsidy demands by local fishermen, resulted in the closure of the port of Chacabuco, which is the primary route for concentrate export for the Cerro Bayo mine and the primary import route for fuel and other supplies. This resulted in the delay of shipments in February and March from Cerro Bayo to its customers and the suspension of mineral processing for about 10 days during this period due to low fuel supply levels. Shipments were resumed on March 31st following a resolution between the Government of Chile and local communities.

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

On June 8, Mandalay obtained a one-year secured revolving credit facility in the amount of \$20 million from Bank of Montreal (the "**BMO Facility**"). The Sprott loan facility of CDN\$10 million was repaid in full.

On July 3, the Corporation released its resource estimate for its wholly owned La Quebrada copper-silver project in northern Chile, which contained an Indicated Resource of 34.8 million tonnes at 0.6% Cu and 10 g/t Ag.

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

On October 15, the TSX approved the Corporation's notice of intention to renew its NCIB. Pursuant to the NCIB, the Corporation may purchase up to 15,856,786 Common Shares in the 12-month period commencing October 17, 2012, and ending on October 16, 2013, which represents 5% of the common shares issued and outstanding as of October 3, 2012.

On November 8, the Board of Directors declared an initial quarterly dividend of CDN\$0.01 per share, payable on December 5 to shareholders of record as of November 20, 2012.

## 2013

On March 6, the Corporation announced its Mineral Resources and Mineral Reserves as of December 31, 2012. Relative to year-end 2011 Reserves, contained gold in Mineral Reserves grew by 33%, contained silver grew by 14% and contained antimony grew by 38%. The Corporation's increased Mineral Reserves were based on increased Measured and Indicated Resources estimated for year-end 2012. In the Measured and Indicated Resource category, contained gold ounces ("oz") increased by 28%, silver oz increased by 70% and antimony tonnes ("t") increased by 15%. These Mineral Resources include the previously reported initial Mineral Resource estimate at the Corporation's La Quebrada copper-silver project. The March 6 estimates of Mineral Reserves and Resources at Cerro Bayo and Costerfield were documented by Independent Technical reports filed in March, 2013. These have since been superseded by the February 13, 2014 estimates of end of year 2013 Mineral Reserves and Resources, documented in Independent Technical Reports filed on March 28, 2014.

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

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

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

On July 15, the Corporation announced a fatality at its Cerro Bayo operation. Operations were suspended immediately and the Corporation worked closely with the authorities, employees, and the family of the deceased to respond effectively. Operations at Cerro Bayo resumed and returned to normal in the Dagny and Delia NW mines on July 18, while the Fabiola mine remained suspended while investigations into the accidents were being completed by the government and the Corporation and was reopened on July 22.

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

In the end-of-year 2013 Mineral Reserve and Resource update announced on February 13, 2014 and documented in the Independent Technical Report filed on March 28, 2014, a portion of the Mineral Resource included in the PEA was converted to Proven and Probable Mineral Reserves.

On December 20, the Corporation announced that it signed a definitive purchase agreement with Silver Standard Resources Inc. to acquire the Challacollo silver-gold property in Region 1, Northern Chile by purchasing all of

the shares of Silver Standard's wholly-owned subsidiary MSSC.

## **2014**

On February 7, the Corporation completed the purchase of the Challacollo silver-gold property. Pursuant to the terms of the Share Purchase Agreement, the Corporation agreed to deliver to Silver Standard upon closing: (i) \$7.5 million in cash; and (ii) 12 million Common Shares, valued at \$9,188,160 at a share price of \$CAD0.85/share and \$US/\$CAD exchange rate of 0.9008. Contingent consideration to be delivered to Silver Standard under the Share Purchase Agreement includes: (i) five million Common shares of Challaollo to be issued at the end of the first quarter in which commencement of commercial production at the Project occurs; (ii) an aggregate cash payment equal to the equivalent of 240,000 troy ounces of refined silver, payable in eight quarterly installments equal to the cash equivalent of 30,000 troy ounces of refined silver per quarter, based on the average silver price for each such quarter, beginning with the quarter immediately following the quarter in which commencement of commercial production at Challacollo occurs; and (iii) a 2% Net Smelter Returns royalty on silver sold or produced from Challacollo in excess of 36 million ounces, with a cap/buyout of \$5 million.

On February 13, 2014, Mandalay announced its year-end 2013 Mineral Reserves and Resources. In the Proven and Probable Reserve category, contained gold increased by 41%, contained silver declined by 2% and contained antimony increased by 108%. In the Measured and Indicated Resource category, contained gold increased by 37%, contained silver increased by 18%, contained antimony increased by 52% and contained copper was unchanged. In the Inferred Resource category, contained gold increased by 26%, contained silver increased by 811%, contained antimony increased by 13%, and contained copper was unchanged. All changes are net of mine depletion at year-end 2013. The large increases in Proven and Probable (and Measured and Indicated) gold and antimony was due to the conversion of much of the previously Indicated and Inferred Resource in the Cuffley lode at Costerfield to Proven and Probable. The large increase in Inferred Resource of silver was due to the acquisition of the Challacollo project.

### **5.2 Significant Acquisitions**

The Corporation did not complete any significant acquisitions in the year ended December 31, 2013.

## **6. DESCRIPTION OF THE BUSINESS**

### **6.1 General Description**

Mandalay is a Canadian-based mining company whose business is to acquire or discover, develop, and produce mineral commodities. The Corporation seeks to create shareholder value through the acquisition of advanced or producing mineral properties at discounts to the value that management believes can be delivered through the application of new exploration insight, development strategy, process optimisation and/or operating discipline. Once in the portfolio, projects or operations are managed for optimising near-term cash flow and life-of-project net present value subject to strong safety, health, and environmental policies. The corporation seeks to grow (and increase its capacity to grow faster) by aggregating a critical mass of four or five producing properties over the next two to three years.

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

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

each of the development projects: the La Quebrada, Chile, copper-silver project and Challacollo silver-gold project.

## **6.2 Material Properties**

The Corporation's material properties are Costerfield, Cerro Bayo, La Quebrada, and Challacollo. 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 and Challacollo are in the development stage.

## **6.3 Product, Customer, and Distribution**

As of the date of this Annual Information Form, the Corporation has had over 50 months of production history at Costerfield since it was acquired on December 1, 2009. Costerfield produces gold-antimony concentrate that is sold to the operation's principal customer, Zhongnan Tungsten and Antimony Trading Company. In late 2010, 2011, 2012, and 2013 the Corporation signed yearly extensions to its concentrate off-take agreement with Zhongnan in respect of all gold-antimony concentrate produced at Costerfield. Costerfield also produces a gravity gold concentrate which is sold to Focus Metals Pty. Ltd., based in Melbourne, Victoria, Australia. A contract is not held with Focus.

As of the date of this Annual Information Form, the Corporation has had five months of preproduction mine development history at Cerro Bayo and 39 months of mine production and processing history, with three full years of sales. Cerro Bayo currently produces concentrates for four customers: Dowa Mining and Metals Corporation in Japan, Pan Pacific Copper Corporation in Japan, Mitsubishi Metals Corporation in Japan, and LS Nikko in South Korea.

## **6.4 Revenues**

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

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

Revenue for the financial year ended December 31, 2012 was \$171,805,623. By the end of 2012, both Costerfield and Cerro Bayo were producing at their planned rates.

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

## **6.5 Competitive Conditions**

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

## **6.6 Cyclicality and Seasonality**

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

Demand for and pricing of mineral commodities is volatile and affected by numerous social, political, economic, and event-driven factors beyond the Corporation's control. These factors impact different commodities in different ways. For example, gold, as a traditional store of value, is affected differently than an industrial metal such as antimony. The interaction of supply and demand for mineral commodities leads to periods of high and

low metal prices related to high and low metal inventories. Varied interpretations of “price cycles” are common, with the tops and bottoms of cycles often only apparent in hind-sight. See “Risk Factors – Fluctuations in the Market Price of Mineral Commodities” for more discussion.

## 6.7 Employees and Contractors

As at December 31, 2013, the Corporation had a total of 783 employees and contractors, as set out in the chart below.

Site	Employee	Contractor	TOTAL
<b>Cerro Bayo</b>	453	92	<b>545</b>
<b>Costerfield</b>	204	24	<b>228</b>
<b>Corporate<sup>1</sup></b>	10	0	<b>10</b>
<b>TOTAL</b>	<b>667</b>	<b>116</b>	<b>783</b>

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

## 6.8 Stages of Development

### 6.8.1 Producing Stage – Costerfield Mine, Australia

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

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

The following table summarizes 2013 production, sales, capital, and costs at Costerfield:

	Unit	Year ended December 31, 2013	Quarter Ended December 31, 2013	Quarter Ended September 30, 2013	Quarter Ended June 30, 2013	Quarter Ended March 31, 2013
<b>Mining Production and Mining Cost</b>						
Operating development	m	5,988	1,287	1,455	1,842	1,405
Mined ore	t	129,638	35,163	32,703	35,906	25,865
Ore mined Au grade	g/t	9.05	8.10	9.81	9.28	9.08
Ore mined Sb grade	%	4.18	3.75	4.41	3.94	4.80
Mined contained Au	oz	37,725	9,157	10,311	10,709	7,548
Mined contained Sb	t	5,418	1,318	1,443	1,415	1,242
Mining cost per tonne ore	\$/t	205	192	185	194	263
<b>Processing and Processing Cost</b>						
Processed ore	t	128,859	34,352	36,094	31,836	26,578
Mill head grade Au	g/t	9.10	7.87	9.78	9.39	9.43
Mill head grade Sb	%	4.17	3.71	4.45	3.86	4.77

Recovery Au	%	89.98	90.22	90.17	89.67	89.80
Recovery Sb	%	95.37	94.74	95.58	95.36	95.91
Concentrate produced	dry t	9,586	2,270	2,832	2,199	2,285
Concentrate grade Au	g/t	89.19	82.46	93.67	93.52	86.14
Concentrate grade Sb	%	53.50	53.23	54.12	53.26	53.21
Saleable Au produced	oz	28,758	6,845	8,831	6,879	6,203
Saleable Sb produced	t	3,275	805	966	738	766
Saleable Au equivalent produced	oz	52,911	13,143	16,053	12,283	11,432
Processing cost per tonne ore	\$/t	53.93	48.07	46.27	59.22	65.54
<b>Sales</b>						
Concentrate sold	dry t	9,660	2,844	2,286	2,292	2,238
Concentrate Au grade	g/t	88.26	85.90	91.00	90.17	86.48
Concentrate Sb grade	%	53.47	53.54	53.96	52.86	53.52
Au sold	oz	27,883	7,620	7,532	6,850	5,881
Sb sold	t	3,254	959	777	763	755
<b>Benchmark Unit Cost</b>						
Site cash operating cost/ tonne ore processed	\$/t	329.54	319.34	272.90	345.57	400.45
Site cash operating cost/ tonne concentrate produced	\$/t	4,430	4,833	3,478	5,004	4,657
EBITDA/ tonne ore milled	\$/t	207	184	250	132	266
EBITDA/ tonne concentrate produced	\$/t	2,777	2,786	3,188	1,905	3,097
Cash cost per oz Au equivalent produced <sup>(1)</sup>	\$/oz	818.62	849.89	626.12	916.60	947.68
Site all-in cost/oz Au eq. oz produced <sup>(1)(2)</sup>	\$/oz	1,062.43	1,085.48	872.83	1,178.49	1,177.42
<b>Capital Spending</b>						
Capital development	m	1,734	411	481	404	438
Capital development cost	\$000	9,731	2,665	2,017	2,847	2,202
Capital development cost/ meter	\$/m	5,611	6,479	4,195	7,046	5,028
Capital purchases	\$000	7,773	3,224	1,915	654	1,980
Capitalized exploration	\$000	4,765	995	1,132	1,414	1,224

<sup>1</sup>Cash cost per ounce of gold equivalent produced is a non IFRS performance measure that is included in this Annual Information Form because this statistic is a key performance measure under control of the operations that management uses to monitor performance, to assess how the mine is performing, and to plan and assess the overall effectiveness and efficiency of mining operations. This performance measure does not have a meaning within IFRS and, therefore, amounts presented may not be comparable to similar data presented by other mining companies. This performance measure should not be considered in isolation as a substitute for measures of performance in accordance with IFRS. Equivalent gold ounces produced is calculated by adding to gold ounces produced, the antimony tonnes produced, times the average antimony price in the period divided by the average gold price in the period. The total cash operating cost associated with the production of these equivalent ounces produced or sold in the period is then divided by the equivalent gold ounces produced 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.

<sup>2</sup>Site all-in costs include total cash operating costs, royalty expense, depletion, depreciation, accretion and write-off of exploration and evaluation. Equivalent gold ounces produced is calculated by adding to gold ounces produced, the antimony tonnes produced times the average antimony price in the period divided by the average gold price in the period. The site all-in cost is then divided by the equivalent gold ounces produced to yield the site all-in cost per equivalent ounce produced.

During the 12 months ended December 31, 2013, the Costerfield mine completed 5,988 m of operating development and produced 129,638 t of ore. Through the year, ore averaged 9.05 g/t gold and 4.18% antimony; grades remained approximately constant through the year. Mining cost showed a declining trend through the year, averaging \$205/t, considerably lower than in 2012.

During the 12 months ended December 31, 2013, the Costerfield plant processed 128,859 t of ore, producing 28,758 oz of saleable gold and 3,275 t of saleable antimony. These are record annual production volumes since the operations restarted in late 2009; likewise 2013 sales volumes of gold (27,883 oz) and antimony (3,254 t) are

records since restart. The plant operated at increasing quarterly throughput rates through the year while maintaining high head grades and high recoveries. The high head grade was made possible by the consistently high grade of ore produced by the mine. The high recoveries are due to the introduction of a mobile crusher, replacing the permanent jaw crusher, which produces a finer-sized ore feed to the mills. The finer-sized feed allows increased mill throughput while maintaining the fine mill grind necessary for high flotation recovery. Despite the increased incremental cost of this fine crushing, total cost per tonne ore processed was significantly lower year-over-year, and was \$53.93/t, compared to \$67.37/t in 2012, due to spreading the high fixed costs over greatly increased volumes.

During the year at Costerfield, the Corporation invested approximately \$9.73 million in capital development (generating 1,734 m in capital advance), \$7.77 million in property, plant and equipment and \$4.76 million in exploration. For the exploration spending, the Corporation significantly increased Proven and Probable Mineral Reserves, increasing the mine life to four years despite the increase in production rates.

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

### 6.8.2 Producing Stage – Cerro Bayo, Chile

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

1. Hiring and training the workforce necessary to restart operations;
2. Developing five of nine veins included in the current life-of-mine plans, Dagny, Fabiola, Delia NW, Yasna, and Bianca beginning in September, 2010;
3. Restarting the Cerro Bayo plant in January, 2011;
4. Ramping-up production and sales to a full production rate of 1,200 tpd in the fourth quarter of 2012;
5. Expanding production to an increased rate of 1,400 tpd by the end of the first quarter of 2014; and
6. Exploration drilling, primarily to extend and infill resources along the nine veins included in the current life-of-mine plan, and also to test new vein targets on the property.

The following table summarizes 2013 production, sales, capital, and costs at Cerro Bayo:

	Unit	Year ended December 31, 2013	Quarter Ended December 31, 2013	Quarter Ended September 30, 2013	Quarter Ended June 30, 2013	Quarter Ended March 31, 2013
<b>Mining Production and Mining Cost</b>						
Operating development	m	6,751	1,450	1,553	1,967	1,782
Mined ore	t	385,221	90,860	89,321	112,351	92,689
Ore mined Au grade	g/t	2.02	2.08	2.18	2.08	1.75
Ore mined Ag grade	g/t	288.00	337.40	269.64	307.76	233.30
Mined contained Au	oz	25,028	6,062	6,248	7,514	5,205
Mined contained Ag	oz	3,566,864	985,624	774,321	1,111,684	695,235
Mining cost per tonne ore	\$/t	58.34	59.44	64.20	52.07	59.21
<b>Processing and Processing Cost</b>						
Processed ore	t	386,480	92,198	97,696	102,011	94,575
Mill head grade Au	g/t	2.02	2.09	2.07	2.17	1.75
Mill head grade Ag	g/t	282.22	335.03	265.70	318.68	232.99
Recovery Au	%	87.75	87.64	88.64	89.12	85.49
Recovery Ag	%	90.87	91.67	91.06	91.41	89.32
Concentrate produced	dry t	9,003	2,486	2,093	2,643	1,782
Concentrate grade Au	g/t	76.34	67.84	85.80	74.66	79.63
Concentrate grade Ag	g/t	11,262.38	11,390.91	11,300.51	11,246.55	11,062.35
Saleable Au produced	oz	21,482	5,272	5,611	6,167	4,432

Saleable Ag produced	oz	3,145,537	878,542	733,659	921,895	611,441
Saleable Au equivalent produced	oz	73,997	19,627	17,399	21,275	15,696
Processing cost per tonne ore	\$/t	27.99	30.66	25.07	28.83	27.51
<b>Sales</b>						
Concentrate sold	dry t	8,977	2,208	2,701	2,272	1,796
Concentrate Au grade	g/t	77.01	71.83	83.91	76.74	73.33
Concentrate Ag grade	g/t	11,306.41	11,227.48	11,610.98	10,995.39	11,338.84
Au sold	oz	21,612	4,958	7,090	5,449	4,115
Ag sold	oz	3,148,886	769,120	973,107	774,923	631,736
<b>Benchmark Unit Cost</b>						
Site cash operating cost/ tonne ore processed	\$/t	103.36	106.34	100.96	100.56	105.94
Site cash operating cost/ tonne concentrate produced	\$/t	4,437	3,944	4,713	3,881	5,624
EBITDA/ tonne ore milled	\$/t	120	97	159	79	147
EBITDA/ tonne concentrate produced	\$/t	5,153	3,600	7,433	3,031	7,787
Cash cost/oz Ag equivalent produced <sup>(1)</sup>	\$/oz	6.84	6.74	6.41	6.12	8.96
Site all-in cost net of gold credit/oz Ag produced <sup>(1)(2)</sup>	\$/oz	12.07	11.51	12.05	11.54	14.06
<b>Capital Spending</b>						
Capital development	m	2,837	947	528	774	588
Capital development cost	\$000	10,585	3,152	2,520	2,732	2,181
Capital development cost/ meter	\$/m	3,731	3,327	4,771	3,532	3,712
Capital purchase	\$000	6,291	578	1,051	1,034	3,628
Capitalized exploration	\$000	2,518	788	310	625	795

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

<sup>2</sup>The site all-in cost per silver ounce produced net of gold byproduct credit is calculated by adding royalty expenses, depletion, depreciation, accretion and write-off of exploration and evaluation to the cash cost net of gold byproduct credit as calculated in note 1 above and dividing the resultant number by the silver ounces produced in the period.

Cerro Bayo production continued approximately on plan through 2013, with 6,751 m of total operating development and 385,221 t of ore mined. The production rate is anticipated to rise at the end of the first quarter, 2014, when completion of an additional haulage access to the Delia NW vein will allow a production increase to about 1,400 tpd from the current 1,200 tpd. Mining cost and processing costs per tonne of ore were well controlled throughout the year, though up slightly from 2012, at an average of \$58.34/t and \$27.99/t, respectively. The reason for the increase was due to a slowdown in production for approximately a two month period immediately following the fatality in July, 2013. Metallurgical recoveries rose consistently through the year, averaging 90.87% for silver and 87.75% for gold. The increase in silver recoveries is related to the automation of the grinding and floatation systems in the processing plant, commissioned in March, 2013. Further recovery increases are expected in 2014 for both silver and gold with continued improved control of the automation system.

Sales of concentrate reached a record 8,977 dry metric tonnes in 2013, containing 21,612 oz of saleable gold and 3,148,886 oz of saleable silver, both records as well.

During 2013, the Corporation invested approximately \$10.6 million in capital development (achieving 2,837 m of advance), \$6.3 million in property, plant, and equipment, and \$2.5 million in exploration. The exploration drilling resulted in the Corporation nearly replacing depleted Proven and Probable Mineral Reserves and encountering the continuation of the Fabiola and Yasna veins under Laguna Verde.

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

### **6.8.3 Development Stage – Challacollo, Chile**

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

1. Conducting a 12-month feasibility study.
2. Spending approximately \$7-8 million on proving up and expanding existing mineral resources.
3. Performing metallurgical testing on both drill core and underground sampling for detailed costing and design of the processing facility;
4. Performing engineering studies for infrastructure as access roads, power and water; and
5. Carrying out baseline community and environmental studies for the preparation of an Environmental Impact Study

For more information on Challacollo, refer to section 6.13 of this Annual Information Form

### **6.8.4 Development Stage – La Quebrada, Chile**

A total of 41 core holes for 7,430 m were drilled by Mandalay during 2011 and 2012 in the Casa de Piedra target at La Quebrada; 17 holes for 2,932 m in 2011 (see Mandalay press release dated August 9, 2011) and 26 holes for 4,498 m in 2012 (see Mandalay press release dated July 3, 2012). Assay data from these holes were used in determining an initial Indicated Mineral Resource estimate for the target that contains 34.8 million tonnes of resource at an average grade of 0.6% copper and 10 g/t silver. No drilling was carried out during 2013, although geological, mining, metallurgy, and infrastructure studies continue at the project.

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

### **6.9 Knowledge and Expertise**

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

### **6.10 Business Outlook for Fiscal 2014**

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, 2013, the Corporation had working capital of \$47,206,924 and cash and cash equivalents of \$33,465,116. It was debt-free as of the end of 2013. The Corporation began 2014 with no metal price hedging instruments in place. The Corporation does currently have an Australian dollar currency hedge in place, which expires in June, 2014. The hedge comprises AUD\$3million purchased monthly at an AUD/US dollar exchange rate of 0.93.

At Costerfield in 2014, the Corporation plans to mine and mill approximately 12,000 tonnes per month (“**tpm**”) of mineralized material throughout the year from which it expects to recover and sell gold and antimony in the volumes and for the costs summarized in the following table.

<b>Costerfield Plan</b>	<b>2013 Actual</b>	<b>2014 Estimate</b>
Saleable Gold Produced (oz)	28,758	37,000 – 43,000
Saleable Antimony Produced (t)	3,275	3,000 – 3,300
Cash Cost/ oz Au Equiv	\$818.62	\$675 – \$775
Capital Expenditure- PP&E (\$M)	7.77	11 – 12
Capital Development (US\$M)	9.73	13 – 14
Capitalized Exploration (US\$M)	4.76	4 – 5

This plan is based on continuing capital development into the Cuffley Lode to allow for more active production headings. Capital spending will also include expanding water evaporation pond capacity, installation of a Reverse Osmosis water treatment plant, expanding the tailings storage capacity, incremental mobile fleet improvements, and exploration drilling to expand the Cuffley and Augusta lodes as well as test new district targets.

During 2014, the Corporation plans to sell the expected volumes of gold and silver from Cerro Bayo for the expected operating and capital costs summarized in the table below:

<b>Cerro Bayo Plan</b>	<b>2013 Actual</b>	<b>2014 Estimate</b>
Saleable Gold Produced (oz)	21,482	23,000 – 27,000
Saleable Silver Produced (oz)	3,145,537	3,000,000 – 3,200,000
Cash Cost/oz Ag net Au Credit	\$6.84	\$6.00 – \$8.00
Capital Expenditure – PP&E (\$M)	6.3	8 – 9
Capital Development (\$M)	10.6	6 – 7
Capitalized Exploration (\$M)	2.5	3 – 4

During 2014, the Corporation plans to spend \$3-4 million at Cerro Bayo on core drilling to extend the current Mineral Reserves of the Fabiola, Yasna, and Coyita veins. The Corporation will also test the highest priority targets for entirely new veins with initial holes. The goal is to significantly increase Mineral Resources and Mineral Reserves again in 2014, as well as to stock the target portfolio with confirmed targets ready for continued infill drilling in 2015.

During 2014, the Corporation will continue to evaluate the options available for the La Quebrada property.

## 6.11 Mineral Projects – Costerfield, Australia

Information referenced in this section referring to Costerfield is based on the Costerfield Technical Report, March 28, 2014.

### Property Location

The Costerfield operation 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. The operation includes the Augusta mine and nearby Brunswick Processing Plant.

### Ownership

Costerfield is held by the Corporation's indirect wholly owned subsidiary, Costerfield Operations, through the following licenses issued by the Victorian State Government under the *Mineral Resources (Sustainable Development) Act 1990*:

#### **Granted Tenement Details**

Tenement	Name	Status	Company	Area 2	Grant Date	Expiry Date
MIN4644	Costerfield	Granted	AGD Operations P/L	1219.3 Ha	25/02/1986	30/06/2014
EL3310	Costerfield	Granted	AGD Operations P/L	59.0 GRATS <sup>(2)</sup>	17/09/1993	17/09/2015
EL4848	Costerfield	Granted <sup>(1)</sup>	AGD Operations P/L	18.0 GRATS <sup>(2)</sup>	28/01/2005	27/01/2014
EL5432	Peels Track	Granted	AGD Operations P/L	10.0 GRATS <sup>(2)</sup>	23/08/2012	22/08/2017
MIN5567	Splitters Creek	Granted	AGD Operations P/L	30 Ha	20/02/2013	21/02/2023
EL5464	Antimony Creek	Granted	Mandalay Resources Costerfield Operations Pty Ltd	0.96 Ha	13/2/2014	12/2/2016
EL5452	Antimony Creek	Granted	Mandalay Resources Costerfield Operations Pty Ltd	2.07 Ha	26/6/2013	27/1/2016

<sup>1</sup> EL4848 pending renewal

<sup>2</sup>1 GRATS is equivalent to 1 km<sup>2</sup>

The mining licenses cover 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, 2012, for a further two years and will expire unless otherwise renewed by June 30, 2014.

### Royalties

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

## **Environmental Liabilities**

Costerfield Operations is currently in compliance with all permits and authorizations.

The rehabilitation bond is currently set at AUD\$2,511,000 and is reviewed by the DPI every two years or when a Variation to the Work Plan is approved. There is also a further AU\$10,000 bond for each of the, EL3310, EL4848 tenements with Vic Roads for licenses relating to pipelines crossing roads. The total bond is AUD\$2,541,000.

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

## **Local Resources and Infrastructure**

### **Power**

The Costerfield operation purchases electricity directly from the main national electricity grid. Current power supply is 2,000 kW at the Augusta mine (“**Augusta**”) and 1,000 kW at the Brunswick Processing Plant (“**Brunswick**”). A study is currently underway for increasing the power supply (to 3615 kW at Augusta and 1,555 kW at Brunswick) to support the planned expansion of operations.

### **Water**

Environmental permitting and restrictions were established during a long drought period, and while care was taken to allow for the return of normal weather patterns, the mine struggled in 2010 and 2011 to maintain integrity of its zero discharge status due to exceptionally heavy summer and winter rainfall. Despite the return to more normal precipitation, the increase of mine water inflows as the mine has extended to greater depth has caused the management of water to continue to be a critical issue.

