



MANDALAY RESOURCES CORPORATION

(the “Company” or “Mandalay”)

CODE OF BUSINESS CONDUCT AND ETHICS

INTRODUCTION

This Code of Business Conduct and Ethics (“**Code**”) covers a wide range of business practices and procedures. It does not cover every issue that may arise, but sets out basic principles to guide all directors, officers and employees of the Company or any of its subsidiaries or affiliates¹ (collectively, the “**Mandalay Group**”) and other persons in similar relationships with the Mandalay Group (collectively, with the directors, officers and employees of the Mandalay Group, “**Mandalay Personnel**”). All Mandalay Personnel must conduct themselves accordingly and seek to avoid even the appearance of improper behavior. This Code also should be provided to and followed by the Mandalay Group’s agents and representatives, including advisors.

If a law conflicts with a policy in this Code, Mandalay Personnel must comply with the law. If a local custom or policy conflicts with this Code, Mandalay Personnel must comply with this Code. If you have any questions about these conflicts, you should ask your supervisor or department head or the Chief Executive Officer how to handle the situation.

Mandalay Personnel who violate the standards in this Code will be subject to disciplinary action, which could include the termination of their employment or other relationship with the Mandalay Group. **If you are in a situation that you believe may violate or lead to a violation of this Code, follow the guidelines described below under “Compliance Procedures”.**

PURPOSE

The purpose of the Code is to:

- Promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- Promote avoidance of conflicts of interest, including disclosure to an appropriate person of any material transaction or relationship that reasonably could be expected to give rise to such a conflict;
- Promote full, fair, accurate, timely and understandable disclosure in reports and documents that the Mandalay Group files with, or submits to, the securities regulators and in other public communications made by the Mandalay Group;

¹ A company is a subsidiary of another company if it is controlled, directly or indirectly, by that other company (through one or more intermediaries or otherwise). A company is an affiliate of another company if either one of them is the subsidiary of the other company or if both are subsidiaries of the same company or if each of them is controlled by the same person or company.

- Promote compliance with applicable laws, rules and regulations;
- Promote prompt internal reporting of Code violations to an appropriate person;
- Promote accountability for adherence to this Code;
- Provide guidance to Mandalay Personnel to help them recognize and deal with ethical issues;
- Provide mechanisms for reporting unethical conduct; and
- Foster the Mandalay Group's culture of honesty and accountability.

LEGAL COMPLIANCE

Compliance with Laws, Rules and Regulations (including Insider Trading Laws and Timely Disclosure)

Mandalay Personnel are expected to comply in good faith at all times with all applicable laws, rules and regulations and behave in an ethical manner.

Mandalay Personnel are required to comply with the Company's Timely Disclosure, Confidentiality and Insider Trading Policy and all other policies and procedures applicable to them that are adopted by the Company from time to time.

Mandalay Personnel must cooperate fully with those persons (including the Chief Financial Officer ("CFO") responsible for preparing reports filed with the securities regulatory authorities and all other materials that are made available to the investing public to ensure those persons are aware, in a timely manner, of all information that is required to be disclosed. Mandalay Personnel should also cooperate fully with independent auditors in their audits and assist in the preparation of financial disclosure.

THIRD PARTY RELATIONSHIPS

Conflict of Interest

Mandalay Personnel are required to act with honesty and integrity and to avoid, where possible, any relationship or activity that might create, or appear to create, a conflict between their personal interests and the interests of the Mandalay Group.

"Conflicts of interest" may arise where an individual's private interests interfere in any way with the interests of the Mandalay Group. It is the responsibility of the employee, officer or director of Mandalay to disclose any potential conflict of interest to the Company's Chief Executive Officer ("CEO"), CFO, Chief Development Officer ("CDO") or Board of Directors. The officers and the Board, at their sole discretion, will determine if a conflict exists and, if so, will prohibit or provide special authorization for such activity. Any undisclosed conflicts will be considered a violation to this policy and could result in formal actions.

Gifts and Entertainment

Business gifts and entertainment are customary courtesies designed to build goodwill and constructive relationships among business partners. These courtesies may include such things as meals and beverages, tickets to sporting or cultural events, discounts not available to the general public, accommodation and other merchandise or services. In some cultures, they play an important role in business relationships. However, a problem may arise when these courtesies compromise, or appear to compromise, the Mandalay Group's ability to make fair and objective business decisions or to gain an unfair advantage.

Mandalay Personnel or their immediate families shall not use their position with the Mandalay Group to solicit any cash, gifts or free services from any Mandalay Group customer, supplier or contractor for their or their immediate family's or friend's personal benefit. Gifts or entertainment from others should not be accepted if they reasonably could be considered extravagant for the employee, officer or director who receives it or they improperly influence the Mandalay Group's business relationship with, or create an obligation to, a customer, supplier or contractor.

The following are guidelines regarding gifts and entertainment:

- Nominal gifts and entertainment, such as logo items, pens, calendars, caps, shirts and mugs are acceptable.
- Reasonable invitations to business-related meetings, conventions, conferences or product training seminars may be accepted.
- Invitations to social, cultural or sporting events may be accepted if the cost is reasonable and your attendance serves a customary business purpose such as networking (e.g. meals, holiday parties and tickets).
- Invitations to golfing, fishing, sports events or similar trips that are usual and customary for your position within the company and the industry and promote good working relationships with customers and suppliers may be accepted provided, in the case of employees, they are approved in advance by your manager