Mine water is pumped from the underground mine to a 40 million litre (“**ML**”) evaporation pond adjacent to the Augusta mine facilities. In the first quarter of 2012, two additional evaporation ponds were constructed to handle increased dewatering requirements. Water surplus to the capacity of these ponds is pumped to the Brunswick pit for storage. Evaporators are installed at the pit and evaporation ponds, to enhance natural evaporation. In 2013 permission was sought for construction of a large natural evaporation facility with terraced shallow evaporation ponds draining to a large storage pond. Environmental Protection Agency (“**EPA**”) and Municipal permission were granted although a subsequent to gaining approval, an appeal was submitted by several local landowners attempting to halt the construction of the facility. A hearing is scheduled to be heard by the Victorian Civil and Administrative Tribunal in April, 2014.

The mine currently does not have a permit to discharge water from the site, although as a consequence of the complications arising from permitting the large evaporation facility the Corporation has submitted an application to the EPA for the discharge of 2ML per day of water treated by reverse osmosis. Subject to obtaining authorization, construction of the reverse osmosis plant is scheduled to occur during 2014.

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

In 2013 the Corporation obtained permission to increase the water extraction licence from 170 ML of water per annum to 700 ML per annum. The increased capacity is needed for the increased water generated as dewatering of the Cuffley Lode continues.

### Buildings and Facilities

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

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

### Tailings and Waste Rock Storage Areas

Tailings are now being deposited in the Bombay Tailings Storage Facility. A 2 m lift was constructed in the second half of 2012 which will allow the facility to be used till the third quarter of 2014. A further lift of the Bombay or Brunswick Tailings Storage Facilities, both of which are the subject of current permitting activities will be required in the second half of 2014.

The waste rock storage facility located within the Augusta Mine portal is at its permitted maximum volume. Currently all underground waste is being trucked to the Brunswick Tailings Storage Facility for capping (reclamation) purposes.

It is estimated that additional waste storage will be needed to accommodate a forecasted total waste storage requirement of 233,000 m<sup>3</sup>. The additional waste storage requirement beyond the 150,000 m<sup>3</sup> Augusta Waste Storage Facility will be satisfied by either: capping the Brunswick Tailings Storage Facility, utilizing the material for future Tailings Storage Facility lifts, increasing the current August Waste Storage Facility permit, or permitting an alternative waste storage site.

### 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.

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

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

### **Geology and Mineralization**

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

The north trending Heathcote-Mt William Fault system marks the western boundary of the Melbourne Trough in the Costerfield area.

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

Gold-antimony veins of the Augusta Lodes typically comprise quartz (laminated to brecciated) and sulphides. The dominant sulphide mineral is stibnite ( $Sb_2S_3$ ). Minor amounts of arsenopyrite and pyrite occur as well. Stibnite occurs as fine-grained, massive vein fill or as matrix support to vein-quartz breccias. Gold is finely dispersed within the massive stibnite. As well, coarse gold is contained in the earlier quartz veins.

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

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

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

Figure: Mineralized structures of the Costerfield District



**History**

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

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

The current operator is Costerfield Operations, a wholly owned subsidiary of the Corporation. In September, 2009, Mandalay entered into an agreement with Cambrian Mining Limited, a wholly owned subsidiary of WCC

(a company with two common directors), to acquire all of the outstanding common shares of AGD, the predecessor to Costerfield Operations. The transaction closed on November 30, 2009. Since then, the mine has been restarted and ramped-up to a production level of 9,000 to 10,000 tpm.

## **Exploration**

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

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

During 2013 Costerfield Operations focussed on extending mine life by infill drilling to convert previously established Inferred Resource to Indicated Resource. Exploration drilling also extended the previous Inferred Resource shell along strike and at depth, effectively bounding the potentially economic limits of N-Lode and Cuffley Lode. Brownfield exploration was largely put on hold during the year in favour of infill drilling but is expected to resume in 2014.

## **Mineralization**

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

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

1. Sericitization of host rock sediments with minor pyrite deposition;
2. Faulting with associated open-space deposition of quartz, locally with coarse gold, and partial replacement of pyrite by auriferous arsenopyrite – only minor replacement of sericite-altered host rock by quartz occurs, with some remobilization of sericite into convoluted cross-cutting veinlets;
3. Open-space deposition of carbonate in quartz vugs;
4. Influx of Sb-rich solutions, resulting in massive stibnite infill and replacement of brecciated quartz-carbonate veins. The massive stibnite contains finely-disseminated gold; and
5. Re-crystallization / annealing of stibnite.

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

## **Drilling**

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

COMPANY	YEAR	# Holes	Core (m)	Rotary (m)
Mid East Minerals	1966 – 1971	33	3,676	
Metals Investment Holdings	1971	12	1,761	
Victoria Mines Department	1975 – 1981	32	3,213	
Federation Resources N.L.	1983 – 2000	27		2,398
AGD/Planet Resources JV	1987 – 1988	23		1,349
AGD N.L.	1987 – 1988	14		1,681
	1994 – 1995	142	1,369	5,536
	1996	59	196	2,310
	1997	23		725
AGD	2001	27	3,361	
	2002	7	908	
	2003	30	1,522	
	2004	27	3,160	
	2005	31	4,793	
	2006 – 2007	67	4,763	
	2007 – 2008	11	2,207	
	2008 – 2009	19	2,586	
<b>TOTAL Pre-Mandalay</b>		<b>584</b>	<b>33,514</b>	<b>13,999</b>
Mandalay	2009-2010	117	459	547
Mandalay	2010-2011	248	10,623	732
Mandalay	2011-2012	2,680	18,581	7,296
Mandalay	2012-2013	4,644	21,132	12,770
Mandalay	2013-2014	132	26,045	12,770
<b>TOTAL Mandalay</b>		<b>7,821</b>	<b>76,840</b>	<b>34,115</b>

### Drilling Procedure

Experienced contract drillers perform all diamond core drilling. Drillers record drilling activities on daily drilling reports. Drilled core is placed into drill core storage boxes, each labeled with the drill hole number and the depth. Core blocks listing the hole number and depth are placed at the end of each core run. Additional blocks marking the location of lost core and the end of hole are included by the drillers as required.

Drilling is carried out in a staged fashion with initial exploration drilling occurring 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 closely spaced as 10 x 10 m, should complexity of the geology warrant the additional drilling.

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

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

## Sampling and Analysis

Samples are taken from both the drill core and from underground face samples. Diamond holes are oriented so that the drill holes are as close as possible to being perpendicular to the lode. Diamond drill core is logged by Costerfield Operations geology staff using a standardized procedure and legend. Geotechnical, lithological, structural, mineralogical and alteration logs are produced using a touch-screen Tough Book computer installed with DrillKing® software. Data collected on paper prior to implementation of this system has been digitally captured into the drill hole database.

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

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

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

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

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

Sampling intervals for drill core are no smaller than 5 cm in length and no greater than 2 m in length. Some drill holes were designed and drilled for metallurgical analysis where sample intervals exceed 2 m in length.

## Data Verification

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

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

Under Mandalay’s ownership, four QA/QC protocols are currently in place:

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

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

## **Security of Samples**

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

## **Sample Assays**

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

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

## **Assay Quality**

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

For antimony, the program of standard and duplicate assays indicate that an acceptable level of accuracy is achieved.

For gold, the standard and duplicate assays indicate that an acceptable level of accuracy is achieved, although Onsite Laboratory results may be biased low, resulting in an under-estimation of gold grades in the block model.

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

## **Mineral Resources and Reserves**

Core and mine sampling data were entered into Datamine software. The information was interpreted by lode geometry, thickness and grade and classified into domains. A top cut of 150 g/t was applied to the gold grades within all the veins. Two block models were created with different block sizes. The face sample data was estimated into 1 m by 2.5 m by 5 m blocks, and the diamond drill data into 1m by 10 m by 10 m blocks. Upon completion, the block models were combined into a single block model with the smaller block dimensions. The estimation method for gold accumulation, antimony accumulation and thickness is ordinary kriging. After estimation, gold and antimony grades were back-calculated by dividing the estimated gold and antimony accumulations by the estimated true thickness. The resource was based on a minimum mining width of 1.8 m. For vein widths less than 1.8 m, grades were diluted by adding a waste envelope with zero grade and density of 2.65 t/m<sup>3</sup>. The resource estimate was validated by visual comparison of the sample thickness and grades with the estimated grades in long section and by plotting the sample and block estimated true thickness, gold and antimony grades on swath plots.

Mineral Resources have been classified with due regard to Mandalay's experience in mining the deposit and the good reconciliation observed between previous block model resource estimates and the Brunswick processing plant head grade during 2011-2013. The classification criteria are the following:

- The Measured Resource is located in, and is defined by the developed areas of the mine. Generally this criteria means that the estimate is supported by underground channel sampling;
- The Indicated Resource is located where drilling is based on a minimum of 40 m by 40 m in long section; and
- The Inferred Resource has irregular or widely-spaced drill intercepts, is difficult to interpret due to multiple splays, or the structure does not have a demonstrated history of predictable mining.

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

**Table: Mineral Resources at the Costerfield mine as of December 31, 2013, inclusive of Mineral Reserves**

Lode	Resource Category	Tonnes (t)	Au (g/t)	Sb (%)	Au Eq (g/t)
E Lode	Measured	64,000	7.0	3.7	14.3
	Indicated	52,000	4.6	2.7	10.0
<b>E Lode Meas. + Ind. Subtotal</b>		<b>115,000</b>	<b>5.9</b>	<b>3.2</b>	<b>12.4</b>
W Lode	Measured	24,000	7.2	3.2	13.6
	Indicated	30,000	5.5	2.9	11.2
<b>W Lode Meas. + Ind. Subtotal</b>		<b>54,000</b>	<b>6.2</b>	<b>3.0</b>	<b>12.2</b>
N Main Lode	Measured	66,000	12.5	6.7	25.7
	Indicated	204,000	7.4	4.2	15.9
<b>N Main Lode Meas. + Ind. Subtotal</b>		<b>270,000</b>	<b>8.7</b>	<b>4.8</b>	<b>18.3</b>
Cuffley Lode (210)	Indicated	171,000	17.9	5.8	29.5
<b>Secondary Lodes</b>					
B Lode	Indicated	32,000	4.6	2.7	10.0
N East Lode	Measured	36,000	3.5	1.2	5.9
	Indicated	15,000	3.2	1.0	5.2
N West Lode	Indicated	65,000	7.7	2.5	12.7
N SW Lode	Indicated	9,800	3.9	2.4	8.8
P Lode	Measured	1,400	22.2	11.9	45.9
	Indicated	240	15.0	3.6	22.2
K Lode	Indicated	27,000	3.2	2.2	7.6
<b>Secondary Lodes Meas. + Ind. Subtotal</b>		<b>186,000</b>	<b>5.3</b>	<b>2.2</b>	<b>9.7</b>
E Lode	Inferred	83,000	3.4	3.0	9.4
W Lode	Inferred	30,000	5.2	2.4	10.0
N Main Lode	Inferred	99,000	5.6	3.6	12.8

N West Lode	Inferred	58,000	4.1	1.0	6.1
Cuffley Lode	Inferred	143,000	12.6	5.5	23.5
Brunswick	Inferred	157,000	7.5	3.9	14.9
<b>Total Measured + Indicated</b>		<b>796,000</b>	<b>9.3</b>	<b>4.1</b>	<b>17.4</b>
<b>Total Inferred</b>		<b>569,000</b>	<b>7.4</b>	<b>3.8</b>	<b>14.7</b>

Notes:

1. CIM definitions followed for classification of Measured, Indicated, and Inferred Resources.
2. Mineral Resources estimated as of December 31, 2013, and depleted for production through December 31, 2013.
3. Mineral Resources stated according to CIM guidelines and include Mineral Reserves.
4. Totals may appear different from the sum of their components due to rounding.
5. A 3.9 g/t Au Equivalent (AuEq) cut-off grade over a minimum mining width of 1.2 m is applied where AuEq. is calculated at a gold price of \$1,400/oz and an antimony price of \$12,000/t.
6. The Au Equivalent value (AuEq) is calculated using the formula:  $AuEq = Au \text{ g/t} + 1.99 * Sb \%$
7. The cut-off grade has increased from 3.6 g/t AuEq used in the June 31, 2013, Mineral Resource estimate due to changes in the minimum mining width, metal price assumptions, updated costings, recoveries and other assumptions.
8. The Brunswick Mineral Resource has not been re-estimated since it was reported in Frederickson, D., 2009, Costerfield Gold and Antimony Project, Augusta and Brunswick Deposits. Frederickson Geological Solutions Pty Ltd.
9. Previously reported Indicated Resources for the Brunswick Deposit have been classified as Inferred by SRK here. A review of the available data could not support the Indicated classification due to discrepancies in the QA/QC data as previously reported in Frederickson, 2009 and the absence of reconciliation data.
10. The Mineral Resource estimation for Augusta and Cuffley deposits was performed by Bob Lidbury, fulltime employee of SRK Consulting, BSc, MAIG, who is a qualified person under NI 43-101 and is the Competent Person for the Augusta, Brunswick and Cuffley Mineral Resource Estimates.

From the resource, a mine plan was designed based only on Measured and Indicated resource blocks using predominantly the cemented rock-fill long hole stoping method currently employed at the mine, supplemented by other methods employed where necessary (for example, extracting remnant material or crown pillars). A cut-off grade of 4.7 g/t Au Eq. and minimum mining widths of 1.8 m for development drives and 1.2 m for long hole stopes were used, with planned and unplanned dilution at zero grade.

**Table: Mineral Reserves at the Costerfield mine, as of December 31, 2013**

Category	Tonnes (t)	Au Grade (g/t)	Sb Grade (%)	Au (oz)	Sb (t)
Proven	71,000	8.3	4.4	20,000	3,000
Probable	350,000	9.4	3.4	106,000	12,000
<b>Proven + Probable</b>	<b>420,000</b>	<b>9.2</b>	<b>3.6</b>	<b>126,000</b>	<b>15,000</b>

Notes:

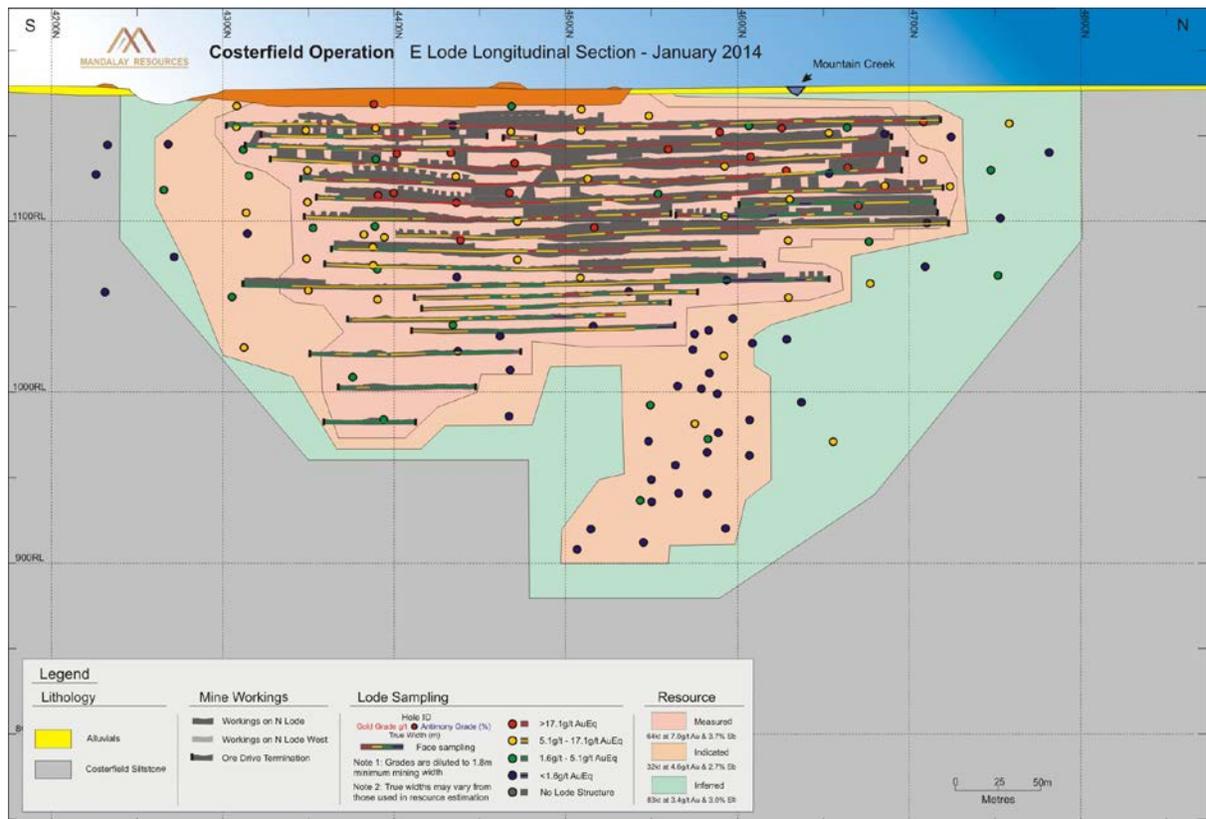
1. CIM definitions followed for classification of Proven and Probable Reserves.
2. Mineral Reserve estimated as of December 31, 2013, and depleted for production through December 31, 2013.
3. Tonnes and Ounces are rounded to the nearest thousand; contained antimony rounded to nearest hundred.
4. Totals are subject to rounding error.

5. Lodes have been diluted to a minimum mining width of 1.8 m
6. A 5.0 g/t Au Equivalent (AuEq) cut-off grade.
7. Commodity prices applied are gold price of USD1,200/oz, antimony price of USD10,000/t and exchange rate USD:AUD of 0.9.
8. The Au Equivalent value (AuEq) is calculated using the formula:  $AuEq = Au \text{ g/t} + 1.99 * Sb \%$ .
9. The cut-off grade has increased from 4.7 g/t AuEq used in the December 2012 Mineral Reserve Estimate.
10. The Mineral Reserve estimate was prepared by Peter Fairfield, SRK Consulting, FAusIMM, who is a qualified person under NI 43-101.

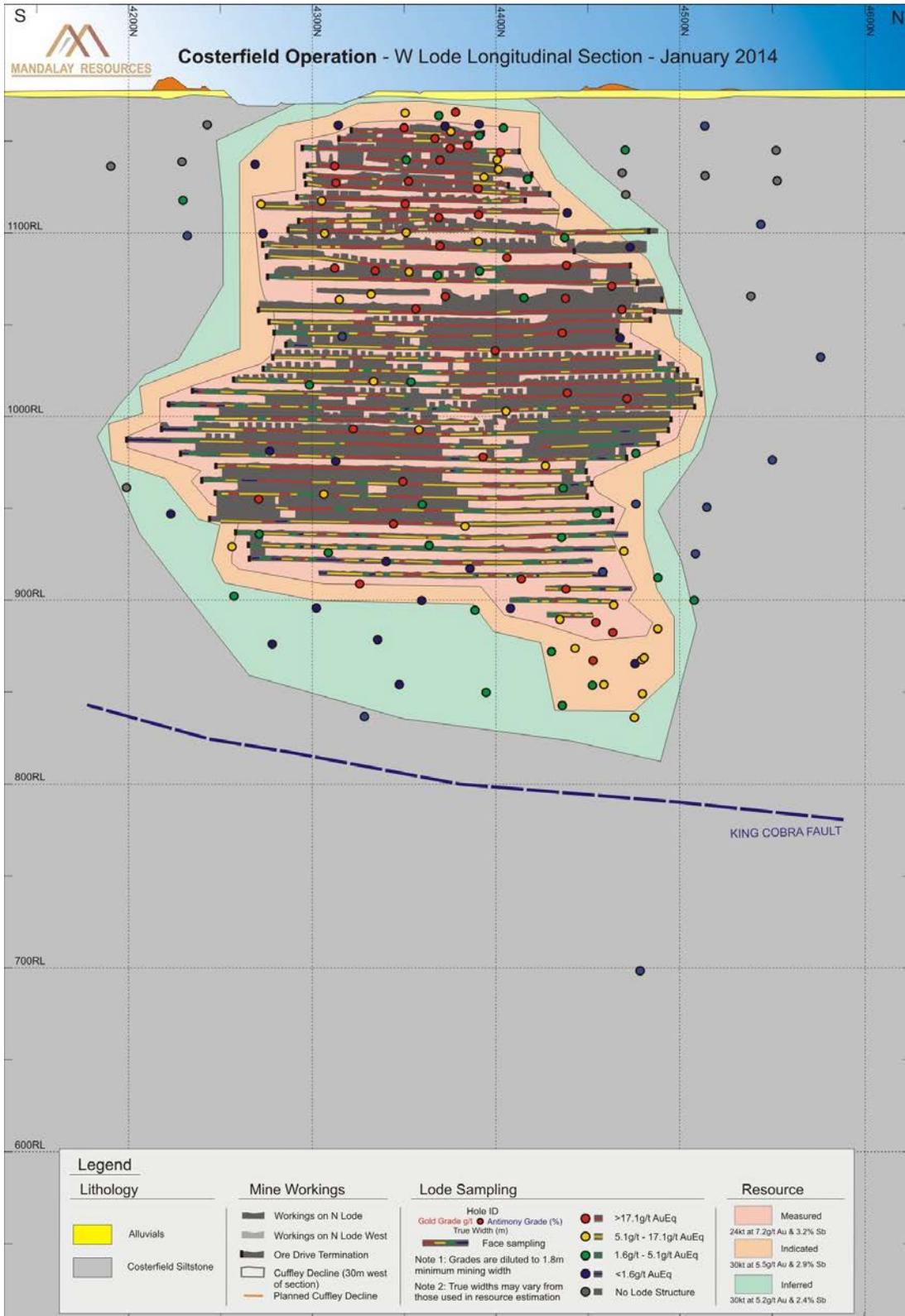
For more information in respect of the key assumptions, parameters and methods used to estimate the Mineral Resources and Mineral Reserves presented above, reference is made to sections 14 and 15 of the Costerfield Technical Report.

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

### E-Lode

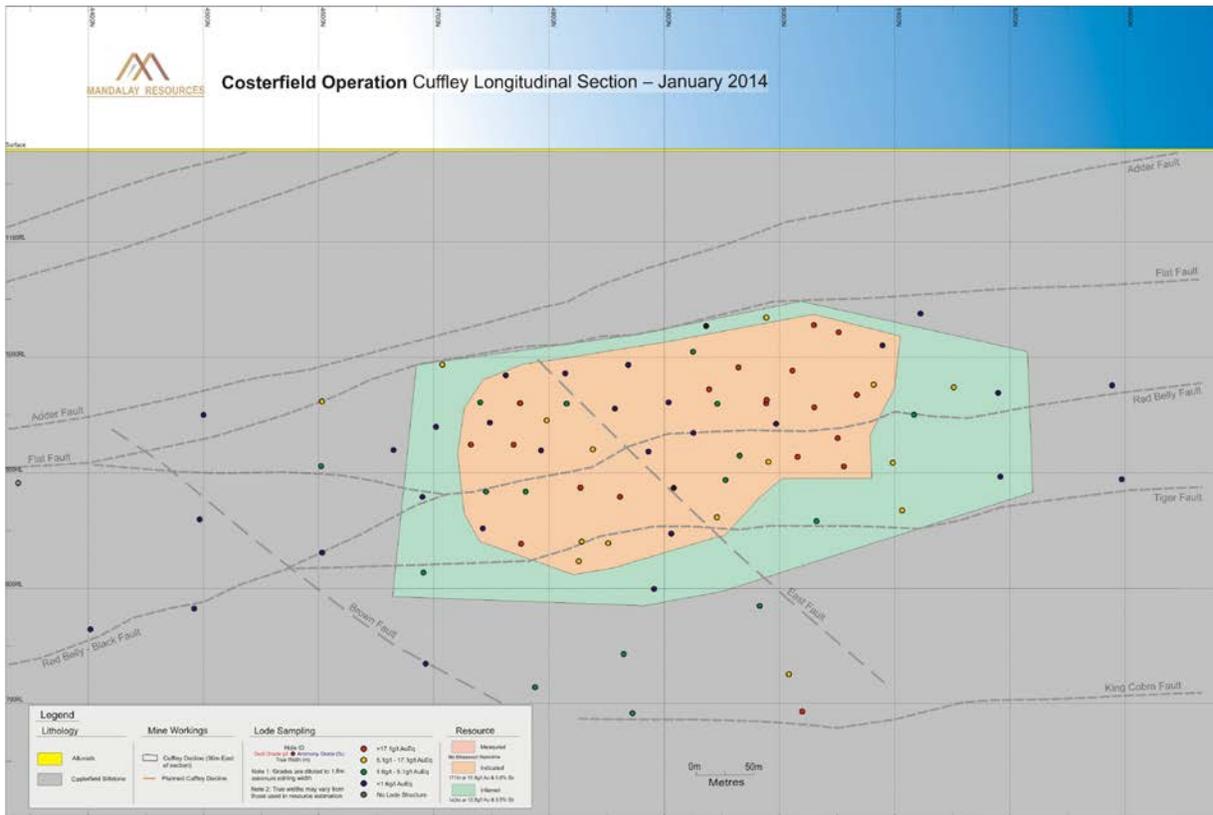


W-Lode





## Cuffley Lode



Reconciliation results show good precision and reasonable accuracy between the resource block model data and the processing plant data. Unquantified errors such as stockpiling, ore-waste misallocation, and unplanned dilution influenced the reconciliation accuracy. Over the period, the ounces of gold predicted by the model were 16% lower than produced by the plant. The tonnes of antimony predicted by the model were 6% lower than produced by the plant. Antimony reconciliation improved markedly in the latter half of the year. Reconciliation data was similar in 2012, with the gold 14% lower and the antimony 3% lower.

## Mining Operations

Production commenced at the Augusta mine in 2006.

The underground mine is accessed by a 4.5 m wide and 4.8 m high decline mined at a gradient of 1 in 7. There is horizontal access to the E- and W-Lodes at approximately 20 m level intervals, with 5 m sublevels. Initial access to N-lode was also by 5 m sublevels, currently the lode is being developed with 10 m levels. Lode width is variable – from 0.1 m up to 1.2 m. Lodes dip steeply, from 60-90° on average.

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

## Mining Methods

A variety of mining methods are deployed at Costerfield.

### Blast Hole Stopping with Cemented Rock Fill

Blast-hole or long-hole stopping involves drilling upholes between 5 m sublevels and in some recent stopes 10 m sublevels. All remaining sublevels in N-lode, and all sublevels in the Cuffley lode are planned at 10 m intervals. These holes are blasted, slicing off 2.5 m strike lengths of the vein at a time. After the blasted material is removed by mucking from below, the stope is filled with screened and cemented rock fill from above. After a one-day cure, the next round is blasted against the cured cemented fill and the cycle is repeated. Blast-hole stopping with cemented rock fill is the mining method of choice. It provides a repeatable and dependable process for extraction of narrow-vein material in poor ground conditions:

- Only 2.5 m of stope is open at any one time, and then for just a short time.
- Ground support is reduced relative to the traditional cut and fill method, only needing to be placed in the upper and lower sublevels and not on each cut and fill drift. Also, ground support is not mined through and sent to the plant, where it causes reduced productivity and higher costs.
- The cemented rock fill eliminates the need for rib pillars and allows for high mining extraction.
- The cement method reduces planned and unplanned mining dilution.

### Uphole Airleg Stopping

Crown pillars are scavenged by hand held methods referred to as uphole airleg stopping. Blast holes extend 3 m up dip into the pillar, leaving a minimum pillar thickness after scavenging of 2 m. This results in a recovery of 100 t per 20 m length of strike, equivalent to a recovery of 50%. Surveys of crown pillars mined to date are consistent with this figure.

### Cut and Fill

The cut and fill method was the previous mining method of choice until cemented rock fill blast hole stopping was introduced.

### Metallurgical Processing and Recoverability

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

### Markets

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

Antimony is primarily used as a flame retardant and in the production of lead acid batteries, these markets together accounted for nearly 80% of antimony consumption worldwide. China is the world's largest producer of antimony, accounting for approximately 70% of world production.

There is an agreement in place between Costerfield Operations and Zhongnan for the sale of the gold-antimony concentrate produced from the Costerfield mine. This contract has been extended through December 31, 2014.

### Contracts

The underground mining activity is carried out solely by Costerfield Operations personnel, and therefore there are currently no mining contracts in place. During 2014 a mining contractor will be used for the development of 1,000 m of capital development. It is estimated the contract will be completed in a period of five months.

Environmental

The Costerfield Operations are in compliance with all environmental rules and regulations.

Taxes

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

The Costerfield Operations has a total tax loss carryforward of approximately \$31,349,927 as of December 31, 2013, that can be carried forward indefinitely and will serve to eliminate income taxes over the short life of the mine.

Capital Costs

The economic test of life-of-mine Proven and Probable Reserves through 2019 requires approximately AUD\$42.3 million in capital purchases and capital development.

Operating Costs

The economic test case operating costs for the life-of-mine is approximately AUD\$68.6 million, including mining, processing, commercial, and overhead costs.

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

**Criteria –Economic Test of Proven and Probable Reserves**

<b>Description</b>	<b>Units</b>	<b>Quantity</b>
Proposed Mill Feed	Tonnes (kt)	428.5
	Gold grade (g/t)	9.23
	Antimony grade (%)	3.59
Project Life	months	59
Average Production Rate	t/mth	7,600
Maximum Mining Rate	t/mth	14,400
Metallurgical Recovery	Gold (%)	90
	Antimony (%)	95
Gravity Gold	%	34
Concentrate Grade	Gold (g/t)	71
	Antimony (%)	53
Concentrate Selling Expenses	AUD/dmt	195
Exchange Rate	AUD:USD	0.90
Commodity Prices	Gold USD/oz	1,200
	Antimony USD/t	10,000

### Life of Mine Economic Test

Description	Units	Quantity	Units	Quantity
Tonnes Milled	Tonnes	428,550	Tonnes	428,550
Recovered Gold	Ounces	114,428	Ounces	114,428
Recovered Antimony	Tonnes	14,614	Tonnes	14,614
Operating cost	AUD M	180.1	USD M	162.1
Operating Cost per Payable ounce	AUD / Oz Eq <sup>1</sup>	1,036	USD/oz eq	933
Capital cost	AUD M	42.3	USD M	38.1
Payable (Saleable) Metal – Au Eq	Oz Eq	174,048	Oz Eq	174,048
Net Revenue (less selling expenses)	AUD M	224	USD M	204
After Tax Cash Flow	AUD M	2.2	USD M	2.0

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

#### Exploration and Development

In 2014, exploration will be focused on two goals. The first is extending and infilling remaining Inferred Resource in Cuffley lode and N-lode to convert to Reserves, replacing depletion in order to maintain existing mine life. The second is to test new targets along the north-northeast trending line-of-lode, south of W-lode and north of Cuffley in order to confirm targets and ready them for follow-up drilling in 2015.

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

#### 6.12 Mineral Projects – Cerro Bayo, Chile

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

##### Property Location

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

##### Ownership

Mineral rights at Cerro Bayo are fully controlled by Compania Minera Cerro Bayo Ltd. (“**CMCB**”), which became a 100% owned subsidiary of the Corporation in August, 2010. CMCB’s mining rights comprise one contiguous block that covers an area of 23,096 ha of exploitation concessions (mensuras), and 6,610 ha of manifestaciones (exploitation concessions in process), which is a classification of concessions that were previously exploration concessions (pedimentos), but are in the process of being transformed into exploitation concessions. Mandalay is upgrading all exploration concessions into mensuras. 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 Chilean government, occupy part of the plant and tailings dam sites. Negotiations are underway to transfer the ownership of these surface rights to Minera Cerro Bayo.

**Royalties**

Under the Cerro Bayo purchase agreement (the “**CB Purchase Agreement**”), the Corporation is obligated to pay to Coeur a 2% NSR royalty on cumulative gold sales over 50,000 ounces and cumulative silver sales over 5 million ounces from the property.

**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 (the National Geology and Mining Service) 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

The Furioso property was mined in 2002 and 2003 by CMCB under Coeur ownership. The project area contained natural acid surface water drainage conditions, a situation aggravated by the mining activity. As part of the CB Purchase Agreement, Mandalay agreed to implement the reclamation plan for Furioso, which was completed in the second quarter of 2012, leaving only three years of water monitoring in the future. The closure report has been submitted to SERNAGEOMIN, seeking sign-off on the closure.

Cerro Bayo Closure Plan

The Cerro Bayo closure plan was updated in 2012 by Minería y Medioambiente Limitada (“**MYMA**”), updated from the previous estimate that was prepared in 2008. The updated closure plan is shown in the table 20-7 below.

**CLOSURE COSTS BREAKDOWN BY YEAR  
Mandalay Resources Corp. – Cerro Bayo Project**

<b>DESCRIPTION</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>Total</b>
Cascada Area	777	202	382	218	216	1,489	-	-	-	-	3,285
Guanaco Area	0	0	653	214	589	-	466	0	0	0	1,921
Laguna Verde Area	84	165	839	1,335	1,537	198	4,180	-	-	-	8,337
Post Closure	86	460	354	80	176	203	105	73	71	69	1,677
<b>Total \$</b>	<b>947</b>	<b>827</b>	<b>2,228</b>	<b>1,847</b>	<b>2,517</b>	<b>1,890</b>	<b>4,752</b>	<b>73</b>	<b>71</b>	<b>69</b>	<b>15,222</b>

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

## **Permitting, Requirements and Status**

### Chilean Regulation – General Information

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

### Required Environmental Permits

Law 19.300 creates a system that integrates much of the sectorial environmental requirements, known as “the single window”. This is coordinated through the Servicio de Evaluación Ambiental (“SEA”) with all the public agencies during the assessment process via Sistema de Evaluación de Impacto Ambiental (“SEIA”). The corresponding environmental resolution of SEA is based on reports from relevant public agencies that participate in the evaluation of the assessment documents. If the assessment is favorable, and the final approval is issued, no public agency may deny the pertinent environmental authorizations; on the contrary, if the decision is negative, those same agencies must deny such authorization. Additionally, there are also a number of other sectorial permits of a non-environmental nature that are required for the mining operations.

### Status of Chilean Required Permits

In January, 2014, Cerro Bayo submitted an Environmental Impact Declaration to the Environmental Evaluation Service requesting an increase of 6 m in the height of the tailings dam. Once approved it will allow for sufficient tailings capacity for the currently planned life of the operation. All other necessary permits to operate for the life of the projects have been requested and received. In the case of Cerro Bayo, the competent authority was Comisiones Medioambientales Regionales of the Aysén Region. Cerro Bayo has been processing and updating the permits required for its operations as mining exploration has progressed and new areas have been incorporated into the mining operation. Current applications are through the SEIA (Environmental Impact Evaluation System) of the SEA (Environmental Evaluation Service).

### Tailings Dam

The Fachinal tailing dam is part of the Cerro Bayo Project that was approved by the environmental authority in 1994. The tailings capacity was increased by raising of the dam during 2012. A further lift will be required in the fourth quarter of 2014 which is permitted.

### Processing Plant

The processing plant was approved in 1994 with the original authorization for the Fachinal project. This plant has facilities associated with crushing, flotation, thickening, agitation, and filtration processes, with an approved treatment capacity of up to 65,000 tpm. Additionally, there are ancillary facilities such as offices, warehouses, storage sites, workshops, and water supply facilities. This plant has remained materially unchanged, and its original approval is valid. During 2013, the Corporation commissioned a flotation automation upgrade to the plant, which has increased silver recovery by close to 2%.

### Mining in the Laguna Verde Area

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

### Mining in the Cerro Bayo Area

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

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

### **Local Resources and Infrastructure**

#### Power

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

The underground power is generated via a 2.8 MVA plant from two QAC 1,000 KVA, Atlas Copco generators and one Cat 3412- 800 KVA unit, also generating 3.3 KV and 400 volt power for the equipment.

#### Water

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

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

#### Buildings and Facilities

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

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

The assay and metallurgical labs are clean and orderly. The metallurgical lab has Denver bench-scale flotation equipment, a mini-mill, vacuum filters, sieves in usable condition. The assay lab has separate mine ore and concentrate sample preparation areas to avoid contamination of samples with concentrates, a fire assay system

and an Atomic Absorption machine. In addition to all required lab equipment, there are computers and an evident method of tracking chain of custody, duplicates, standards and blanks.

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

#### Tailings Storage

The 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, which is the actual height of the dam. The Corporation has received permission to raise the dam to the 320 m. A 2 m lift to the 318 m elevation will be carried out during 2013. Permission is being sought to raise the dam to 326 m elevation, which would allow for more than 4 million t of tails.

#### Waste Disposal

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

#### Workforce

The workforce for the mine operation is sourced from the neighboring town of Chile Chico and surrounding area. There is adequate manpower available in the area. As of December 31, 2013, the operation had a total of 453 employees and 92 contractors on site.

#### **Accessibility**

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

#### **Climate**

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

#### **Topography and Vegetation**

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

## History

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

Production from the Coeur and Mandalay periods is summarized below:

### Production at Cerro Bayo through 2013

<u>Period</u>	<u>Tonnes</u>	<u>Au (oz)</u>	<u>Ag (oz)</u>
<b>Coeur</b>			
Pre-2002	2,427,900	161,200	10,557,000
2002	302,600	50,100	2,005,200
2003	432,500	72,900	3,671,400
2004	414,600	62,800	3,433,600
2005	360,400	66,000	3,032,400
2006	388,600	40,900	2,351,400
2007	353,500	41,000	1,584,100
2008	214,500	24,100	1,310,100
2009	0	0	0
<b>Mandalay</b>			
2010	12,048	0	0
2011	207,783	6,678	1,318,665
2012	358,256	17,283	2,959,289
2013	385,221	22,110	3,260,057
<b>TOTAL</b>			
<b>Total</b>	<b>5,857,908</b>	<b>565,071</b>	<b>35,483,211</b>

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

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

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

## **Geology and Mineralization**

### Geology

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

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

### Mineralization

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

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

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

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

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

## **Exploration**

### Historical Exploration

After gold and silver mineralization was identified in the Cerro Bayo District during 1984, FCEC conducted exploration, including reconnaissance and detailed mapping, chip and channel sampling, trenching, geophysical surveys and began drilling identified targets in 1986 and continued drilling through August, 1989.

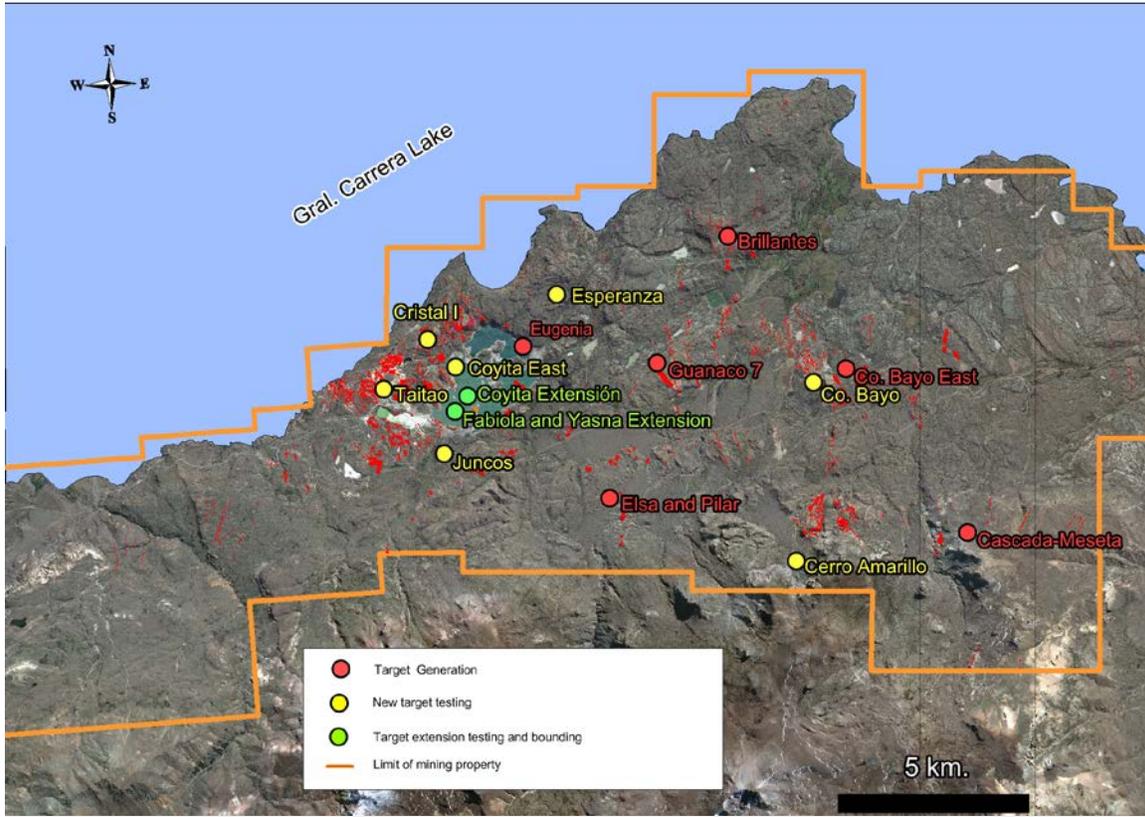
Exploration resumed in the district during the latter part of 1990, conducted by Coeur. From 1990 to 1993, exploration consisted of infill and step-out drilling as well as tunneling, identifying an open pit and underground reserve. A feasibility study was completed in 1994, resulting in a production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

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

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

In 2010 and 2011, core drilling continued under Mandalay ownership. The program grew from two rigs in the fourth quarter of 2010 to 7 rigs in 2011 and 2012. The program began by focusing on infill and extension of known mineralization in the Dagny, Fabiola, Yasna, Marcela Sur, Delia SW and SE, Coyita, Dalila, Trinidad, and Bianca veins. As the infill and extensional drilling on these targets was completed, focus gradually shifted to testing other veins, some of which contained already known resources, historic drilling but no resources, or no previous drilling at all. In the second half of 2013 exploration drilling was initiated under Laguna Verde looking for extensions of the Fabiola and Yasna veins. Following the success of those holes a focus will be placed on drilling the Fabiola, Yasna, and Coyita veins under Laguna Verde during 2014.

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



### Drilling

Total drilling on the project consists of 4,454 diamond drill holes totaling approximately 596,155 m and 666 RC holes totaling 57,271 m. A small number of exploration drill holes outside of the main mining areas are not included in these totals. A drill summary table by year is included in the table below, with Mandalay conducting the drilling in 2010, 2011, 2012 and 2013:

**DRILL HOLE DATABASE Cerro Bayo Property**

Area	Year Drilled	Core Holes		RC Holes	
		No. Holes	No. Metres	No. Holes	No. Metres
Cerro Bayo Dome/Guanaco	Pre-2010	1,967	206,486	9	1,582
Mallines	Pre-2010	54	6,995	-	-
Cascada	Pre-2010	153	24,828	-	-
Laguna Verde (includes Coigues Este)	Pre-2010	1,583	195,087	657	55,689
	2010	15	2,668	-	-
	2011	290	60,457	-	-
	2012	230	62,189	-	-
Cerro Bayo	2013	43	10,525	-	-
Lagunas Verde	2013	94	20,994	-	-
Mallines	2013	13	3,595	-	-
Cañadon Verde	2013	12	2,329	-	-
<b>Total</b>		<b>4,454</b>	<b>596,155</b>	<b>666</b>	<b>57,271</b>

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 using various rigs and by Coeur/Mandalay personnel using Minera Cerro Bayo-owned rigs (Diamec 252 and Diamec 262).

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

Drilling Procedure – 2010 – 2013

Mandalay drilled a total of 691 diamond drill holes totaling 160,794 m at Laguna Verde and Marcela Sur between 2010 to 2013. All holes were collared and finalized using BQ, NQ and HQ diameter core. The 2010-2012 drill program was carried out by Mandalay drillers and by Master Drilling. Mandalay drilling was completed using Atlas Copco Diamec 262 and 252 drill rigs. Master Drilling used Boart Longyear F90 and Max1000 drill rigs. All 2010, 2011 and 2012 drill core is stored at Granja Temer or the new core shed in Laguna Verde; older core is stored at Guanaco near Cerro Bayo. Drill hole collars were surveyed by Mandalay surveyors using total station survey instruments. Down-hole surveys were completed by the Mandalay and contract drillers after each hole was complete using Maxibor II instruments. Some of the down-hole surveys were corrected after the collars were reviewed and resurveyed.

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

Sampling and Analysis

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

The diamond drill core is placed in appropriately labeled wooden core trays at the drill rig prior to transport. Core is carefully transported by Geological Assistants to the on-site core logging facility by truck. Since late 2011, core logging information has been entered digitally into Geovectra's GVMapper® logging software program. All diamond drill core has been photographed using a digital camera and the images are stored in the master database. Geological information recorded includes lithology, veins, core recovery, description of specific structures and alteration styles, along with their width, intensity and associated mineral assemblage. In addition, rock quality designation ("RQD") was undertaken to record the number and nature of natural breaks in the core for subsequent geotechnical assessment.

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

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

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

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

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

#### Data Verification

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

#### Security of Samples

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

### Sample Quality

Quality control procedures have included routine check assays of sample pulps, and check assays of duplicate pulps prepared from coarse rejects and use of blanks to assess the quality of the sample preparation procedures. Original assays and duplicates have been statistically analyzed by estimating relative variances and errors.

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

### **Mineral Resources and Reserves at Cerro Bayo**

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

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

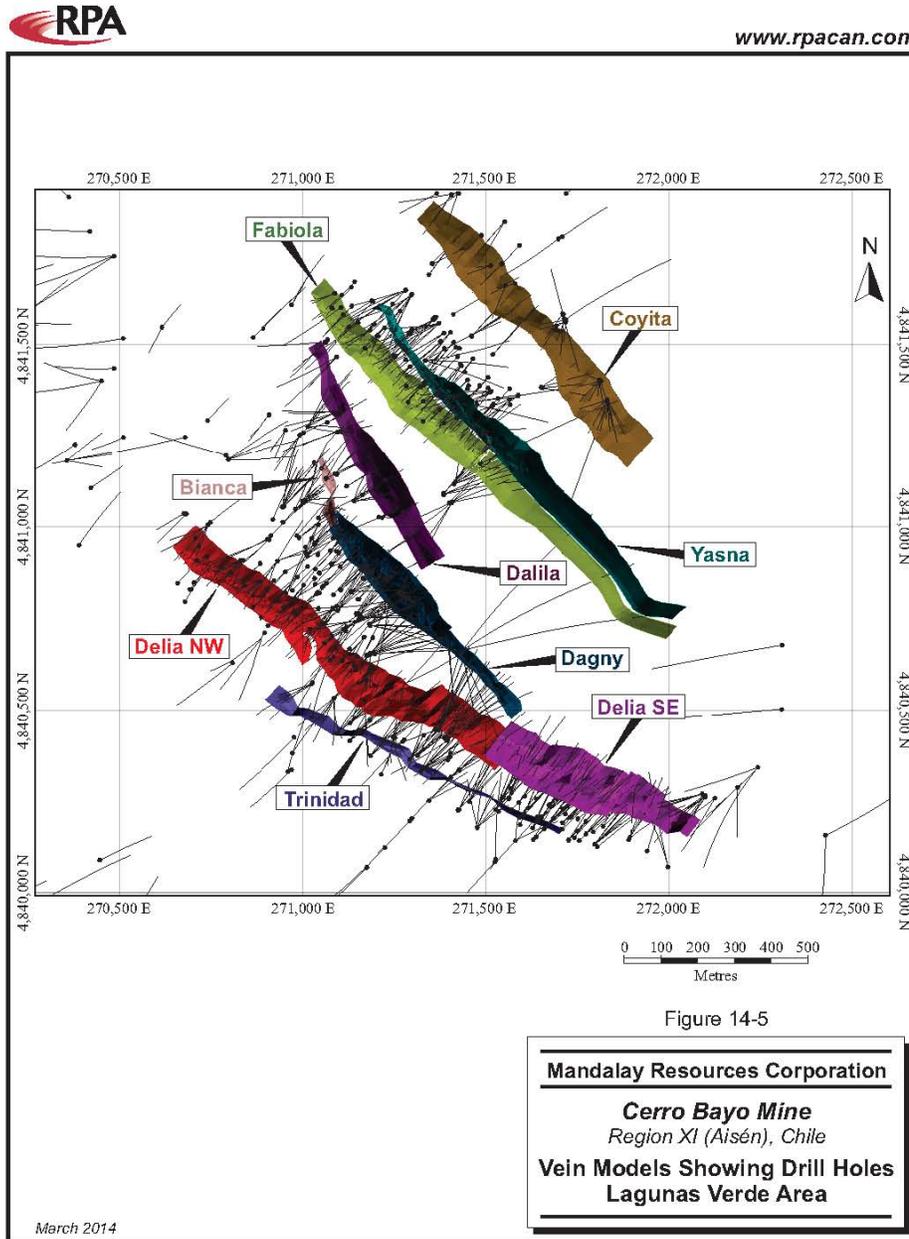
The Cerro Bayo Technical Report estimated Mineral Resources as of December 31, 2013, for 10 veins: Bianca, Coyita, Dagny, Dalila, Delia NW, Delia SE, Fabiola, Marcela Sur, Raul, Trinidad and Yasna. The drill hole and channel sample database used in this estimation is summarized below:

### **Drill Hole and Channel Sample Database, Cerro Bayo**

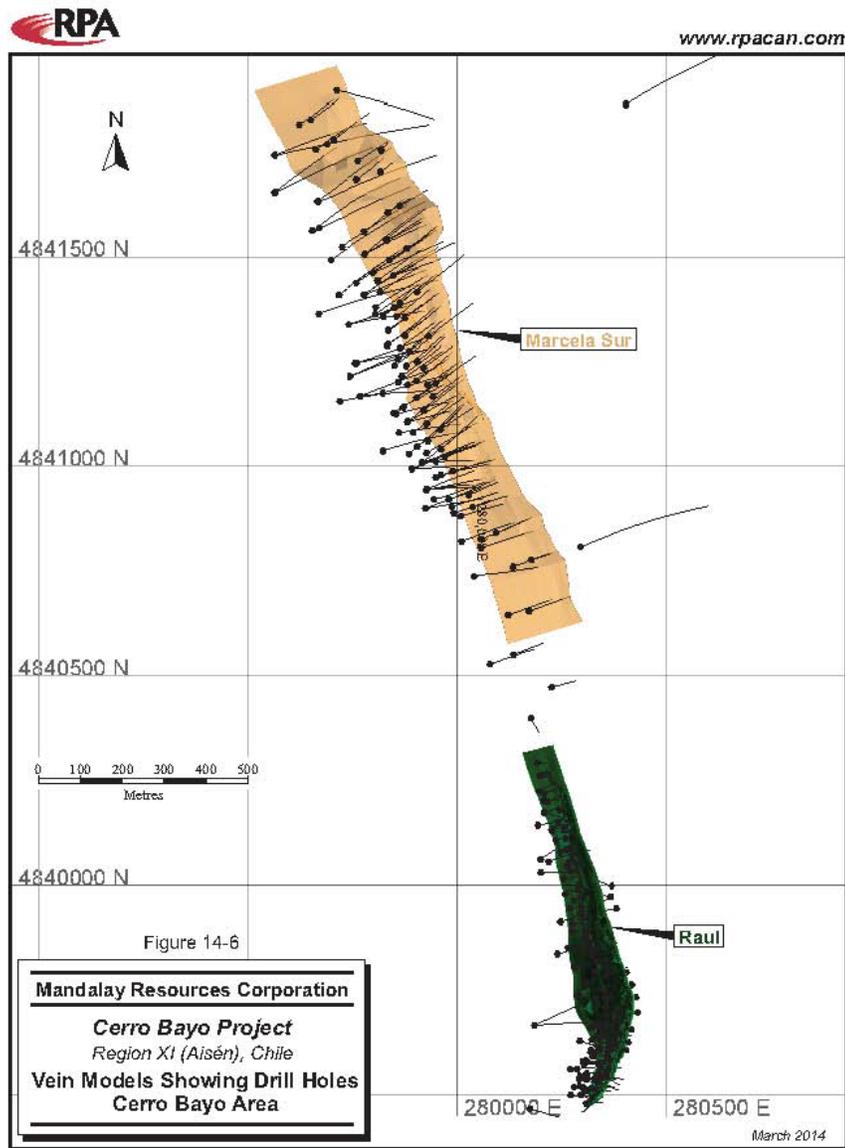
<b>Vein</b>	<b>Number Drill Holes</b>	<b>Number Core Samples</b>	<b>Number Channels</b>	<b>Number Channel Samples</b>
Bianca	23	49	390	561
Coyita	68	278	-	-
Dagny	150	518	1,900	3,267
Dalila	62	137	-	-
Delia NW	314	1,173	1,209	3,298
Delia SE	127	628	-	-
Fabiola	147	453	1,940	3,415
Marcela Sur	128	489	693	1,840
Yasna	115	392	1,058	1,687
Trinidad	101	188	-	-
Raul	136	569	616	1,725
<b>TOTAL</b>	<b>1,037</b>	<b>5,513</b>	<b>6,433</b>	<b>7,403</b>

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

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



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



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

The Mineral Resources are stated at a cut-off grade of 163 g/t Ag Equivalent (AgEq) based on \$1,400/oz gold and US\$24.00/oz silver; the cutoff grade accounts for transportation treatment and refining costs. A rock density of 2.63 t/m<sup>3</sup> was used for all areas in the resource estimation. The resources are stated as of December 31, 2013, and are inclusive of Mineral Reserves. The reader is cautioned that Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

**Table: Mineral Resources of the Cerro Bayo Mine as of December 31, 2013, inclusive of Mineral Reserves**

<b>CERRO BAYO TOTAL RESOURCES, 31-December-2013</b>					
	<b>Ore (t)</b>	<b>Ag Grade (g/t)</b>	<b>Ag (cont. oz)</b>	<b>Au Grade (g/t)</b>	<b>Au (cont. oz)</b>
Cerro Bayo Measured Resources	411,449	423	5,595,915	3.6	47,608
Cerro Bayo Indicated Resources	1,632,640	308	16,172,152	3.2	166,712
<b>Cerro Bayo Measured &amp; Indicated Resources</b>	<b>2,044,089</b>	<b>331</b>	<b>21,768,066</b>	<b>3.3</b>	<b>214,321</b>
Cerro Bayo Inferred Resources	433,434	400	5,580,124	3.3	46,458

<b>BIANCA RESOURCES</b>					
	<b>Ore (t)</b>	<b>Ag Grade (g/t)</b>	<b>Ag (cont. oz)</b>	<b>Au Grade (g/t)</b>	<b>Au (cont. oz)</b>
Bianca Measured Resource	16,315	201	105,482	3.6	1,885
Bianca Indicated Resource	643	114	2,361	2.5	51
<b>Bianca Measured &amp; Indicated Resources</b>	<b>16,958</b>	<b>198</b>	<b>107,843</b>	<b>3.6</b>	<b>1,936</b>
Bianca Inferred Resource	-	-	-	-	-

<b>COYITA RESOURCES</b>					
	<b>Ore (t)</b>	<b>Ag Grade (g/t)</b>	<b>Ag (cont. oz)</b>	<b>Au Grade (g/t)</b>	<b>Au (cont. oz)</b>
Coyita Measured Resource	-	-	-	-	-
Coyita Indicated Resource	286,400	296	2,724,148	1.8	16,520
<b>Coyita Measured &amp; Indicated Resources</b>	<b>286,400</b>	<b>296</b>	<b>2,724,148</b>	<b>1.8</b>	<b>16,520</b>
Coyita Inferred Resource	38,839	305	380,404	2.9	3,602

<b>DAGNY RESOURCES</b>					
	<b>Ore (t)</b>	<b>Ag Grade (g/t)</b>	<b>Ag (cont. oz)</b>	<b>Au Grade (g/t)</b>	<b>Au (cont. oz)</b>
Dagny Measured Resource	113,953	473	1,733,917	3.9	14,252
Dagny Indicated Resource	69,133	306	680,693	2.6	5,871
<b>Dagny Measured &amp; Indicated Resources</b>	<b>183,087</b>	<b>410</b>	<b>2,414,610</b>	<b>3.4</b>	<b>20,122</b>
Dagny Inferred Resource	11,945	283	108,871	1.20	463

<b>DALILA RESOURCES</b>					
	<b>Ore (t)</b>	<b>Ag Grade (g/t)</b>	<b>Ag (cont. oz)</b>	<b>Au Grade (g/t)</b>	<b>Au (cont. oz)</b>
Dalila Measured Resource	-	-	-	-	-
Dalila Indicated Resource	102,163	268	878,701	3.1	10,145
<b>Dalila Measured &amp; Indicated Resources</b>	<b>102,163</b>	<b>268</b>	<b>878,701</b>	<b>3.1</b>	<b>10,145</b>
Dalila Inferred Resource	22,560	172	124,489	1.8	1,314

<b>DELIA NW RESOURCES</b>					
	<b>Ore (t)</b>	<b>Ag Grade (g/t)</b>	<b>Ag (cont. oz)</b>	<b>Au Grade (g/t)</b>	<b>Au (cont. oz)</b>
Delia NW Measured Resource	122,370	398	1,564,300	5.1	20,102
Delia NW Indicated Resource	391,073	278	3,493,897	3.2	39,811
<b>Delia NW Measured &amp; Indicated Resources</b>	<b>513,442</b>	<b>306</b>	<b>5,058,196</b>	<b>3.6</b>	<b>59,913</b>
Delia NW Inferred Resource	35,892	122	141,041	3.6	4,186

DELIA SE RESOURCES					
	Ore (t)	Ag Grade (g/t)	Ag (cont. oz)	Au Grade (g/t)	Au (cont. oz)
Delia SE Measured Resource	-	-	-	-	-
Delia SE Indicated Resource	272,848	471	4,134,571	6.2	53,990
<b>Delia SE Measured &amp; Indicated Resources</b>	<b>272,848</b>	<b>471</b>	<b>4,134,571</b>	<b>6.2</b>	<b>53,990</b>
Delia SE Inferred Resource	43,120	271	375,938	4.8	6,660

FABIOLA RESOURCES					
	Ore (t)	Ag Grade (g/t)	Ag (cont. oz)	Au Grade (g/t)	Au (cont. oz)
Fabiola Measured Resource	70,982	466	1,063,081	2.5	5,640
Fabiola Indicated Resource	55,337	155	276,305	2.3	4,074
<b>Fabiola NW Measured &amp; Indicated Resources</b>	<b>126,319</b>	<b>330</b>	<b>1,339,386</b>	<b>2.4</b>	<b>9,713</b>
Fabiola NW Inferred Resource	72,029	1264	2,926,433	6.5	15,113

MARCELA SUR RESOURCES					
	Ore (t)	Ag Grade (g/t)	Ag (cont. oz)	Au Grade (g/t)	Au (cont. oz)
Marcela Sur Measured Resource	-	-	-	-	-
Marcela Sur Indicated Resource	242,271	339	2,636,763	2.3	18,102
<b>Marcela Sur Measured &amp; Indicated Resources</b>	<b>242,271</b>	<b>339</b>	<b>2,636,763</b>	<b>2.3</b>	<b>18,102</b>
Marcela Sur Inferred Resource	111,090	178	637,310	2.4	8,683

TRINIDAD RESOURCES					
	Ore (t)	Ag Grade (g/t)	Ag (cont. oz)	Au Grade (g/t)	Au (cont. oz)
Trinidad Measured Resource	-	-	-	-	-
Trinidad Indicated Resource	70,376	115	259,925	3.9	8,917
<b>Trinidad Measured &amp; Indicated Resources</b>	<b>70,376</b>	<b>115</b>	<b>259,925</b>	<b>3.9</b>	<b>8,917</b>
Trinidad Inferred Resource	32,127	123	126,933	2.2	2,227

YASNA RESOURCES					
	Ore (t)	Ag Grade (g/t)	Ag (cont. oz)	Au Grade (g/t)	Au (cont. oz)
Yasna Measured Resource	62,445	473	949,738	2.2	4,373
Yasna Indicated Resource	60,042	278	536,073	2.0	3,921
<b>Yasna Measured &amp; Indicated Resources</b>	<b>122,487</b>	<b>377</b>	<b>1,485,812</b>	<b>2.1</b>	<b>8,294</b>
Yasna Inferred Resource	65,831	358	758,706	2.0	4,210

RAUL RESOURCES					
	Ore (t)	Ag Grade (g/t)	Ag (cont. oz)	Au Grade (g/t)	Au (cont. oz)
Raul Measured Resource	25,384	220	179,396	1.7	1,357
Raul Indicated Resource	82,353	207	548,714	2.0	5,311
<b>Raul Measured &amp; Indicated Resources</b>	<b>107,737</b>	<b>210</b>	<b>728,110</b>	<b>1.9</b>	<b>6,668</b>
Raul Inferred Resource	-	-	-	-	-

Notes to Mineral Resource table:

1. The Qualified Person for this Mineral Resource estimate is Rosmary Cardenas, MAusIMM CP (Geo.).
2. CIM definitions were followed for Mineral Resources.
3. Mineral Resources are estimated at a cut-off grade of 163 g/t AgEq.
4. Mineral Resources are estimated using US\$1,400 per ounce Au, US\$24 per ounce Ag, and a US\$/C\$ exchange rate of 1:1.
5. The AgEq was calculated using the formula  $AgEq = Ag + (Au \times 59.64)$  where Ag and Au are in grams per tonne after transport, treatment and refining costs are deducted.
6. A minimum vein width of 1.2 m was used.
7. A density of 2.63 t/m<sup>3</sup> was used.

8. Mineral Resources are inclusive of Mineral Reserves
9. Numbers may not add due to rounding.

Cerro Bayo Mineral Reserves were calculated using metal prices of \$1,200/oz gold and \$20.00/oz silver. Mining recovery of 905 was used, with a minimum mining width of 2.4 m. Veins of width greater than 2.4 m were diluted by an extra 0.4 m. Dilution grades varied by vein, as determined by wall rock grades specific to each vein. Given estimated metallurgical recoveries, life-of-mine costs derived from 2010-2012 actual experience, and typical commercial terms for concentrate and including deductions for transport treatment, and refining costs this led to a primary cut-off grade of 200 g/t AgEq.

**Table: Mineral Reserves of the Cerro Bayo Mine as of December 31, 2013**

<b>CERRO BAYO TOTAL PROVEN AND PROBABLE RESERVES 31-December-2013</b>					
	Ore (t)	Ag Grade (g/t)	Ag (cont. oz)	Au Grade (g/t)	Au (cont. oz)
Cerro Bayo Proven Reserves	516,220	283	4,704,561	2.5	40,751
Cerro Bayo Probable Reserves	1,966,724	209	13,196,893	2.1	133,559
<b>Cerro Bayo Proven &amp; Probable Reserves</b>	<b>2,482,944</b>	<b>224</b>	<b>17,901,454</b>	<b>2.2</b>	<b>174,310</b>

<b>BIANCA PROVEN AND PROBABLE RESERVES</b>					
Bianca Proven Reserves	13,277	134	57,005	2.4	1,040
Bianca Probable Reserves	-	0	-	0.0	-
<b>Bianca Proven &amp; Probable Reserves</b>	<b>13,277</b>	<b>134</b>	<b>57,005</b>	<b>2.4</b>	<b>1,040</b>

<b>COYITA PROVEN AND PROBABLE RESERVES</b>					
Coyita Proven Reserves	-	-	-	-	-
Coyita Probable Reserves	365,033	198	2,325,393	1.2	13,848
<b>Coyita Proven &amp; Probable Reserves</b>	<b>365,033</b>	<b>198</b>	<b>2,325,393</b>	<b>1.2</b>	<b>13,848</b>

<b>DAGNY PROVEN AND PROBABLE RESERVES</b>					
Dagny Proven Reserves	183,231	264	1,557,919	2.3	13,342
Dagny Probable Reserves	59,954	208	401,374	2.3	4,367
<b>Dagny Proven &amp; Probable Reserves</b>	<b>243,185</b>	<b>251</b>	<b>1,959,293</b>	<b>2.3</b>	<b>17,709</b>

<b>DALILA PROVEN AND PROBABLE RESERVES</b>					
Dalila Proven Reserves	-	-	-	-	-
Dalila Probable Reserves	159,804	154	789,237	1.7	8,821
<b>Dalila Proven &amp; Probable Reserves</b>	<b>159,804</b>	<b>154</b>	<b>789,237</b>	<b>1.7</b>	<b>8,821</b>

<b>DELIA NW-1 PROVEN AND PROBABLE RESERVES</b>					
Delia NW-1 Proven Reserves	120,080	321	1,239,945	4.4	16,833
Delia NW-1 Probable Reserves	50,192	146	235,683	2.3	3,708
<b>Delia NW-1 Proven &amp; Probable Reserves</b>	<b>170,273</b>	<b>270</b>	<b>1,475,628</b>	<b>3.8</b>	<b>20,540</b>

DELIA NW-2 PROVEN AND PROBABLE RESERVES					
Delia NW-2 Proven Reserves	4,867	379	59,230	2.8	443
Delia NW-2 Probable Reserves	383,868	219	2,706,470	2.3	27,968
<b>Delia NW-2 Proven &amp; Probable Reserves</b>	<b>388,735</b>	<b>221</b>	<b>2,765,701</b>	<b>2.3</b>	<b>28,411</b>

DELIA SE PROVEN AND PROBABLE RESERVES					
Delia SE Proven Reserves	-	-	-	-	-
Delia SE Probable Reserves	411,323	272	3,603,320	3.4	45,540
<b>Delia SE Proven &amp; Probable Reserves</b>	<b>411,323</b>	<b>272</b>	<b>3,603,320</b>	<b>3.4</b>	<b>45,540</b>

FABIOLA PROVEN AND PROBABLE RESERVES					
Fabiola Proven Reserves	88,499	305	867,532	1.6	4,601
Fabiola Probable Reserves	45,648	99	145,591	1.5	2,179
<b>Fabiola Proven &amp; Probable Reserves</b>	<b>134,148</b>	<b>235</b>	<b>1,013,123</b>	<b>1.6</b>	<b>6,780</b>

MARCELA SUR PROVEN AND PROBABLE RESERVES					
Marcela Sur Proven Reserves	-	-	-	-	-
Marcela Sur Probable Reserves	237,193	261	1,991,147	1.8	13,514
<b>Marcela Sur Proven &amp; Probable Reserves</b>	<b>237,193</b>	<b>261</b>	<b>1,991,147</b>	<b>1.8</b>	<b>13,514</b>

YASNA PROVEN AND PROBABLE RESERVES					
Yasna Proven Reserves	91,474	287	842,979	1.3	3,853
Yasna Probable Reserves	71,539	191	438,189	1.1	2,602
<b>Yasna Proven &amp; Probable Reserves</b>	<b>163,013</b>	<b>244</b>	<b>1,281,167</b>	<b>1.2</b>	<b>6,456</b>

RAUL PROVEN AND PROBABLE RESERVES					
Raul Proven Reserves	14,791	168	79,951	1.3	639
Raul Probable Reserves	94,989	124	377,559	1.3	4,052
<b>Yasna Proven &amp; Probable Reserves</b>	<b>109,780</b>	<b>130</b>	<b>457,509</b>	<b>1.3</b>	<b>4,691</b>

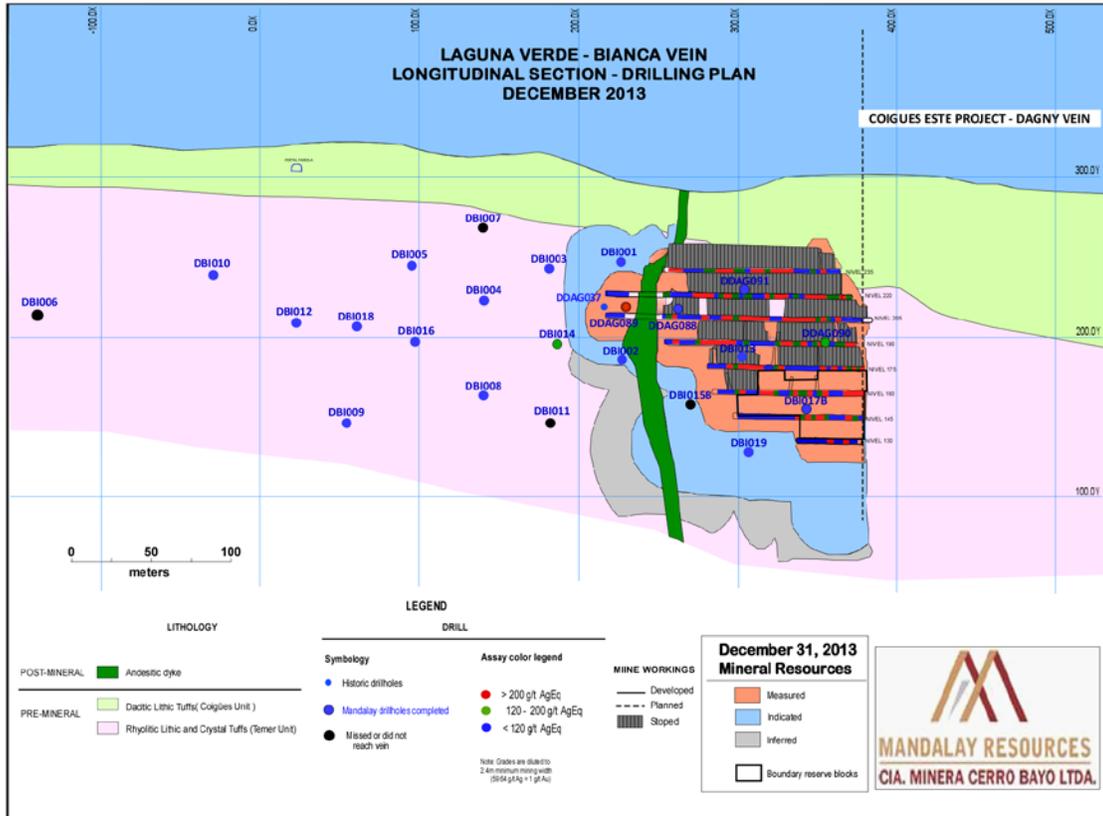
TRINIDAD PROVEN AND PROBABLE RESERVES					
Trinidad Proven Reserves	-	-	-	-	-
Trinidad Probable Reserves	87,181	65	182,931	2.5	6,959
<b>Yasna Proven &amp; Probable Reserves</b>	<b>87,181</b>	<b>65</b>	<b>182,931</b>	<b>2.5</b>	<b>6,959</b>

Notes to Mineral Reserves table:

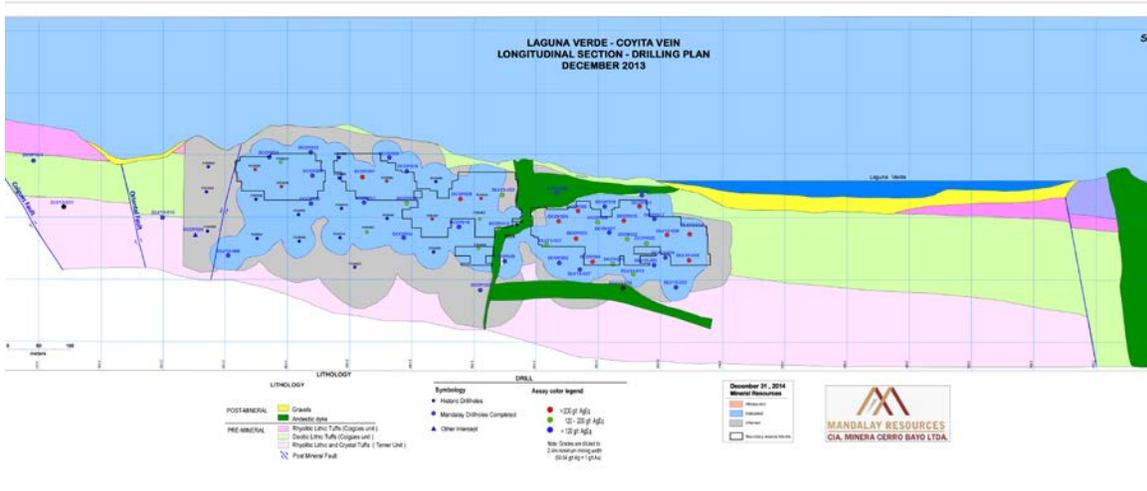
1. The Qualified Person for this Mineral Reserve estimate is Normand Lecuyer, P. Eng.
2. CIM definitions were followed for Mineral Reserves.
3. Mineral Reserves are estimated at a cut-off grade of 200 g/t AgEq.
4. Mineral Reserves are estimated using an average long term gold price of US\$1,200 per ounce, a silver price of US\$20 per ounce, and a US\$/C\$ exchange rate of 1.
5. The AgEq calculated using the formula  $AgEq = Ag + (Au \times 61.64)$ , where Ag and Au are in grams per tonne after transport, treatment, and refining costs are deducted.
6. A minimum mining width of 2.4 m was used. Dilution grades vary by vein up to 0.25 g/t Au and 24 g/t Ag for the Dagny and Bianca veins.
7. Density is 2.63 t/m<sup>3</sup>.
8. Numbers may not add due to rounding

Longitudinal sections relating drill intercepts, mine samples, 2010-2013 stoping, and the new resources and reserves, appear below:

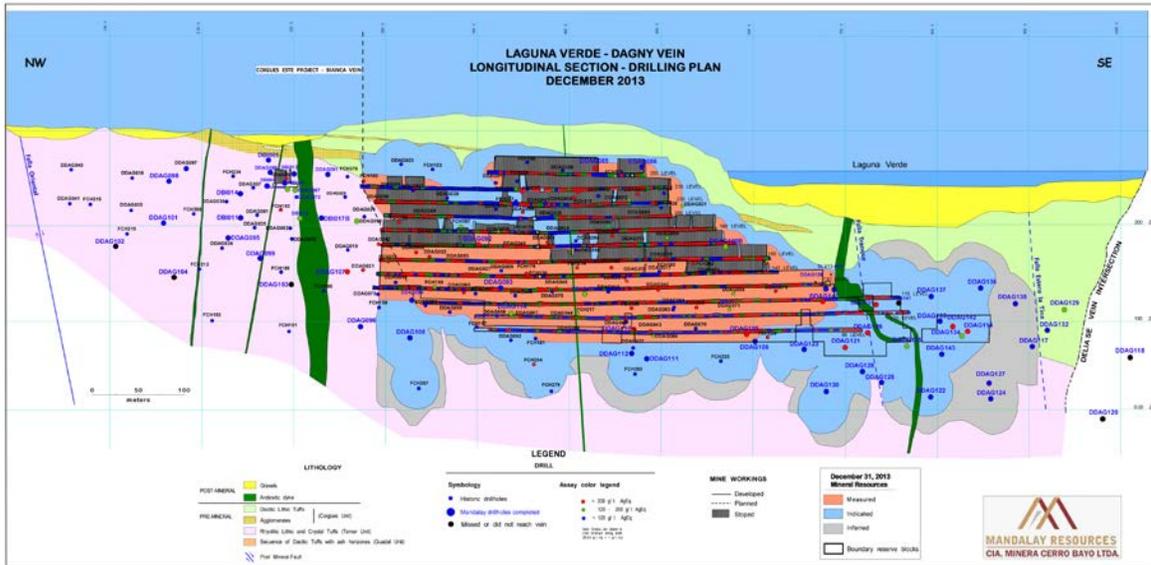
Bianca



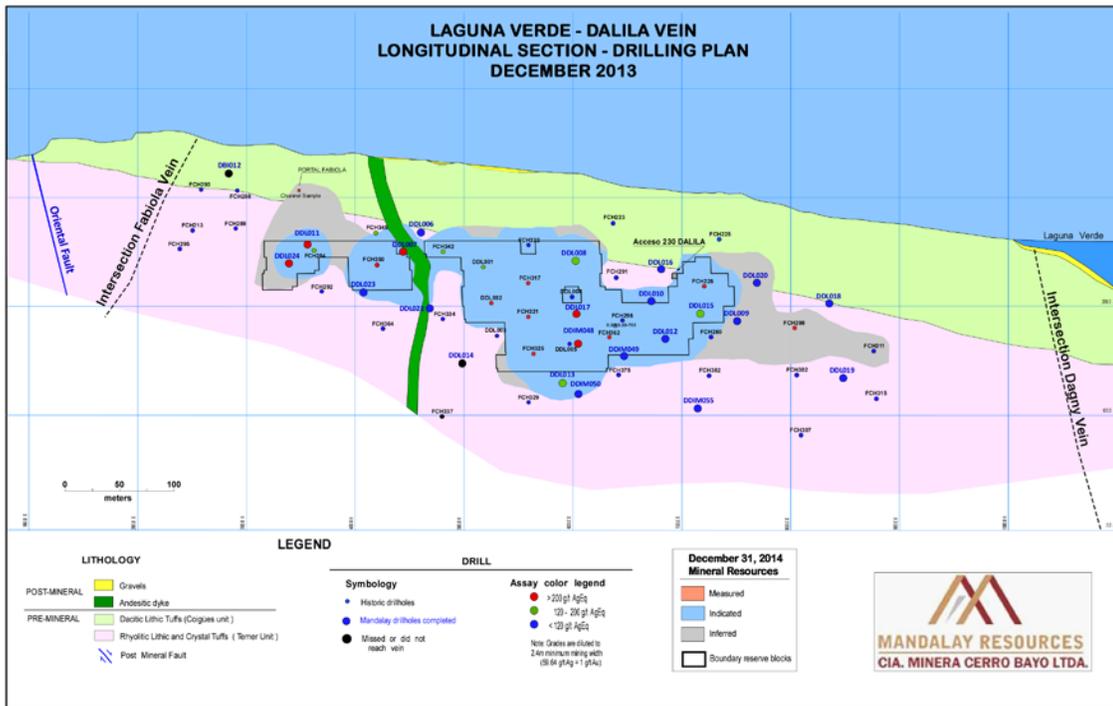
Coyita vein



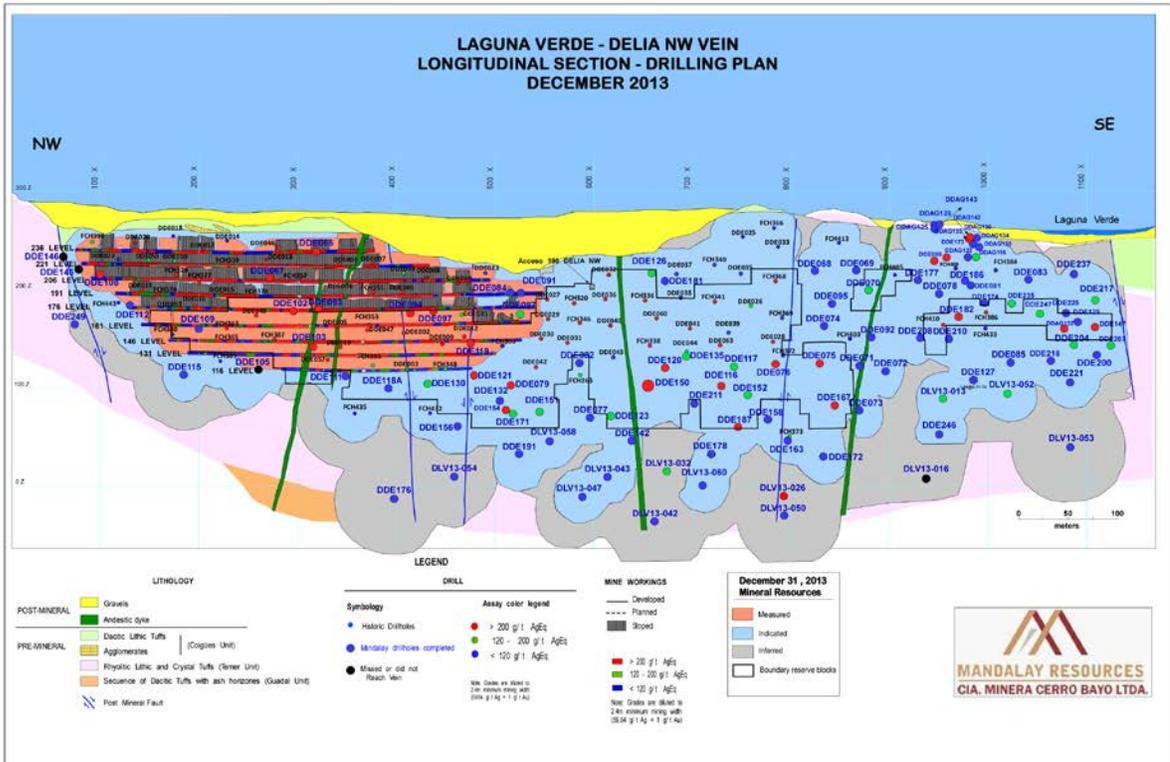
Dagny vein



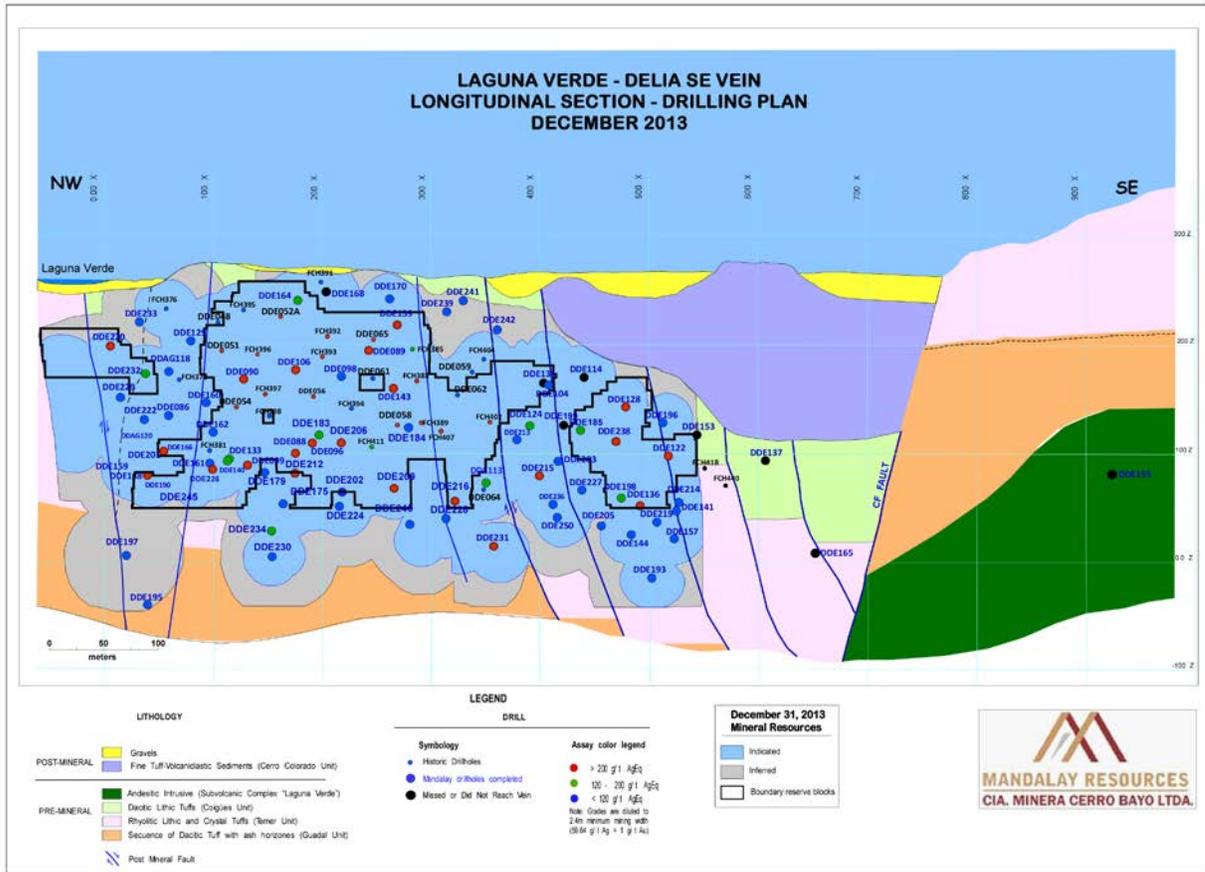
Dalila vein



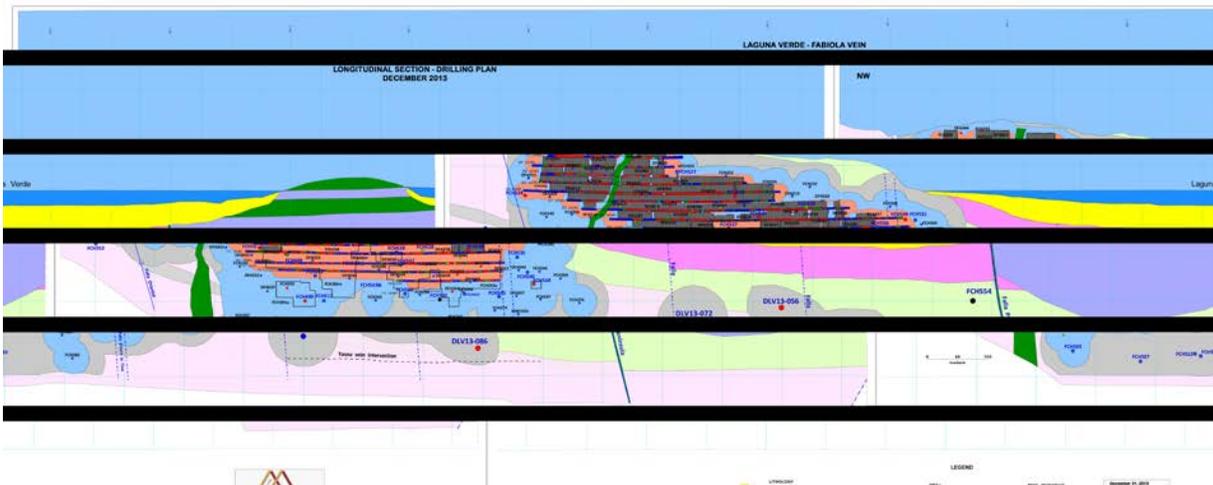
Delia NW vein



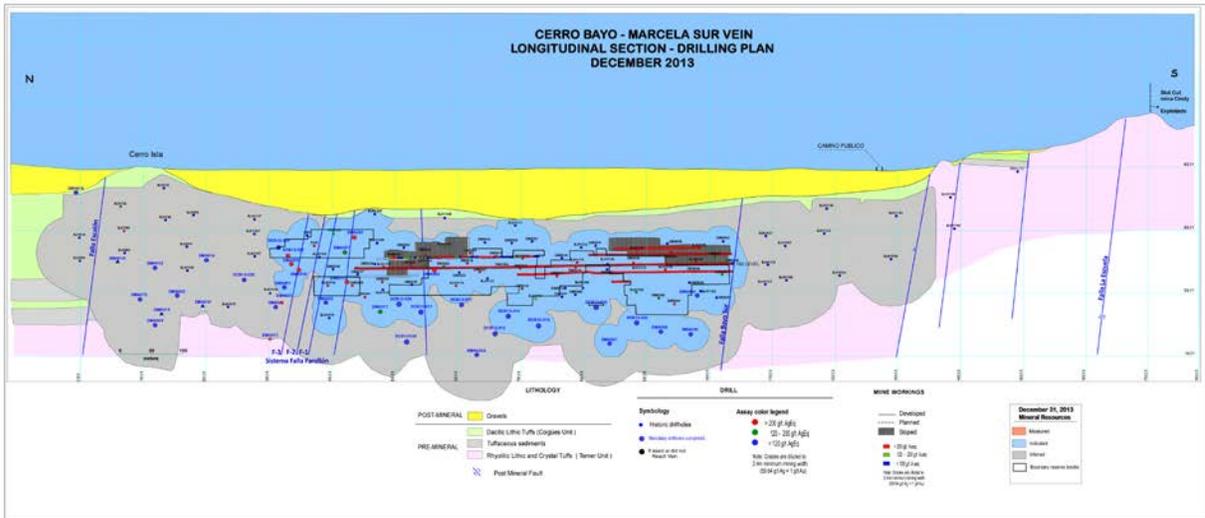
Delia SE vein



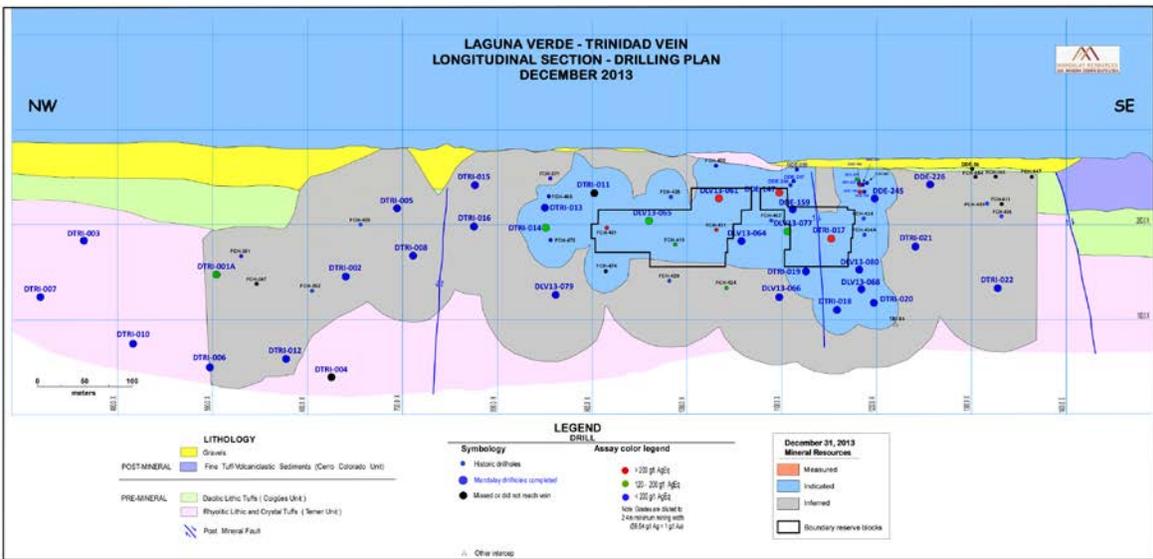
Fabiola vein



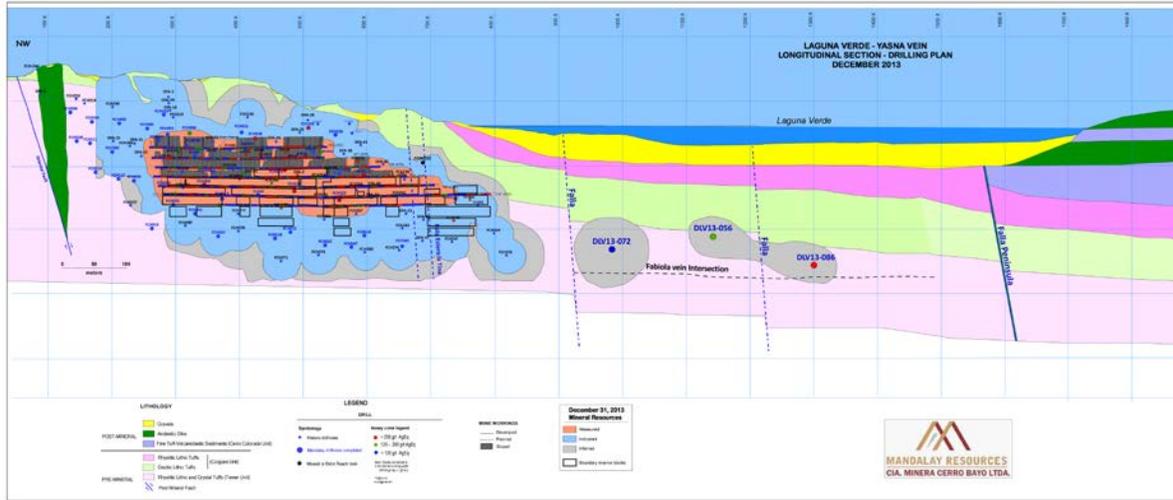
Marcela Sur vein



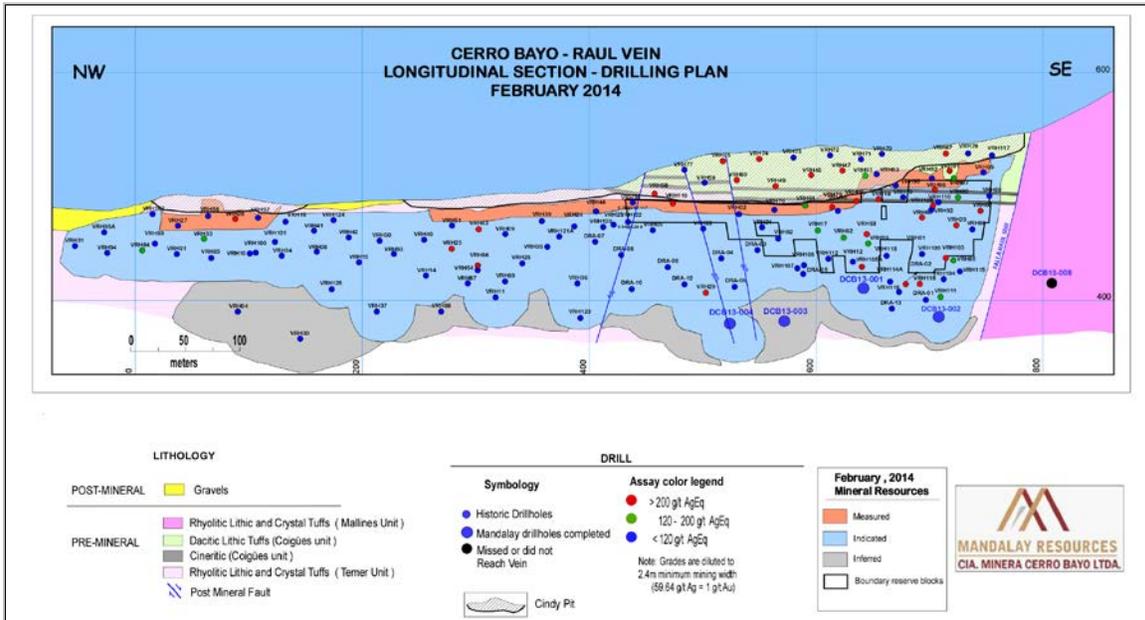
Trinidad vein



**Yasna vein**



**Raul vein**



**Reconciliation**

The production for 2013 compared to budget is shown in the table below where budget is based on the reserve model.

**Actual vs Plan, 2013**

Item	Units	YTD 2013		
		Actual	Budget	Variance
Milling	Dry Tonnes	386,480	379,551	102%
Grade	Ag (g/t)	288	272	106%
	Au (g/t)	2.02	2.01	100%
Contained Metal	Ag (oz)	3,581,290	3,315,399	108%
	Au (oz)	25,141	24,576	102%
Recovery	Ag	91%	89%	102%
	Au	88%	88%	100%
Concentrate	Tonnes	9,003	8,017	112%
Concentrate Grade	Ag (g/t)	11,263	11,485	98%
	Au (g/t)	76.39	83.70	91%
Metal Produced	Ag (oz)	3,260,057	2,960,480	110%
	Au (oz)	22,110	21,574	102%

The table indicates very close reconciliation of the planned and actual production results for 2013. Only the gold head grade and concentrate grade were slightly below forecast, with all other metrics above the budget indicating a high level of accuracy in the forecasting

**Mining Operations**

Coeur mined from open pits in the Laguna Verde area from 1995 to 2000, when it ran out of open pit ore. It curtailed production through 2002, during which time it discovered and developed underground mines on veins adjacent to the Cerro Bayo hill. Underground mining, using a combination of shrinkage stope and longhole open stope methods, continued through October 2008, when the operations were again put on care and maintenance during the global financial crisis. Near the end of that period of underground mining, discovery of blind ore shoots in the Dagny and Fabiola veins in the Laguna Verde area caused Coeur to commence development of mines there, but operations ceased before significant ore faces were developed. Coeur continued to explore near those veins after operations ceased and discovered the Delia NW and SE vein. Together with remnants of the Marcela vein ore shoot in the Cerro Bayo area, Dagny, Fabiola, and Delia NW formed the core of the base case mine plan on which the acquisition of Cerro Bayo was justified and reserves declared. The Mandalay reserves update as of December 31, 2011, increased reserves on Dagny, Fabiola, and Delia NW as well as converted resources to reserves on Yasna, Bianca, and Delia SE veins. The life-of-mine was increased from about three years in the 2010 plan to about six years. The reserves update as of December 31, 2012, added Mineral Reserves on Dalila and Coyita for first time and maintained the approximately six year mine life. The reserves updated as of December 31, 2013 added Mineral Reserves on Raul and Trinidad for the first time, and maintained the approximately six-year mine life.

Mining Methods and Plan

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

The restart plan initiated in the third quarter of 2010 was to ramp up to about a 1,200 tpd peak production rate and sustain this rate by having three mines in operation and one in development at any one time. Dagny (and nearby Bianca), Fabiola (and nearby Yasna) and Delia NW are in production at steady state as of the date of this Annual Information Form and sustainable production at 1,200 tpd has been reached. An increase in production rate to 1,400 tpd is anticipated in the first quarter of 2014, when a second haulage access for Delia NW is completed. The current life-of-mine plan from the Cerro Bayo Technical Report shows almost six years of

production, with Delia SE capital development beginning in 2014 and Coyita and Marcela Sur coming on-stream after Dagny and Fabiola diminish.

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

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

#### 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 foot (“ft”) x 9.25 ft Allis Chalmers SAG mill that is fitted with rubber liners and charged with 5 in grinding balls. The SAG mill discharges to a cyclone pump box and is classified in a bank of two Warman D-15 cyclones at 65% passing 200 mesh. The cyclone underflow is subjected to flash flotation to recover coarsely liberated gold and silver into a flotation concentrate that is sent directly to final concentrate. The flash flotation tailing is reground in an 11.5 ft x 18 ft Marcy ball mill operated in closed circuit with the D-15 cyclones. The cyclone overflow is subjected to a second stage of classification in a 42 in diameter spiral classifier prior to advancing to rougher flotation. During 2011, Mandalay rehabilitated a concentrate regrind circuit and has the option to use it when required to achieve high recoveries.

Rougher-scavenger flotation is conducted in a bank of seven WECMO 500 ft<sup>3</sup> flotation cells. The rougher concentrate is advanced to three stages of cleaner flotation in a bank of eight WEMCO 150ft<sup>3</sup> flotation cells followed by a final stage of cleaner flotation in a 42 in x 33 ft high column flotation cell. The final flotation concentrate is thickened in a 30 ft diameter Envirotech high rate thickener and then filtered in two Larox concentrate filters to produce filter cake having 8% to 9% moisture content, suitable for transport by ocean freight.

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

In the first quarter of 2013, Mandalay commissioned the automation of grinding and flotation of the processing plant, as a result of the automation silver recovery has improved close to 2%.

#### Markets

CMCB have concentrate sale agreements for the sale of concentrate in 2014 with Dowa Metals and Mining Co., Ltd., Mitsubishi Materials Corporation, and Pan Pacific Copper Co., Ltd., all in Japan and LS Nikko Copper Inc., in Korea. As well, these provide for a concentrate treatment charge and typical per ounce refining charges for gold and silver paid.

#### 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 that was signed in June, 2012, and which extends to June, 2015.

Environmental

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

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

Taxes

A Chilean company's profit is subject to a 20% first category tax. The tax loss carry forwards will be used up in early 2013 and the Corporation will begin paying tax.

Capital Costs

The economic test of Proven and Probable Reserves presented in the Cerro Bayo Technical Report requires approximately US\$22.7 million in Property, Plant, and Equipment purchases; US\$29.9 million in capital development; and US\$15.5 million in reclamation spending.

Operating Costs

For the life-of-mine economic test model, the operating costs used are US\$56.90/t for mining, US\$25.95/t for processing and US\$16.73/t for general and administration. These are based on actual operating costs experienced in 2012 and 2013.

The table below summarizes the key inputs financial outputs presented in the Cerro Bayo Technical Report economic test:

Economic Analysis

**Cerro Bayo Financial Measures**

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Au Price	US\$/oz	1,300	1,350	1,350	1,350	1,350	1,350
Ag Price	US\$/oz	22	22	23	23	23	23
Ore Mined	'000 t	477	480	568	436	334	188
Ore Milled	'000 t	477	480	568	436	334	188
Au Sold	oz	30,863	25,894	32,340	31,845	18,845	7,805
Ag Sold	oz	3,728,679	2,796,288	3,597,012	2,895,803	1,787,961	726,730
Net Smelter Return	US\$'000	109,514	85,566	111,446	100,140	57,695	23,952
Total Operating Cost	US\$'000	47,467	47,814	56,607	43,384	33,299	18,678
Operating Cashflow	US\$'000	62,047	37,752	54,838	56,757	24,396	5,274
Total Capital Costs	US\$'000	18,591	23,543	18,517	6,698	2,939	2,206
<b>After Tax Free Cashflow</b>	<b>US\$'000</b>	<b>34,765</b>	<b>11,367</b>	<b>29,057</b>	<b>40,047</b>	<b>17,165</b>	<b>3,068</b>
<b>After Tax Free Cashflow</b>	<b>US\$'000</b>	<b>34,765</b>	<b>46,132</b>	<b>75,189</b>	<b>115,236</b>	<b>132,402</b>	<b>135,470</b>

RPA has also independently verified that the cash flow analysis provides positive economics at the reserve cut-off grade prices of US\$1,200/oz for gold and US\$20/oz for silver.

### Exploration and Development

For 2014, Mandalay anticipates continuing capital development on Dagny, Fabiola, Delia NW, and Yasna veins consistent with maintaining sustainable production. The Corporation anticipates beginning development on Dalila vein during 2014. The Dalila vein is to be accessed from the Dagny mine.

The exploration plan fully deploys four Corporation-owned rigs for 12 months. Goals of the 2014 program are to:

- Follow up on the successful wide spaced holes into Fabiola and Yasna under Laguna Verde with the plan to increase the extensions to reserves;
- Begin drilling for the extension of Coyita vein under Laguna Verde; and
- Test blue-sky targets for potentially economic mineralization, to be followed up by more drilling if positive.

### **6.13 Mineral Projects – Challacollo**

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

#### **Purchase of Project**

On February 7, 2014, Mandalay Resources completed the purchase of MSSC. Mandalay acquired all issued and outstanding shares of MSSC in consideration for:

- a cash payment of \$7.5 million dollars;
- 12 million Common Shares of Mandalay to Silver Standard;
- five million Common Shares at the end of the first quarter after commercial production starts at Challacollo;
- an aggregate cash payment equal to the equivalent of 240,000 ounces of refined silver, (payable in eight installments equal to the cash equivalent of 30,000 ounces of refined silver per quarter); and
- 2% Net Smelter Royalty on silver sold from the project in excess of 36 million ounces with a cap or buyout of \$5 million.

Following the purchase, Mandalay immediately renamed the entity Minera Mandalay Challacollo S.A.

#### **Property Location**

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

#### **Ownership**

Mineral rights at Challacollo are fully controlled by Minera Mandalay Challacollo S.A., which became a 100% owned subsidiary of the Corporation in February, 2014, following the purchase from Silver Standard Inc. Mandalay Challaollo has 98 exploration concessions (mensuras) which cover an area of 20,803 ha. Annual payment is required for the maintenance of the concessions.

## **Royalties**

The property is subject to four capped royalties

1. A 3% Net Smelter Return (NSR) royalty payable to Mineral Septentrion, of Chile with a buyout clause of US\$1.5 million;
2. A 2% NSR royalty payable to Finning Chile S.A. capped at \$US850,000 for production on the Codigo 32 concessions;
3. A 2% NSR royalty payable to Finning Chile S.A. capped at \$US850,000 for production on the Codigo 83 concessions; and
4. A 2% Net Smelter Royalty payable to Silver Standard on silver sold from the project in excess of 36 million ounces, with a cap or buyout of US\$5 million.

## **Environmental Liabilities**

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

## **Permitting, Requirements, and Status**

### Status of Chilean Required Permits

MMC has not submitted any permit applications. During 2014, MMC will be preparing an Environmental Impact Study for submittal to SEA following the completion of a feasibility study in early 2015. The Corporation has begun gathering baseline environmental data for preparation of the study.

### **Accessibility**

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

### **Climate**

The Project is located in the Atacama Desert ecoregion, which is sparsely populated and one of the driest places on earth, with total annual precipitation of one millimetre (expressed in millimetres of water). Rain does fall during a period known as Invierno Boliviano, which occurs when thunderclouds accumulate over Bolivia and the Altiplano of Chile. Rarely precipitation in the form of snow occurs.

The Challacollo area has Normal Desert Type climate following the Koeppen classification, which is characterized by few clouds, relatively low humidity (an annual average of 39%), large diurnal-nocturnal temperature fluctuations, and almost complete lack of precipitation. Seasonal average temperatures range from 5°C to 20°C. Strong convection currents are created during the day due to the heating of the desert and local salars causing the influx of cool coastal air. These conditions cause sand and dust storms to blow from the west and southwest but the activity dies down overnight as the desert cools. The sand blows up the western slopes of the Challacollo range and deposits on the lee slopes forming dunes and filling the drainages with meters of sand, which negatively impacts on road construction and exploration. Surface water only occurs during rare flash floods.

## **Topography and Vegetation**

The Atacama Desert has an average elevation of approximately 1,000 MASL. The rugged Challacollo mountains where the property is situated has an elevation of around 1,500MASL. Despite the arid environment of the Atacama Desert, some cacti (Eulychnia), perennials (Nolana), and mesquite (Prosopis) occur in basins where occasional water accumulates. Faunal diversity and density is extremely low due to the harsh conditions. The few scorpions and insects are prey for lizards and passerine birds of the genus Geositta. The occasional raptor or vulture is encountered scavenging on carrion. Mammal species are rare with some mice and foxes found occasionally.

## **History**

The historical record of the Challacollo mining district dates back to the eighteenth century. The Gildemeister firm operated between 1896 and 1931, Gildemeister built over 30 combined kilometres of infrastructure including a cable car and railway line to the Cerro Gordo railway station. Gildemeister worked at the mine sporadically until 1931 developing the Lolon Vein underground workings down to the 1,250 m level.

With silver prices relatively low, the main zone of mineralization was mined by artisanal miners (pirquineros) with no legal title between 1932 and 1980.

Gildemeister, as Minera Challacollo, returned in 1980 and exploited the existing dumps until early 1981. Production records to the end of December 1980 indicate that 250,000 t grading 660 g/t Ag and 1.43 g/t Au were extracted to that point.

In 1988, Minera Challacollo installed a 100 tpd pilot plant to produce silver “cement” for European export and to sell to Empresa Nacional de Minería’s (ENAMI) H. Videla Lira smelter in Copiapó, Chile. Within a year, the operation was self-sustaining but a drop in worldwide metal prices by early 1990 made the operation unprofitable. The short-lived mine employed trackless mining equipment and expanded the upper levels of the mine openings expand to 4 m x 4 m. Approximately 70,000 t were extracted and processed by flotation and agitation leaching. Higher grade ore (greater than 400 g/t Ag) was shipped directly to ENAMI’s Pozo Almonte plant and lower grade material (approximately 250 g/t Ag) was processed on-site according to the former mine manager.

Empressa Minera Mantos Blancos (Minera Blancos) subsequently entered into an Option to Purchase with Minera Challacollo from 1995 to 1996. Minera Blancos carried out exploration and drilling and in December, 1996, terminated its option with Minera Challacollo.

In 1998, Minera Challacollo sold its rights to Minera Septentrion (Septentrion), which divided the Property into two claim groups. The larger of the two blocks lies to the southeast and was optioned by BHP in 1999 to explore for copper porphyry potential. Drilling was reported to have been done by BHP, but the Property was returned to Septentrion. In 2001, CODELCO optioned the southeast block and drilled over 20 reverse circulation (RC) drill holes in 2002 before terminating its option later that year.

The smaller block, which hosts silver and gold potential, was optioned to SSRI in November, 2001. SSRI carried out drill programs on the Property in 2002, 2003, and 2007, as a result of which it completed its purchase of the property. Mandalay completed the purchase of the property from SSRI in February, 2014.

## **Geology and Mineralization**

### Geology

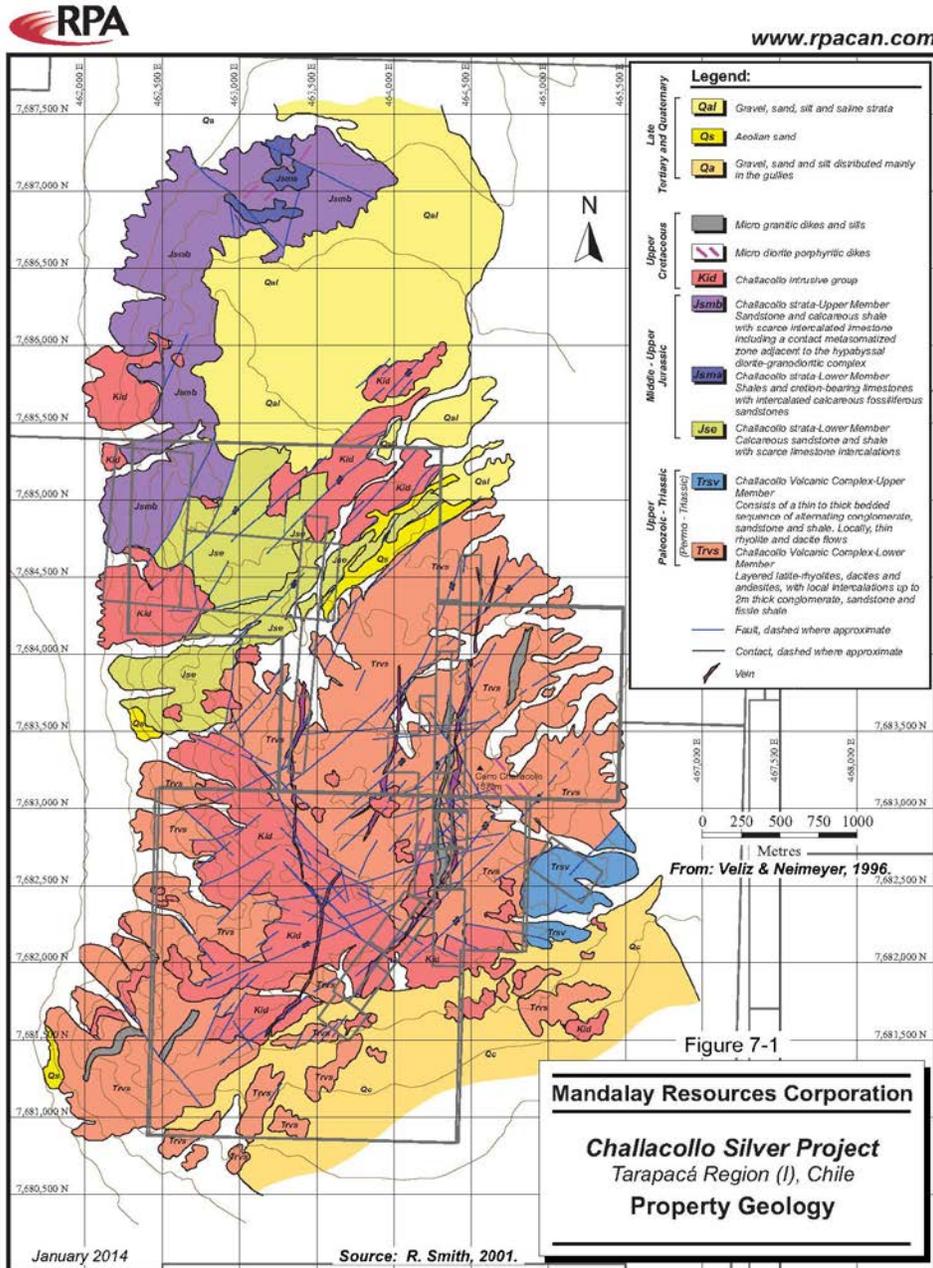
The Property covers the entire Challacollo Range. The Challacollo Range is a block tilted and uplifted by the process of the eastward-shifting Pacific (Nazca) Plate subducting beneath the more rapidly westward-shifting South American Plate.

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

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

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

### Challacollo Property Geology



### Mineralization

Four principal veins (LV, Palermo, Gladys 1, and Gladys 4) are known on the Property. The LV is the most significantly mineralized and has been exploited to a depth of 230 m from the Lonon shaft on the Challacollo Sur workings. This same structure has been mined to shallower depths in the Buenaventura, Catalina, Walkiria, San

Francisco, and Humberto workings. The other veins on the Property were drilled by Mantos Blancos in 1996 and contain some minor historical production.

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

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

### **Exploration**

Mandalay has not carried out exploration on the property.

Exploration work done by any since optioning the Project in 2001 includes geological mapping, bulk density measurements, geophysical study, surveying, underground and surface sampling, and diamond and reverse circulation (RC) drilling. The current Mineral Resource estimate is based on results of this work.

### **Drilling**

Overall, 133 diamond and RC drill holes totalling approximately 23,849 m were drilled on the Property from 1995 to 2007. In addition, 105 underground channel traverses were taken in 2002.

<b>Year</b>	<b>Number</b>	<b>Type</b>	<b>Company Name</b>	<b>Length (m)</b>
1995	6	RC	Minera Blancos	1,687
1996	16	RC	Minera Blancos	1,969
2002	7	DDH	Silver Standard	746
2002	16	RC	Codelco	3,985
2002	18	RC	Silver Standard	2,562
2003	32	RC	Silver Standard	5,685
2007	38	RC	Silver Standard	7,215
<b>Total</b>	<b>133</b>			<b>23,849</b>

### **Sampling and Analysis**

Sample work done by Silver Standard in 2001 resulted in over 1,100 samples. These were taken under supervision of a QP as defined by NI 43-101.

The assay laboratory used by Mantos Blancos is not known. For the 2002 and 2003 programs, Silver Standard employed ALS in Antofagasta, Chile, La Serena, Chile, and Vancouver, British Columbia, and CIMM Technologies and Services S.A. (CIMM) in Antofagasta. It is not known if the ALS laboratories were accredited or certified at the time the work was done, but the Vancouver facility now holds ISO/IEC 17025:2005 accreditation and the Antofagasta location is in compliance with ISO 9001:2008. At the time that the work was done, it is not known whether CIMM held any independent certification or accreditation.

In 2007, the samples were analyzed for lead, zinc, and copper by ALS in Antofagasta by Atomic Absorption Spectroscopy (“AAS”). A portion of the sample was sent to La Serena for gold and silver analysis by AAS. If the silver results exceeded 100 g/t silver, the samples were assayed by Fire Assay (“FA”) with AAS final analysis.

In RPA’s opinion, the work completed by Silver Standard during its underground sampling and drilling programs was satisfactory and the results generated are acceptable for use in the estimation of Mineral Resources.

### Data Verification

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

### Security of Samples

Silver Standard stored all of the exploration samples in secured locations and maintained a secure chain of custody for transporting the samples from the site to the various laboratories.

### Mineral Resources at Challacollo

The modeled wireframe for Lolon vein was modeled on cross sections with 3D rings that were snapped to the drill holes and channel samples. The underground levels were used as a guide. Capping levels of 700g/t for silver and 3g/t for gold were applied to all assays. A density of 2.76 g/cm<sup>3</sup> was used, based on test work carried out by Silver Standard in 2003. A blockmodel was created using Gemcom GEMS 6.5 software for the resource estimation purpose. The block model fully enclosed the modelled resource wireframe. The interpretation method used for the resource was inverse distance cubed.

Classification of the resources was based on manually digitized contours. Areas with drill holes or channels spaced at up to approximately 50 m were classified as Indicated. The rest of the blocks, delimited by a manually drawn outline at a nominal distance of 50 m away from the outermost intercepts, were classified as Inferred.

The Mineral Resources are reported at a cut-off value of 110 g/t AgEq. Indicated Mineral Resources total 1.0 million tonnes averaging 242 g/t Ag and 0.40 g/t Au and contain 8.0 million ounces of silver. Inferred Mineral Resources total 3.9 million tonnes averaging 193 g/t Ag and 0.32 g/t Au and contain 24.3 million ounces of silver. The effective date of the Challacollo Mineral Resource estimate is December 13, 2013.

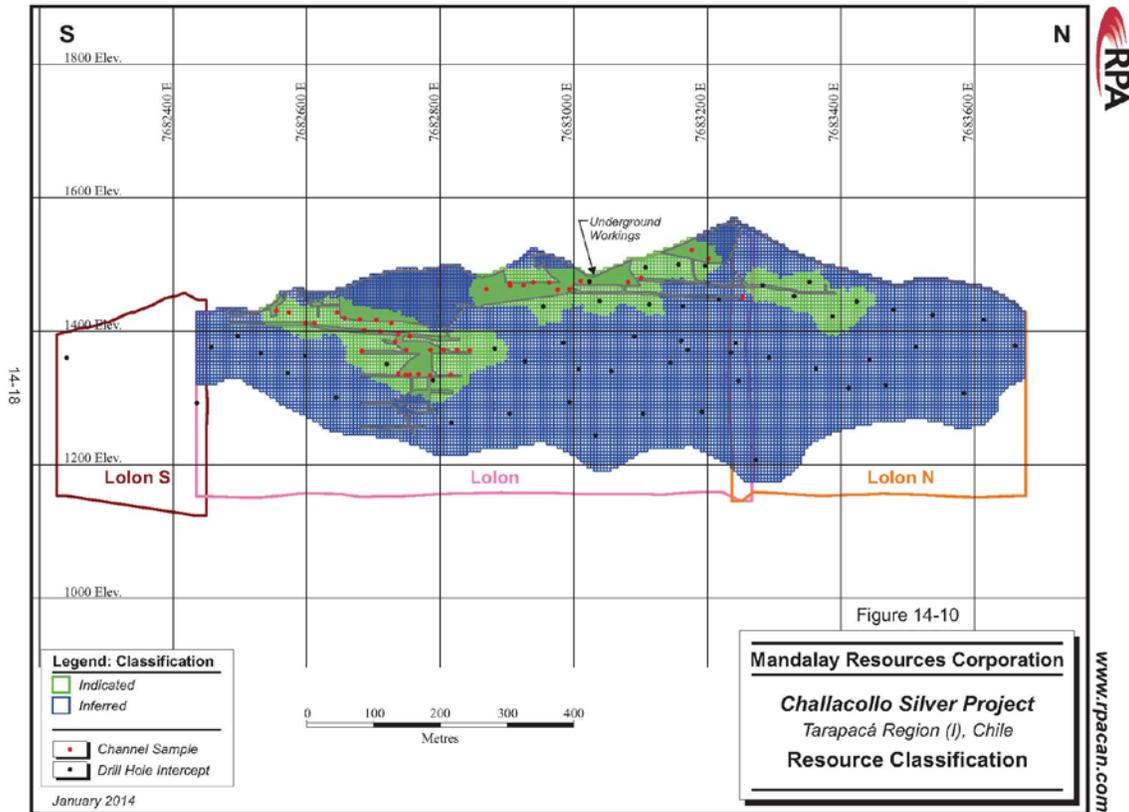
**Table: Mineral Resources of the Challacollo Property as of December 31, 2013**

<b>CHALLACOLLO RESOURCES</b>					
	Ore (t)	Ag Grade (g/t)	Ag (cont. oz)	Au Grade (g/t)	Au (cont. oz)
Challacollo Measured Resource	-	-	-	-	-
Challacollo Indicated Resource	1,030,000	242	8,000,000	0.4	13,400
<b>Challacollo Measured &amp; Indicated Resources</b>	<b>1,030,000</b>	<b>242</b>	<b>8,000,000</b>	<b>0.4</b>	<b>13,400</b>
Challacollo Inferred Resource	3,900,000	193	24,300,000	0.3	40,100

Notes to Mineral Resource table:

1. CIM definitions were followed for classification of Mineral Resources.
2. Mineral Resources are estimated at a silver equivalent (AgEq) cut-off grade of 110 g/t.
3. Mineral Resources are estimated using a silver price of US\$24/oz and a gold price of US\$1,400 per ounce.
4. High silver and gold assay values were capped to 700 g/t Ag and 3.0 g/t Au, respectively.
5. A density value of 2.4 g/cm<sup>3</sup> was used.
6. The silver equivalent equation was  $AgEq = g/t Ag + 63.97 * g/t Au$ .

**Long Section of the Lolon Vein Resources**



**5.16 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.

**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 76 mining exploration concessions, which total 8,907 hectares. Out of these, 59 are mensuras, (5,825 ha) and 17 are manifestaciones (3,082 ha), which are mensuras in process of constitution.

**Ownership**

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

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

## **Permitting**

A “Declaración de Impacto Ambiental” (DIA or Environmental Impact Assessment) is required for all ground-disturbing exploration activities. The Corporation completed this work in the fourth quarter of 2010 and obtained the permit for drilling in the first quarter of 2011, after which it executed its 2011 drill program. Application for a second round of drilling was submitted in the fourth quarter of 2011 and the DIA was received in the early first quarter of 2012. The 2012 program was completed in the second quarter of 2012. Application for a third round of drilling was submitted in the first quarter of 2013.

## **Royalties**

The property is subject to a 2% NSR royalty payable to Inversiones y Minería Andale Limitada. The royalty was subject to a buyout clause of \$1 million which expired January 31, 2013.

## **Climate**

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

## **Local Resources and Infrastructure**

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

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

An experienced labour force, as well as service facilities, is available at La Serena (population 200,000).

## **Topography and Vegetation**

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

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

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

## **Accessibility**

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

## **Environmental Liabilities**

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

## **Geology and Mineralization**

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

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

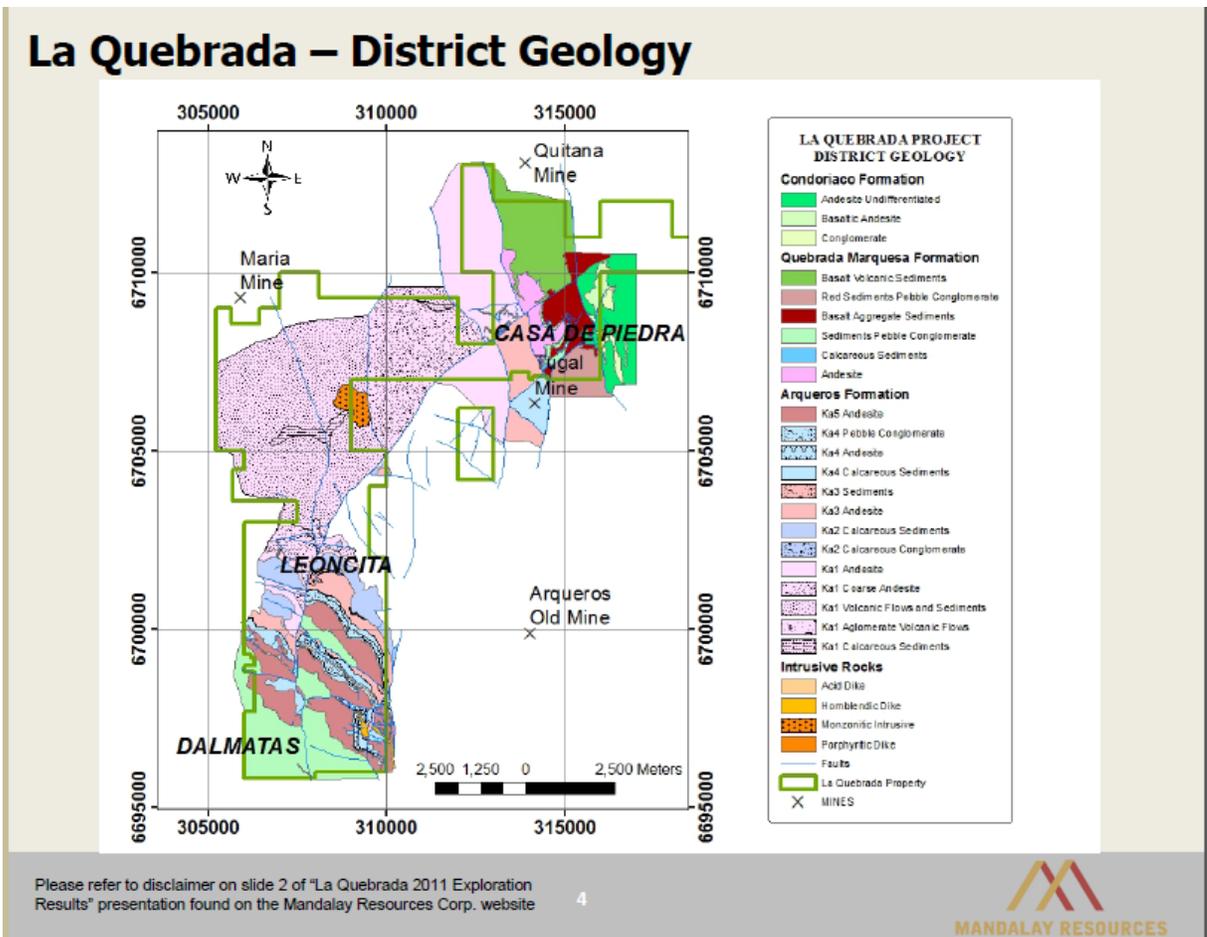
In general terms, Ka1, Ka3 and Ka5 are volcanic or lava units and Ka2 and Ka4 are sedimentary horizons. Mineralization in the form of copper oxides (on surface) and primary sulphides (at depth) occurs at the base of the Ka2 and Ka4 units as well as the base of the overlying Quebrada Marquesa Formation.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

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

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

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

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



### History

Over the past 40 years, the La Quebrada area has been explored sporadically by various mining companies including the United Nations – ENAMI joint venture, Placer Dome, Noranda, Teck and Mandalay. This work generated rock chip, trench, reverse circulation drilling, and core drilling data that suggests the possibility of economically significant copper-silver mineralization. However, before 2010, the data were never compiled, verified for quality, or tied to detailed surface maps so that NI 43-101 compliant estimates of resources could 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:

United Nations -ENAMI Drill Results

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

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

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

Placer Dome

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

Placer Dome Drill Results

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

Noranda

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

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

Minera Teck Chile

Minera Teck Chile S.A. optioned the La Quebrada property in 1998. Teck's exploration work covered a period from 1998 to 2000. The initial program involved the collection of 230 channel samples from outcropping carbonate beds and the underlying altered volcanic rocks. This zone, the Casa de Piedra sector was chosen

because the entire stratigraphic section of the prospective host formation was preserved between footwall and hanging-wall volcanic units along the east slope of a deeply incised drainage and afforded the opportunity to test the stratigraphic continuity of the mineralized horizons.

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

### Mandalay Resources Corporation 2003

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

In 2003, Mandalay financed and supervised an exploration program undertaken by Inversiones Y Minería Andale Ltda. (the then current property owner) consisting of RC and diamond (DD) core drilling, logging, assaying, and subsequent geological mapping and outcrop sampling throughout areas of the La Quebrada property.

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

Below are the mineralized intervals from the 2003 drilling campaign:

#### **Casa de Piedra Mineralized Intervals (2003)**

<b>Hole ID</b>	<b>Location X</b>	<b>Location Y</b>	<b>Interval</b>
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)**

<b>Hole ID</b>	<b>Location X</b>	<b>Location Y</b>	<b>Interval</b>
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)**

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

Mandalay Exploration – 2005 – 2006

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

Mandalay Exploration – 2009 – 2010

In October, 2009, Mandalay started detailed mapping of the property to complement previous work and gain a better understanding of the tectonically complex locality. At the same time, the 2003 and 2005 – 2006 drilling data was recovered and compiled by Leonardo Diaz (PhD and MAusIMM), Principal Consultant with Antakori S.A. and an Independent Qualified Person under NI 43-101 and included in the previous La Quebrada Technical Report (dated March 31, 2010 and available on [www.sedar.com](http://www.sedar.com) and on the Mandalay website).

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

At the Casa de Piedra target area, approximately 15 km<sup>2</sup> was mapped at a scale of 1:5000 and an additional 20+ km<sup>2</sup> was reconnoitered and, locally, reconnaissance mapped. Mapping by Mandalay geologists has demonstrated that calcareous sedimentary rocks of the lower Quebrada Marquesa Formation host Cu-Ag mineralization at the Casa de Piedra target that Mandalay believes is an extension of the adjacent Tugal pit mineralization.

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

**Drilling**

Mandalay 2005 – 2006

*Diamond Drilling*

Eleven core holes were drilled during the 2005 – 2006 campaign. The drilling contractor, Geo-Operaciones Limitada, used a Diamond Drilling Geostar rig. Total drilling was 1,301 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 diameters were mostly 5½ in with only six holes drilled with a slightly lesser diameter of 5¾.

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

**Casa de Piedra Drill Hole Mineralized Intervals (2005 – 2006)**

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

**Dalmatas Mineralized Intervals (2005 – 2006)**

Hole ID	Location X	Location Y	Interval
DDH-07	307,902	6,699,239	3 m (4-7) @ 0.46 Cu %, 5.7 ppt Ag
DDH-08	307,007	6,699,514	5 m (22-27) @ 0.31 Cu %, 0.8 gpt Ag
RC-021	307,777	6,699,465	3 m (4-7) @ 0.4 Cu %, 4.9 gpt Ag 7 m (12-19) @ 0.49 Cu %, 4 gpt Ag
RC-038	306,990	6,699,768	3 m (57-60) @ 3.3 Cu %, 9 gpt Ag
RC-039	307,060	6,699,655	3 m (20-23) @ 0.26 Cu %, 1.4 gpt Ag
RC-057	309,326	6,697,849	12 m (12-24) @ 1.08 Cu %, 3.6 gpt Ag
RC-060	309,485	6,698,150	8 m (33-41) @ 0.34 Cu %, 3.2 gpt Ag
RC-063	309,290	6,698,064	5 m (91-96) @ 0.58 Cu %, 5.7 gpt Ag
RC-065	309,562	6,697,870	7 m (6-13) @ 0.36 Cu %, 3.5 gpt Ag 4 m (125-129) @ 0.18 Cu %, 1.5 gpt Ag 6 m (193-199) @ 0.22 Cu %, 0.2 gpt Ag
RC-067	309,887	6,698,367	6 m (7-13) @ 0.28 Cu %, 0.3 gpt Ag
RC-068	309,821	6,698,634	17 m (146-163) @ 0.76 Cu %, 12.3 gpt Ag
RC-078	307,762	6,699,700	5 m (0-5) @ 0.59 Cu %, 8 gpt Ag
RC-079	307,893	6,699,650	3 m (12-15) @ 0.44 Cu %, 4.6 gpt Ag 4 m (37-41) @ 0.64 Cu %, 3.9 gpt Ag
RC-084	309,665	6,699,314	3 m (6-9) @ 0.27 Cu %, 1.53 gpt Ag
RC-098	307,005	6,699,512	3 m (0-3) @ 0.3 Cu %, 2.5 gpt Ag

**Leoncita Mineralized Intervals (2006)**

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

Mandalay 2011 – 2013

*Diamond Drilling* – Mandalay drilled at Casa de Piedra in both 2011 and 2012 at which time HTW and NTW diameter core was recovered over the entire length of the holes. Core recoveries were excellent, generally exceeding 95%. The drilling was performed by Atacama Drilling in 2011 and by Expert Drilling (predecessor of Atacama Drilling) in 2012.

The 2011 program consisted of 3,276 m in seventeen in-fill and step-out holes (2,932 m) in the Casa de Piedra target, and two exploratory holes (344 m) in the Leoncita North target (see below for the La Quebrada District Geology Map). Assay results for the mineralized intervals intersected by these drill holes are summarized in the table below. All holes were drilled with HQTW diameter core that was logged by Mandalay geologists prior to being sawed and analyzed by the ALS laboratory in La Serena, Chile.

Core Logging and Sampling Procedure

A Mandalay geologist was in the field supervising the drilling. As well a technician was on site at all times at each machine during both drilling campaigns. That technician confirmed and measured the individual core runs as well as assured that the core was properly placed into appropriately marked and numbered wooden core boxes each of which can hold approximately 3 m of core. The core boxes were numbered sequentially and the start and end of each individual run were marked with wooden blocks each marked with the corresponding depth. The drilled interval (starting and ending) was also marked on the core box. Each time the core barrel was removed from the drill string, the entire core sample was taken from the core barrel and carefully placed in a split core barrel where it was reassembled such that all the pieces were in their original position to replicate actual recovery. For the few intervals that were fragmented and broken (faulted or strongly fractured), the pieces were arranged such that the fragments were level with the top of the core box and the recovered length was calculated by multiplying the length of the fractured material by a factor of 0.45.

Using a 2.5 t closed truck, Mandalay delivered up to 100 core boxes per load from the drill site to the Mandalay storage facility in La Serena. The core boxes were stacked to a maximum height of 4 core boxes, and empty boxes were used to space the stacks such that movement of the boxes was kept to an absolute minimum.

The core boxes were unloaded at the storage facility in La Serena and the appropriate rock quality determinations (“RQD”) were performed: the length of each piece of core > 10 cm was measured and recorded and the appropriate calculations was performed per the formula  $RQD = \frac{\text{the sum of all fragments} \geq 10 \text{ cm}}{\text{length of the core run}} \times 100\%$ .

A Mandalay geologist logged the core before delineating intervals to be sent to the analytical laboratory for sawing in half.

After sawing, the boxes were returned to the Mandalay storage and logging facility in La Serena where the split core was bagged and randomly numbered and submitted to the laboratory for assay. One half of the core was placed into a heavy duty plastic sample bag which had been pre-marked with a permanent marker (with the appropriate and sequential sample number) and the appropriate sample tag was inserted into the bag with the sawed core and a second tag was placed into the top of the folded sample bag which was then stapled shut. Fine material and broken rock resultant from the sawing was evenly divided between the sample and the core box. The sample bags were folded, etc., to assure that the bag was properly sealed and that no portion of the sample could be lost.

Typically mineralized intervals on the order of 2 m were submitted to the laboratories for assay, although the selected intervals ranged in length from 1.5 m to 4.58 m.

Mandalay inserted a total of 16 blanks into the mineralized sample sequence during the 2011 drill program (4% of the total samples), and 19 blanks (4% of the total samples) during the 2012 drill program. In 2 instances Mandalay inserted 2 blank samples in the same drill hole.

Approximately 8-9 samples were placed in a plastic fiber bag that was used to transport the samples to the chosen laboratory. The sample numbers and number of sample bags were recorded on a shipping slip which was delivered to the laboratory with each sample shipment, and which is signed by both the person delivering the samples to the laboratory and by the representative at the receiving laboratory. During 2011, Mandalay submitted a total of 434 samples for analysis in 4 batches; in 2012 a total of 489 samples were submitted in 2 batches.

Prior to signing off on the shipment of samples, the samples were individually weighed and the weights noted on the shipment slips. Mandalay and the laboratory retain copies of the shipping slips. No officer or director of Mandalay was at any time involved in any of the handling of the core, samples, or delivery of such to the assay facility.

#### Bulk Density Determinations

The Specific Gravity (SG) used for the tonnage estimation was 2.71. This figure is based on the average value obtained for 20 core measurements that were performed on samples taken from the 2011 and 2012 drilling. The SG determinations ranged between 2.60 and 2.77. ActLabs in Coquimbo preformed the Specific Gravity determinations. The procedure used by ActLabs involved weighing a completely dry sample, immersing the sample in water and allowing the water to displace any air that may exist in any cavities before weighing the sample again. The SG is calculated by dividing the weight of the thoroughly dried sample (in air) by the weight of the sample in air less the weight of the sample in water.

#### Sample Analysis

At the ActLabs (ISO 17025 accredited) laboratory, the samples were crushed to finer than 70% passing 10 mesh, split with a rifle splitter and 250 grams was pulverized to finer than 95% passing -150 mesh). The samples were then analyzed for ME-ICP61-ICP 33 element with 4 acid aqua regia digestion and Atomic Absorption Spectrometry. Actlabs states that its accuracy for ICP analyses is  $\pm 5 - 20\%$  if at  $+10\%$  of the detection limit (1 ppm) to 10% Cu. It has been the author's experience that ICP analyses typically are within the  $\pm 10\%$  accuracy range.

At the ALS Laboratory (ISO 17025 accredited and 9001:2008 certified), the samples were crushed to finer than 70% passing 2 mm, and then pulverized to 85% passing -75 mesh then split down to a 200 gram retained sample. Of this 0.4 grams of the pulp is digested in nitric acid for 30 minutes; after cooling aqua regia is added and the

sample is allowed to digest for an additional 90 minutes. The resultant solution is diluted with deionized water to 100 ml and is analyzed utilizing ICP-AES methodology. The lower detection limit for copper is stated to be 5 ppm Cu and 1 g/t for silver, and results to 10% Cu and 100 ppm Ag can be generated. ALS takes 1 coarse duplicate sample for every 50 samples run and assays the coarse duplicate. It also includes blank, standard and duplicate samples.

#### Sample Quality

The author of the La Quebrada Technical Report is not aware of any drilling, sampling or recovery factors that might affect the accuracy and reliability of the results. However, it is the author's opinion that Mandalay needs to improve its QA/QC program to properly verify the quality of the assay results.

#### Security of Samples

After the cutting or splitting procedure, samples were kept under Mandalay control 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 bags with a work order stating the number of samples on each bag. There is no record of lost samples in the company logs.

#### 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. 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%). Mandalay submitted 31 duplicate pulps (2011 program) and 44 duplicate pulps (2012 program) to Actlabs for check assaying. This work generally confirmed the ALS results (ALS results being marginally higher grade than Actlabs). The laboratory was monitored by the use of laboratory internal quality control procedures that were provided to Mandalay at its request.

#### Data Verification

The author of the La Quebrada Technical Report verified trench and drill hole collars in the field; sampling and storage of core and samples; logging; database entry quality; and submitted his own set of duplicate samples. He concludes that the data that Mandalay has generated is adequate for the purposes of the report.

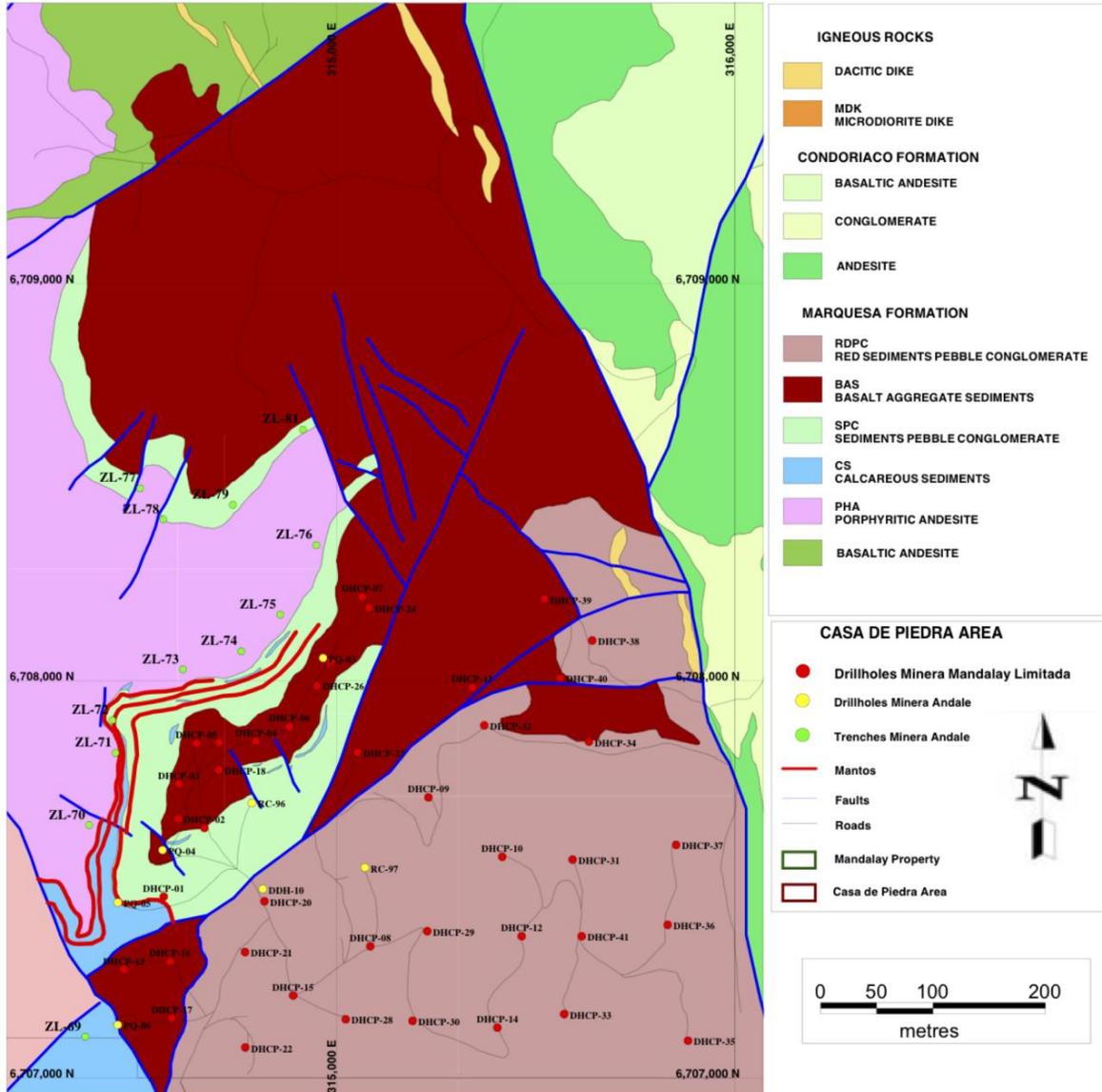
#### Mineral Resources

Per the geologic mapping and drilling that has been performed at the La Casa de Piedra Sector there are (typically) 3 copper-silver mineralized beds ("**mantos**") which can be traced with variable continuity over a distance of approximately 1.5 km. Thin intervals of discontinuous mineralization are found in between the principal mantos. The true thicknesses of the mineralized mantos are variable, and range between  $\approx$  10 cm and ~25 m as generally measured in the field and as defined by the drilling. These mineralized intervals are defined as those beds (typically the calcareous arkoses) that carry visible sulphides.

The basal Quebrada Marquesa sedimentary unit is the principal target at Casa de Piedra. The mineralization consists of small veinlets and micro veinlets with bornite and chalcopyrite and disseminated bornite and chalcopyrite and traces of chalcocite, digenite, covellite, tennantite and galena. Pyrite, hematite/specularite and magnetite are also associated with the copper mineralization. Copper oxides locally occur at the surface with the most common oxides being malachite, chrysocolla and copper-wad. No silver minerals were recognized, however the strong correlation between silver and copper suggests that the silver is associated with the copper sulphides. Silver may also occur in the rare galena present. The copper mineralization is very fine-grained and occurs in two forms: as small veinlets and micro veinlets, commonly associated with calcite, and as disseminations in the calcitic cement of the sedimentary rocks. The individual sizes of the copper sulphides grains range between 0.05 to 0.4 mm. The chalcopyrite-calcite-quartz veinlets, which locally crosscut finely disseminated chalcocite and minor calcite, suggest that there may be at least two mineralizing events.

At Casa de Piedra, drilling intersected three principal copper-silver mantos ranging in thickness from 1 to 10 m with intervening intervals of thin, discontinuous mineralization (see below for Casa de Piedra Geology and Drill Hole Location Map and for Casa de Piedra cross section A-A' and B-B').

### Casa de Piedra Sector Geologic Map and Drill Locations



The drilling that was performed by Mandalay has generally defined a zone containing up to 3 significant copper-silver mineralized horizons (mantos) at the Casa de Piedra Sector, and which has approximate dimensions of 1.5 km in an east-west sense, and 1.25 km in a north-south sense. The individual mantos (comprising subunits of the basal Quebrada Marquesa Fm. calcareous sediments) range from < 1 m to 25 m thick (as defined by Mandalay's initial cut-off parameters -  $\geq 3\text{m}$  grading  $\geq 0.3\%$  Cu). The western limit is defined by the fault contact with the ocoite andesite of the Arqueros Fm. and continues beyond the limits of the drilling to the east. The mineralization appears to have been deposited in a redox environment comprising primarily calcareous sedimentary rocks and to a lesser extent permeable andesitic volcanic rocks both of which have been variably faulted by NE-SW trending faults/veins and NW trending veins. The mineralized calcareous basal Quebrada Marquesa horizon is the principal target at Casa de Piedra. The mineralization consists of chalcocite, bornite, chalcopyrite, minor covellite and traces of galena. Pyrite, hematite/specularite and magnetite are also associated with the copper

mineralization. Chalcocite is the most common sulfide present. Silver is associated with the sulphides although no silver minerals have been identified. Locally extensive and crosscutting calcite-barite ( $\pm$ quartz, jasper, and chalcopyrite) veins/veinlets are observed. There is generally some displacement within the planes of the calcite veins.

The southern limit of the Casa de Piedra mineralization extends south of the Mandalay property boundary where it is being mined at the Geronimo Tugal Mine.

### Casa de Piedra Sector Geologic Cross Section A-A' Looking North East

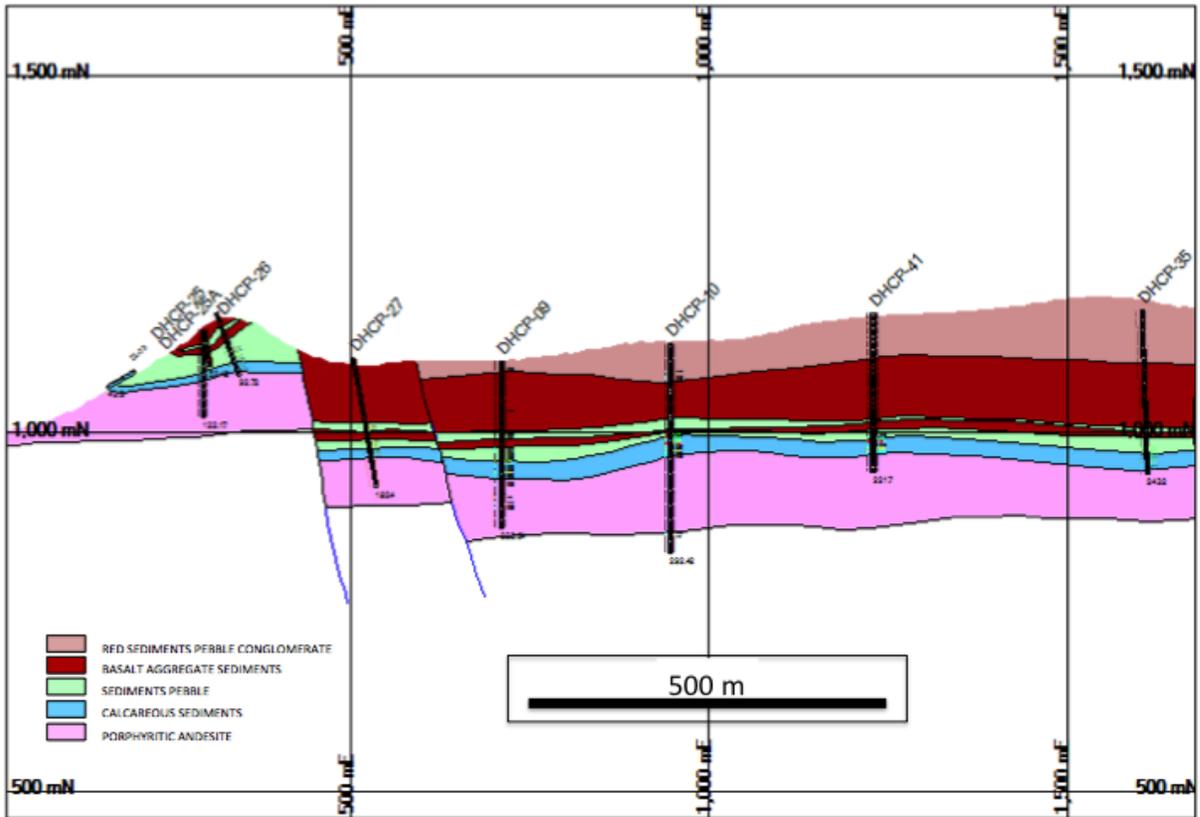
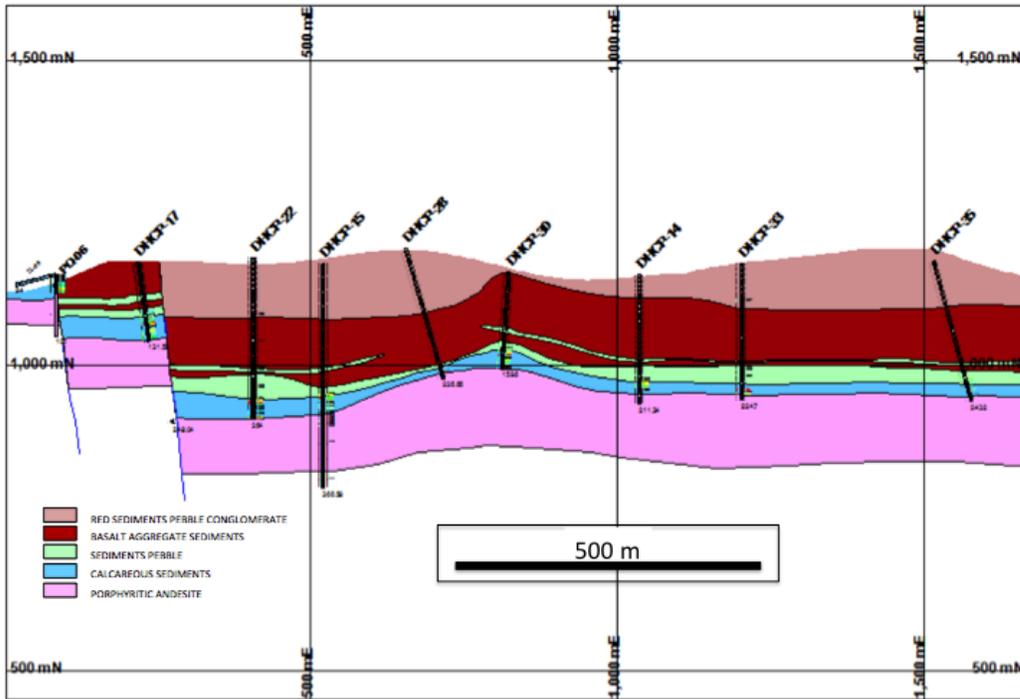


Figure 7.5 - Casa de Piedra Sector Geologic Cross Section B-B' Looking North East



During 2011, Mandalay drilled 17 diamond core holes (2,932 m total) at the Casa de Piedra Project:

**2011 Casa de Piedra Drill Program**

HOLE	EAST	NORTH	ELEV	AZIMUTH	DIP	DEPTH
DHCP-01	314566	6707456	1135	0	-90	80.3
DHCP-02	314668	6707629	1170	0	-90	78.4
DHCP-03	314604	6707740	1171	0	-90	84.38
DHCP-04	314798	6707847	1187	0	-90	93.72
DHCP-05	314648	6707842	1166	0	-90	99.84
DHCP-06	314882	6707884	1178	0	-90	96.72
DHCP-07	315065	6708210	1097	0	-90	184.85
DHCP-08	315085	6707331	1144	0	-90	200.66
DHCP-09	315231	6707706	1100	0	-90	233.64
DHCP-10	315416	6707556	1125	0	-90	292.42
DHCP-11	315341	6707982	1099	0	-90	166.94
DHCP-12	315465	6707356	1129	0	-90	214.28
DHCP-13	314466	6707273	1126	0	-90	148.42
DHCP-14	315404	6707126	1149	0	-90	211.34
DHCP-15	314891	6707207	1167	0	-90	366.58
DHCP-16	314582	6707293	1139	130	-70	248.04
DHCP-17	314586	6707150	1170	130	-80	131.52
				<b>Total Drilled</b>		<b>2,932.05</b>

The table below lists those intervals containing at least 3 m grading 0.2% or more Cu, and which may include intervals of <0.2% Cu internal dilution.

**2011 Casa de Piedra Drill Results**

Drill Hole	Interval in meters			Estimated True Width	Average Grade		Including
	From	To	Total	Meters	Cu %	Ag ppm	
DHCP-01	22.50	30.50	8.00	7.04	0.80	12	2m @ 1,4% Cu
DHCP-01	36.50	42.50	6.00	5.28	0.38	6	
DHCP-01	47.15	52.30	5.15	4.53	0.95	12	1,05m @ 2,2% Cu
DHCP-02	41.10	47.30	6.20	5.46	0.42	8	
DHCP-02	51.50	59.70	8.20	7.22	0.69	3	
DHCP-02	66.00	70.30	4.30	3.78	0.21	1	
DHCP-03	51.00	56.90	5.90	5.19	0.48	6	
DHCP-03	64.90	70.80	5.90	5.19	0.27	4	
DHCP-03	74.60	79.35	4.75	4.18	0.24	6	
DHCP-04	< 3 m @=/+0,2% Cu						
DHCP-05	70.70	74.70	4.00	3.52	0.46	3	
DHCP-06	66.10	70.60	4.50	3.96	0.49	13	
DHCP-06	80.50	84.50	4.00	3.52	0.79	8	2m @ 1,4% Cu
DHCP-07	< 3 m @=/+0,2% Cu						
DHCP-08	165.80	171.20	5.40	4.75	0.82	11	
DHCP-09	139.70	144.00	4.30	3.78	1.03	11	2,2m @ 1,5% Cu
DHCP-10	134.00	141.40	7.40	6.51	0.77	11	1,9m @ 1,8% Cu
DHCP-11	124.05	128.20	4.15	3.65	0.79	17	
DHCP-12	< 3 m @=/+0,2% Cu						
DHCP-13	< 3 m @=/+0,2% Cu						
DHCP-14	175.00	185.70	10.70	9.42	0.42	5	
DHCP-15	213.80	223.90	10.10	8.89	0.57	9	
DHCP-15	227.80	231.80	4.00	3.52	0.36	6	
DHCP-16	87.10	92.90	5.80	5.45	0.73	6	
DHCP-16	101.55	117.10	15.55	14.51	0.38	0.3	
DHCP-17	92.30	102.80	10.50	9.24	0.48	6	
DHCP-17	111.96	129.10	17.14	16.10	0.37	4	

During 2012, Mandalay drilled 24 diamond core holes (5,157 m) in the Casa de Piedra Sector:

**2012 Casa de Piedra Drill Program**

HOLE	EAST	NORTH	AZIMUTH	DIP	DEPTH DRILLED
DHCP-18	314698	6707775	0	90	90
DHCP-19	314606	6707654	0	90	90
DHCP-20	314763	6707321	130	80	270
DHCP-21	314819	6707448	0	90	260
DHCP-22	314793	6707086	130	90	260
DHCP-23	314702	6707847	130	80	90
DHCP-24	315067	6708178	130	80	120
DHCP-25	314946	6707993	130	80	120
DHCP-25A	314946	6707993	0	90	122
DHCP-26	314997	6708085	130	80	120

<b>DHCP-27</b>	315055	6707825	130	80	160
<b>DHCP-28</b>	314819	6707448	0	90	180
<b>DHCP-29</b>	315227	6707382	130	80	210
<b>DHCP-30</b>	315201	6707145	130	80	210
<b>DHCP-31</b>	315590	6707558	130	80	300
<b>DHCP-32</b>	315470	6707337	130	80	240
<b>DHCP-33</b>	315591	6707170	130	80	250
<b>DHCP-34</b>	315909	6707818	130	80	280
<b>DHCP-35</b>	315889	6707085	130	80	250
<b>DHCP-36</b>	315889	6707371	130	80	320
<b>DHCP-37</b>	315852	6707606	130	80	310
<b>DHCP-38</b>	315638	6708101	0	90	250
<b>DHCP-39</b>	315524	6708216	130	80	205
<b>DHCP-40</b>	315558	6708023	0	90	170
<b>DHCP-41</b>	315670	6707824	130	80	280

The table below lists those intervals of at least 3 m thickness containing grades of at least 0.2% Cu.

**2012 Casa de Piedra Drill Results**

Drill Hole	Interval in meters			Estimated True Width	Average Grade		Including
	From	To	Total	Meters	Cu %	Ag ppm	
DHCP-18	57.80	61.65	3.85		0.49	6	
DHCP-18	67.95	75.00	7.05		0.30	4	
DHCP-19	53.8	62.8	9.00		0.25	0.5	
DHCP-19	67.76	71.51	3.75		0.55	2	
DHCP-20	212.85	218.40	5.55		0.79	18	
DHCP-21	192.00	210.20	18.20		0.59	6	1,45 m @ 1,45% Cu
DHCP-22	232.45	240.50	8.05		0.85	14	1,6 m @ 1,5% Cu
DHCP-23	96.35	99.65	3.30		0.67	10	
DHCP-24	<3m @=/+0,2% Cu		0.00				
DHCP-25	<3m @=/+0,2% Cu		0.00				
DHCP-25A	<3m @=/+0,2% Cu		0.00				
DHCP-26	61.75	65.50	3.75	3.52	0.65	10	
DHCP-27	128.35	131.75	3.40	3.34	0.70	13	
DHCP-27	135.90	139.75	3.85	3.78	0.21	2	
DHCP-28	210.25	216.95	6.70	6.39	0.63	6	
DHCP-29	<3m @=/+0,2% Cu		0.00				
DHCP-30	116.40	136.80	20.40	19.18	0.39	5	2,5 m @ 1,03% Cu
DHCP-30	141.90	154.05	12.15		0.38	4	
DHCP-31	174.55	189.15	14.60	14.42	0.43	6	
DHCP-32	123.75	139.55	15.80		0.31	6	
DHCP-33	206.25	217.60	11.35		0.54	17	1,7 m @ 1,53% Cu
DHCP-34	124.80	128.80	4.00		0.26	3	
DHCP-35	200.75	227.35	26.60	25.00	0.32	6	
DHCP-36	193.75	198.20	4.45	4.18	0.40	4	
DHCP-36	203.80	206.85	3.05	2.87	0.42	3	
DHCP-37	<3m @=/+0,2% Cu		0.00				
DHCP-38	<3m @=/+0,2% Cu		0.00				
DHCP-39	162.00	189.45	27.45		0.44	4	1,75 m @ 1,1% Cu
DHCP-40	<3m @=/+0,2% Cu						
DHCP-41	175.10	191.30	16.20		0.66	7	2,5 m @ 2,35% Cu

The drilling that was performed during the period 2011 and 2012 at Casa de Piedra allowed for the estimation of Inferred and Indicated Mineral Resources.

The Mineral Resources for the Casa de Piedra Project were estimated by Mandalay using an inverse distance cubed (ID3) weighted block model created with Vulcan v.8.1 software. Wireframe solids were generated for each manto based on drill hole assays constrained by lithology and structure. Assays were then composited for each drill hole intercept within each respective manto. Subsequently, 25 m by 25 m plan by variable thickness blocks were constructed within each manto wireframe domain. Grades were estimated by the inverse distance cubed method with limits constrained by hard boundaries. Based on a variogram model of drill hole composites, search radius was limited to 300 m. Resources were classified as Indicated if 2 or more holes were included in the search radius and Inferred if only 1 hole was included in the search radius. Resources were estimated for various copper cutoff grades, using a minimum 3 m diluted thickness assuming zero grade for diluting material. The resource estimation was completed June 18th, 2012.

### Casa de Piedra Sector Resource Estimate

LA QUEBRADA TOTAL RESOURCES 31-December-2012					
	Rock (t)	Ag Grade (g/t)	Ag (cont. oz)	Cu Grade (%)	Cu (cont. lb)
La Quebrada Measured Resources	0	0	0	0	0
La Quebrada Indicated Resources	34,800,000	10	11,188,272	0.63%	485,475,080
<b>La Quebrada Measured &amp; Indicated Resources</b>	<b>34,800,000</b>	<b>10</b>	<b>11,188,272</b>	<b>0.63%</b>	<b>485,475,080</b>
La Quebrada Inferred Resources	1,000,000	11	360,082	0.62%	13,576,640

LA QUEBRADA MANTO 1 RESOURCES					
	Rock (t)	Ag Grade (g/t)	Ag (cont. oz)	Cu Grade (%)	Cu (cont. lb)
Manto 1 Measured Resources	0	0	0	0	0
Manto 1 Indicated Resources	16,300,000	10	5,240,484	0.64%	229,921,280
<b>Manto 1 Measured &amp; Indicated Resources</b>	<b>16,300,000</b>	<b>10</b>	<b>5,240,484</b>	<b>0.64%</b>	<b>229,921,280</b>
Manto 1 Inferred Resources	200,000	7	45,010	0.45%	1,983,600

LA QUEBRADA MANTO 2 RESOURCES					
	Rock (t)	Ag Grade (g/t)	Ag (cont. oz)	Cu Grade (%)	Cu (cont. lb)
Manto 1 Measured Resources	0	0	0	0	0
Manto 1 Indicated Resources	11,000,000	10	3,536,523	0.57%	138,190,800
<b>Manto 1 Measured &amp; Indicated Resources</b>	<b>11,000,000</b>	<b>10</b>	<b>3,536,523</b>	<b>0.57%</b>	<b>138,190,800</b>
Manto 1 Inferred Resources	600,000	5	96,451	0.46%	6,083,040

LA QUEBRADA MANTO 3 RESOURCES					
	Rock (t)	Ag Grade (g/t)	Ag (cont. oz)	Cu Grade (%)	Cu (cont. lb)
Manto 3 Measured Resources	0	0	0	0	0
Manto 3 Indicated Resources	7,500,000	10	2,411,265	0.71%	117,363,000
<b>Manto 3 Measured &amp; Indicated Resources</b>	<b>7,500,000</b>	<b>10</b>	<b>2,411,265</b>	<b>0.71%</b>	<b>117,363,000</b>
Manto 3 Inferred Resources	200,000	34	218,621	1.25%	5,510,000

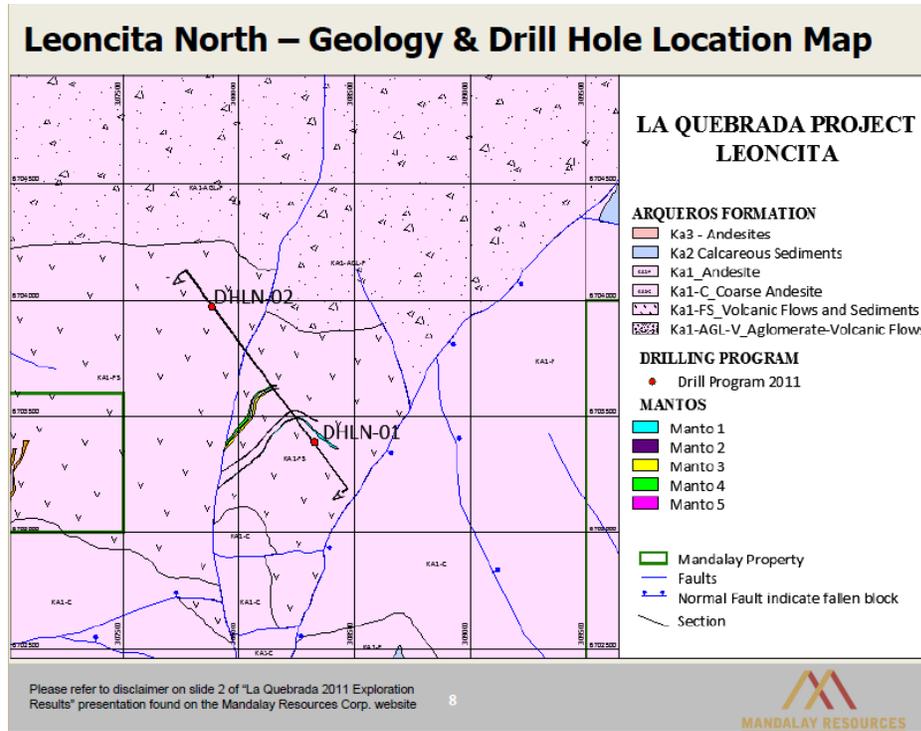
Notes:

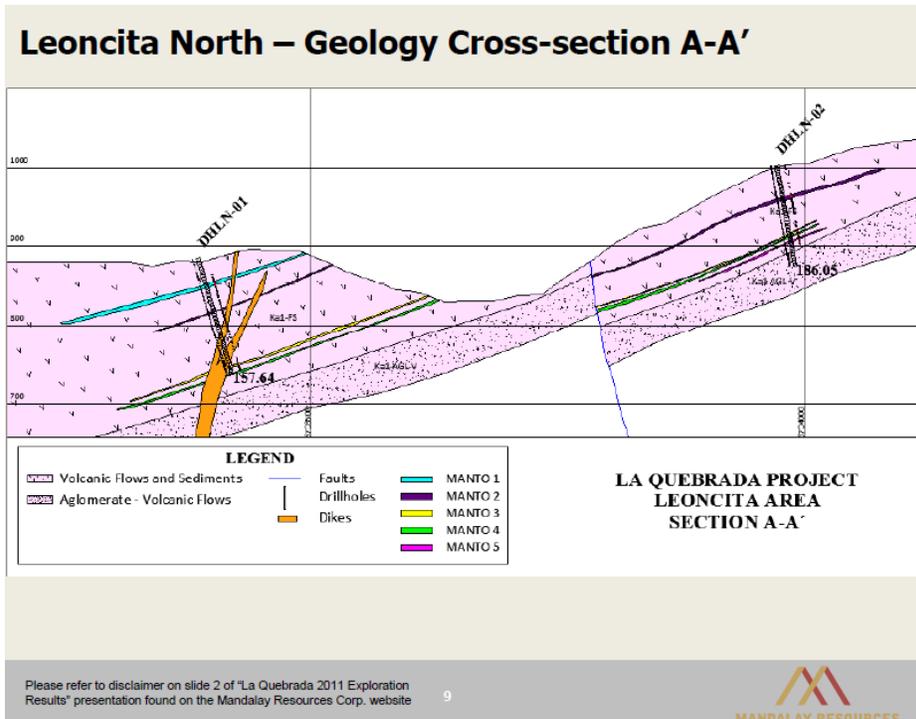
1. CIM Definitions used for Indicated and Inferred Resources
2. Mineral Resource estimate prepared under the supervision of Ronald Lueth, (General Manager of Mandalay Chile Ltda., an Idaho registered Professional Geologist and an American Institute of Professional Geologists (“AIPG”) Certified Professional Geologist, and a Qualified Person defined by NI 43-101); and reviewed and approved by Michael Easdon (Consultant, Certified Professional Geologist (CPG-07646) in good standing with the AIPG, and an Independent Qualified Person under Canadian NI 43-101).
3. No capping of copper or silver assays was used.
4. Ore grades for copper and silver for each 25 x 25 metre (“m”) x manto thickness Resource block were estimated by the inverse distance cubed method inside of manually interpreted manto boundaries.
5. Mineral Resources are reported at a cut-off grade of 0.3% Cu over a minimum manto thickness of 3 m which can include <0.3% Cu internal dilution and which includes diluting material of zero grade where mantos are narrower.
6. A density of 2.71 t/m<sup>3</sup> was used.
7. Resources were classified as Indicated if 2 or more holes were included in the 300 m search radius and Inferred if only 1 hole was included in the search radius.

- Numbers may not add due to rounding. Similarly, insignificant difference with the Mineral Resources table in the La Quebrada Technical Report may arise due to differences in rounding.

### **Leoncita Target**

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





### Mineral Reserves

No Mineral Reserves have been estimated for the La Quebrada property.

### Preliminary Environmental Study

Mandalay has performed the necessary environmental impact study for the 2011 and 2012 drilling programs and received the required permits. In the first quarter of 2013 permission was granted for a third round of drilling..

### 5.17 Risk Factors

The Corporation is exposed to a variety of risks in the normal course of operations that could significantly affect its performance and could cause its actual results to differ in material respects from its anticipated results. These risks are discussed below and are in addition to those outlined elsewhere in this Annual Information Form and in the Corporation's public filings with the Canadian securities regulatory authorities, including the Corporation's management's discussion and analysis of financial condition and results of operations for the years ended December 31, 2012, 2013 all available on SEDAR at [www.sedar.com](http://www.sedar.com) under the Corporation's profile.

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

#### *Risks Factors of the Business*

The Corporation's operations are subject to all of the hazards and risks normally incidental to exploring, developing and exploiting natural resources. These risks include, but are not limited to: environmental hazards; industrial accidents; labour disputes; unusual or unexpected geologic formations or other geological or grade problems; unanticipated changes in metallurgical characteristics and metal recovery; unanticipated ground or water conditions, rock falls, seismic activity, cave-ins, pit wall failures, flooding, rock bursts; periodic interruptions due to bad or hazardous weather conditions and other acts of God; unfavourable operating conditions; social unrest; and market conditions and customer performance to which management can react but which management cannot control.

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

#### *Mining Industry Risks*

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

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

#### *Fluctuations in the Market Price of Mineral Commodities*

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

#### *Customer Concentration*

The Corporation has several large customers for its concentrates, the loss of any of which could have a material adverse effect on the financial position, results of operations and liquidity of the Corporation. For the year ended December 31, 2013, six customers accounted for 100% of the Corporation's total sales.

#### *Project Development, Expansion Targets and Operational Delays*

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

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

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

#### *Environmental Risks and Hazards*

All phases of the Corporation's operations are subject to environmental regulation in the jurisdictions in which the Corporation operates. While the Corporation's operations are currently in compliance with local environmental regulations, environmental legislation is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that existing or future environmental regulations will not materially adversely affect the Corporation's business, financial condition and results of operations. Environmental hazards may exist on the properties where the Corporation holds interests that are unknown to the Corporation at present and which have been caused by previous or existing owners or operators of the properties. Government approvals and permits are currently, or may in the future be, required in connection with the Corporation's operations. To the extent such approvals are required and not received, the Corporation may be curtailed or prohibited from proceeding with planned exploration or development of mineral properties.

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

#### *Requirement of Additional Financing*

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

#### *Health and Safety*

Mandalay's activities are and will continue to be subject to health and safety standards and regulations in the jurisdiction within which it operates. While the Corporation is currently in compliance with these, failure to

comply with such requirements going forward may result in fines and/or penalties being assessed against Mandalay or its officers.

#### *Uncertainty as to Mineral Resource and Reserve Estimates*

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

#### *Marketability*

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

#### *Licenses and Permits*

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

#### *Title Matters*

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

#### *Governmental Regulation of the Mining Industry*

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

Corporation or more stringent implementation thereof could have a material adverse effect on the business, financial condition and results of operations of the Corporation.

#### *Currency Risk*

The Corporation's operations will incur most of its expenditures in Australian dollars and Chilean pesos, while its products are priced, and its financial performance is reported, in US dollars. As a result of the use of different currencies, the Corporation may be subject to foreign currency fluctuations, which may materially affect the financial position and results of the Corporation. The Corporation occasionally engages in currency hedging to offset risk of currency fluctuations.

#### *Short History of Profitability*

The Corporation was an exploration and development stage company until December 1, 2009, with neither revenues nor profits. Mandalay's history as a producing company encompasses the last 17 financial quarters, during which time the Corporation has improved to generating positive operating margins and net income while becoming debt-free and initiating a quarterly dividend. However, there can be no assurance that the operations of the Corporation will be profitable in the future.

#### *Uninsured Risks*

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

#### *Competition*

The mining industry is intensely competitive in all of its phases and the Corporation competes with many companies possessing greater financial and technical resources. Competition in the mining industry is primarily for the following: mineral-rich properties which can be developed and produced economically; technical expertise to find, develop, and manage such properties; labour to operate the properties; and capital for the purpose of funding such properties. Many competitors not only explore for and mine precious metals, but also conduct refining and marketing operations on a world-wide basis. Such competition may result in the Corporation being unable to: acquire desired properties (due to the auction process involved in some property acquisitions); recruit or retain qualified employees; or obtain the capital necessary to fund its operations and develop its properties. Existing or future competition in the mining industry could materially adversely affect the Corporation's prospects for mineral exploration and success in the future. Furthermore, increased competition could result in increased costs and lower prices for metal and minerals produced which, in turn, could reduce profitability. Consequently, the revenues of the Corporation, its operations and financial condition could be materially adversely affected.

#### *Repatriation of Earnings*

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

#### *Properties without Known Mineable Reserves*

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

#### *Dependence upon Key Management Personnel and Executives*

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

#### *Dependence on Major Customers*

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

#### *Infrastructure*

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

#### *Litigation*

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

#### *Potential Volatility of Market Price of Common Shares*

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

#### *Possible Conflicts of Interest of Directors and Officers of the Corporation*

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

### *Risk of Dilution*

Under applicable Canadian law and the rules of the TSX, shareholder approval is not required for the Corporation to issue Common Shares in a number of circumstances. Moreover, the Corporation has a substantial number of 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 may require substantial additional financing which could involve the sale of equity capital. The Corporation can also be expected to issue additional options, warrants and other financial instruments, which may include debt. Future issuances of equity capital may have a substantial dilutive effect on existing shareholders. The Corporation is not able at this time to predict the future amount of such issuances or dilution.

### *Instability of Political and Economic Environments*

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

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

## **7. DIVIDENDS**

On November 8, 2012, the Corporation announced that the Board of Directors had adopted a dividend policy that provides for a quarterly discretionary cash dividend based on financial results and the future cash requirements of the Corporation. In accordance with that policy, the Board of Directors declared Mandalay's first dividend – a dividend of \$0.01 per Common Share that was paid on December 5, 2012 to holders of record as of November 20, 2012.

On May 14, 2013, the Corporation announced that the Board of Directors had modified the dividend policy to be an annual dividend policy pursuant to which the Corporation intends to pay quarterly dividends in an aggregate amount equal to 6% of the trailing quarter's gross revenue, defined as revenue before royalty payments.

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

## **8. CAPITAL STRUCTURE**

### **Common Shares**

The authorized capital of Mandalay is an unlimited number of Common Shares, of which 340,141,753 were issued as at March 24, 2014. 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.

<b>Issue Date</b>	<b>Exercise Price CDN\$</b>	<b>Number of Options</b>	<b>Expiry Date</b>
Mar 18, 2013	1.13	4,237,500	Mar 18, 2018
Mar 9, 2012	0.830	3,922,500	Mar 9, 2017
Dec 2, 2011	0.700	490,000	Dec 2, 2016
Jul 4, 2011	0.760	450,000	Jul 4, 2016
Apr 11, 2011	0.580	370,000	Apr 11, 2016
Mar 11, 2011	0.560	3,250,000	Mar 11, 2016
Oct 6, 2010	0.330	300,000	Oct 6, 2015
Sep 7, 2010	0.310	50,000	Sep 7, 2015
Aug 30, 2010	0.260	50,000	Aug 30, 2015
Aug 26, 2010	0.260	1,010,000	Aug 26, 2015
Dec 7, 2009	0.255	1,550,000	Dec 7, 2014

For additional information on the Stock Option Plan, see the Corporation’s management information circular dated April 19, 2013, on the Corporation’s SEDAR profile. The total number of outstanding options as at March 26, 2014 is 15,680,000.

**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 26, 2014 is 15,900,000.

<b>Issue Date</b>	<b>Exercise Price CDN\$</b>	<b>Number of Warrants</b>	<b>Expiry Date</b>
Nov 30, 2009	0.465	1,250,000	Nov 30, 2014
Nov 30, 2009	0.310	14,650,000	Nov 30, 2014

## 9. MARKET FOR SECURITIES

The Common Shares trade on the TSX under the symbol “MND”. Information concerning the trading prices and volumes of the Common Shares on the TSX during fiscal 2013 is set out below.

Month	High CDN(\$)	Low CDN(\$)	Close CDN(\$)	Total Monthly Volume
January 2013	1.25	1.08	1.17	12,048,833
February 2013	1.17	0.99	1.07	6,153,640
March 2013	1.17	1.06	1.12	10,866,209
April 2013	1.13	0.77	0.96	7,080,060
May 2013	0.97	0.80	0.85	3,403,297
June 2013	0.89	0.60	0.68	6,520,361
July 2013	0.88	0.69	0.78	3,160,035
August 2013	0.94	0.76	0.90	3,009,764
September 2013	0.89	0.77	0.81	1,570,279
October 2013	0.80	0.71	0.74	8,354,671
November 2013	0.84	0.72	0.80	5,344,085
December 2013	0.82	0.73	0.78	4,948,464

## 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.

Name, Province/State and Country of Residence	Position with the Corporation	Principal Occupation (1)(2)	Director/Officer Since
Abraham Jonker <sup>(3)</sup> British Columbia, Canada	Chairman and Director	Corporate Director	August 2010
Bradford A. Mills London, United Kingdom	Chief Executive Officer and Director	Chief Executive Officer of the Corporation	September 2009
Robert Doyle <sup>(3)</sup> Ontario, Canada	Director	Corporate Director	April 2010
Peter Rhys Jones <sup>(4)</sup> Ontario, Canada	Director	Corporate Director	August 2010
Anthony Griffin <sup>(3)(4)</sup> Ontario, Canada	Director	Partner, West Face Capital (Investment management)	August 2010
Mark Sander <sup>(5)</sup> Pennsylvania, United States	President	President of the Corporation	December 2009
Sanjay Swarup Twickenham, United	Chief Financial Officer and Director	Chief Financial Officer of the Corporation	Officer: December 2009

Kingdom			Director: April 2010
Dominic Duffy <sup>(5)</sup> La Serena, Chile	Chief Operating Officer	Chief Operating Officer of the Corporation	March 18, 2013
Belinda Labatte Ontario, Canada	Corporate Secretary	Principal, The Capital Lab Inc. (Investor relations)	March 2010

Notes:

- (1) The information supplied by the directors and officers of the Corporation.
- (2) The information provided reflects the principal occupation of the individual over the preceding five years.
- (3) Member of the Corporation's audit committee (the "Audit Committee").
- (4) Member of Compensation, Corporate Governance & Nominating Committee and Safety, Health and Environmental Committee.
- (5) On March 19, 2013 Mark Sander was promoted from Chief Operating Officer of the Corporation to President and Dominic Duffy, former General Manager, Cerro Bayo Operations was promoted to Chief Operating Officer.

As of March 24, 2014, the directors and executive officers of the Corporation, as a group, beneficially owned, or controlled or directed, directly or indirectly, approximately 173,738,884 Common Shares, representing approximately 51.08% of the outstanding Common Shares. The information as to the number of Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, by the directors and executive officers, but which are not registered in their names and not being within the knowledge of the Corporation, has been furnished by such directors and officers.

**Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

To our knowledge, no director or executive officer of the Corporation, or shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation: (a) is, as at the date hereof, or has been within the 10 years before the date hereof, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder, except for the following:

- Peter Rhys Jones was Chairman and CEO of Adanac Molybdenum Corporation ("Adanac") from August 2008 to March 2009. Adanac entered voluntary *Companies Creditors Arrangement Act* protection in December 2008 and emerged from creditor protection in February 2011 following the successful implementation of its plan of compromise and arrangement.
- Abraham Jonker is a Director, President and Interim CFO of EastCoal Inc. ("EastCoal") EastCoal filed a Notice of Intention to Make a Proposal pursuant to the provisions of Part III of the Bankruptcy and Insolvency Act (Canada) on November 5, 2013. The process is still underway.

To our knowledge, no director or executive officer of the Corporation is, as at the date hereof or has been, within the 10 years before the date hereof, a director, Chief Executive Officer or Chief Financial Officer of any company (including the Corporation), that

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

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

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

- (a) Any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) Any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### **Conflicts of Interest**

Certain of the directors and officers of the Corporation and its subsidiaries also serve as directors, officers and/or advisors of and to other companies involved in natural resource exploration and development. In addition, Anthony Griffin, a director of the Corporation, is a partner with West Face, the Corporation's largest shareholder. West Face and/or its affiliates may hold interests in other companies involved in natural resource exploration and development. Consequently, there exists the possibility for such directors and officers to be in a position of conflict. The Corporation expects that any decision made by any director or officer involving the Corporation will be made in accordance with such director or officer's duties and obligations to deal fairly and in good faith with a view to the best interests of the Corporation and its shareholders. In addition, each director of the Corporation is required to declare and refrain from voting on any matter in which such director may have a conflict of interest in accordance with the procedures set forth in the BCBCA and applicable laws.

## **12. AUDIT COMMITTEE INFORMATION**

### **12.1 Description of the Audit Committee**

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

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

**Mr. Doyle**

Mr. Doyle has over 30 years of experience in all facets of international resource exploration, development and production. Mr. Doyle is a director of Golden Star Resources Ltd. and Detour Gold Corp. He was Chief Executive Officer of Medoro Resources Limited, until October, 2009, and was Executive Vice President prior to that. From 2005 to 2007, Mr. Doyle was the Executive Vice President of Pacific Stratus Energy. Previously, Mr. Doyle was Chief Financial Officer of a number of companies including Pacific Stratus Energy Corp., Coalcorp Mining Inc., Bolivar Gold Corp. and HMZ Metals Inc. In addition, he has held a number of financial and executive positions with Falconbridge Limited and LAC Minerals. Mr. Doyle is a designated Chartered Accountant and Chartered Director.

**Mr. Jonker**

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

**Mr. Griffin**

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

**12.2 External Auditor Service Fee**

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

	<u>2013</u>	<u>2012</u>
	<u>CDN\$</u>	<u>CDN\$</u>
Audit Fees <sup>1</sup>	\$579,700	\$613,400
Tax Fees <sup>2</sup>	\$229,655	\$204,580
All Other Fees <sup>3</sup>	\$107,695	Nil
Total Fees	\$917,050	\$817,980

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

**13. LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

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

**14. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Other than as described elsewhere in this Annual Information Form, since January 1, 2010, no director, executive officer or 10% shareholder of the Corporation or any associate or affiliate of any such person or company, has or

had any material interest, direct or indirect, in any transaction that has materially affected or will materially affect the Corporation or any of its subsidiaries.

## **15. TRANSFER AGENTS AND REGISTRARS**

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

## **16. MATERIAL CONTRACTS**

Except for contracts entered into in the ordinary course of business and not required to be filed under Section 12.2 of National Instrument 51-102 – Continuous Disclosure Obligations (“**NI 51-102**”), the only contract which is regarded as material and which was entered into by the Corporation within fiscal 2013 or before fiscal 2013 but is still in effect is: Share Purchase Agreement dated December 19, 2013 between Silver Standard Resources Inc., Silver Standard Ventures Inc., Mandalay Resources, and Mandalay Chile.

## **17. INTERESTS OF EXPERTS**

### **17.1 Names of Experts**

The persons referred to below have been named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under NI 51-102 during, or relating to, the Corporation's financial year ended December 31, 2013.

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

The Cerro Bayo Technical Report, dated March 27, 2014, was prepared by Roscoe Postle Associates Inc., authored by Normand Lecuyer (P.Eng.) and Rosmery Julia Cárdenas Barzola, MAusIMM CP (Geo), both independent Qualified Persons under NI 43-101.

The Costerfield Report, dated March 25, 2014 was prepared by SRK Consulting (Australasia) Pty Ltd., was prepared by Peter Fairfield BEng (Mining) FAusIMM, authored by Peter Fairfield, Principal Consultant, Brett Mueller, BEng (Minerals Engineering and Extractive Metallurgy), BCom (Finance), and Bob Lidbury BAppSc (Geology), MAIG (No: 3014), all independent Qualified Persons under NI 43-101.

The technical report in respect of Challacollo entitled “Technical Report on the Challacollo Silver-Gold Project, Region I, Chile” and dated January 30, 2014, (the “**Challacollo Technical Report**”) was prepared by Luke Evans, M.Sc., P.Eng., an independent Qualified Person under NI 43-101 and filed on February 7, 2014.

The La Quebrada Technical Report, dated August 14, 2012, was prepared under the direction of Michael Easdon M.Sc., CPG-07646, an independent Qualified Person under NI 43-101.

### **17.2 Interests of Experts**

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

**18. ADDITIONAL INFORMATION**

Additional financial information and information regarding directors' and officers' remuneration and indebtedness, principal holders of Common Shares and securities authorized for issuance under equity compensation plans, as applicable, is contained in the Corporation's financial statements and management's discussion and analysis for the fiscal year ended December 31, 2013 and management information circular dated April 19, 2013, which are available on the Corporation's SEDAR profile.

## **SCHEDULE A**

### **MANDALAY RESOURCES CORPORATION**

(the “Company”)

#### **AUDIT COMMITTEE CHARTER (as in effect September 2010)**

##### **PURPOSE**

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

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

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

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

The Audit Committee is not responsible for:

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

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

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

“Good faith reliance” means that the Audit Committee member has considered the relevant issues, questioned the information provided and assumptions used, and assessed whether the analysis provided by senior management

or the expert is reasonable. Generally, good faith reliance does not require that the member question the honesty, competence and integrity of senior management or the expert unless there is a reason to doubt their honesty, competency and integrity.

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

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

## **REPORTS**

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

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

## **COMPOSITION**

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

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

- accept (directly or indirectly) any consulting, advisory or other compensatory fee from the Company or any of its subsidiaries<sup>1</sup> (other than remuneration for acting in his or her capacity as a director or committee member) or be an "affiliated person"<sup>2</sup> of the Company or any of its subsidiaries, or
- concurrently serve on the audit committee of more than three other public companies without the prior approval of the Board of Directors and their determination that such simultaneous service would not

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

<sup>2</sup> An "affiliate" of a person is a person that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with the first person.

impair the ability of the member to effectively serve on the Audit Committee (which determination shall be disclosed in the Company's annual management information circular).

## **RESPONSIBILITIES**

### **Independent Auditor**

The Audit Committee shall:

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

### **The Audit Process, Financial Statements and Related Disclosure**

The Audit Committee shall:

- Meet with senior management and/or the independent auditor to review and discuss,
  - the planning and staffing of the audit by the independent auditor,
  - before public disclosure, the Company's annual audited financial statements and quarterly financial statements, the Company's accompanying disclosure of Management's Discussion and Analysis and earnings press releases and make recommendations to the Board of Directors as to their approval and dissemination of those statements and disclosure,
  - financial information and earnings guidance provided to analysts and rating agencies: this review need not be done on a case by case basis but may be done generally (consisting of a discussion of the types of information disclosed and the types of presentations made) and need not take place in advance of the disclosure,

- any significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the selection or application of accounting principles, any major issues regarding auditing principles and practices, and the adequacy of internal controls that could significantly affect the Company's financial statements,
  - all critical accounting policies and practices used,
  - all alternative treatments of financial information within GAAP or IFRS, as applicable that have been discussed with senior management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor,
  - the use of "pro forma" or "adjusted" non-GAAP or non-IFRS, as applicable information,
  - the effect of new regulatory and accounting pronouncements,
  - the effect of any material off-balance sheet structures, transactions, arrangements and obligations (contingent or otherwise) on the Company's financial statements,
  - any disclosures concerning any weaknesses or any deficiencies in the design or operation of internal controls or disclosure controls made to the Audit Committee in connection with certification of forms by the Chief Executive Officer and/or the Chief Financial Officer for filing with applicable securities regulators, and
  - the adequacy of the Company's internal accounting controls and management information systems and its financial, auditing and accounting organizations and personnel (including any fraud involving an individual with a significant role in internal controls or management information systems) and any special steps adopted in light of any material control deficiencies.
- Review disclosure of financial information extracted or derived from the Company's financial statements.
  - Review with the independent auditor,

the quality, as well as the acceptability of the accounting principles that have been applied,

any problems or difficulties the independent auditor may have encountered during the provision of its audit services, including any restrictions on the scope of activities or access to requested information and any significant disagreements with senior management, any management letter provided by the independent auditor or other material communication (including any schedules of unadjusted differences) to senior management and the Company's response to that letter or communication, and

any changes to the Company's significant auditing and accounting principles and practices suggested by the independent auditor or other members of senior management.

## **Risks**

The Audit Committee shall:

- Recommend to the Board of Directors for approval a policy that sets out the Risks philosophy of the Company and the expectations and accountabilities for identifying, assessing, monitoring and managing Risks (the "ERM Policy") that is developed and is to be implemented by senior management.
- Meet with senior management to review and discuss senior management's timely identification of the most significant Risks, including those Risks related to or arising from the Corporation's weaknesses,

threats to the Corporation's business and the assumptions underlying the Corporation's strategic plan ("**Principal Risks**").

- Approve a formalized, disciplined and integrated enterprise risk management process (the "**ERM Process**") that is developed by senior management and, as appropriate, the Environmental Health and Safety Committee, to monitor, manage and report Principal Risks.
- Recommend to the Board of Directors for approval policies (and changes thereto) setting out the framework within which each identified Principal Risks of the Corporation shall be managed.
- At least annually, obtain from senior management and, as appropriate, the Environmental Health and Safety Committee, a report specifying the management of the Principal Risks of the Corporation including compliance with the ERM Policy and other policies of the Corporation for the management of Principal Risks.
- Review with senior management the Company's tolerance for financial Risk and senior management's assessment of the significant financial Risks facing the Company.
- Discuss with senior management, at least annually, the guidelines and policies utilized by senior management with respect to financial Risk assessment and management, and the major financial Risk exposures and the procedures to monitor and control such exposures in order to assist the Audit Committee to assess the completeness, adequacy and appropriateness of financial Risk disclosure in Management's Discussion and Analysis and in the financial statements.
- Review policies and compliance therewith that require significant actual or potential liabilities, contingent or otherwise, to be reported to the Board of Directors in a timely fashion.
- Review the adequacy of insurance coverages maintained by the Company.

## **Compliance**

The Audit Committee shall:

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

- Establish procedures for,
  - the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, and
  - the confidential, anonymous submission by employees of the Company with concerns regarding any accounting or auditing matters.

### **Delegation**

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

### **MEETINGS**

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

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

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

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

### **INDEPENDENT ADVICE**

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

### **ANNUAL EVALUATION**

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

- Conduct a review and evaluation of the performance of the Audit Committee and its members, including the compliance of the Audit Committee with this Charter.
- Review and assess the adequacy of its Charter and the position description for its Chair and recommend to the Board of Directors any improvements to this Charter or the position description that the Audit Committee determines to be appropriate, except for minor technical amendments to this Charter,

authority for which is delegated to the Chief Executive Officer, who will report any such amendments to the Board of Directors at its next regular meeting.

**Appendix A**

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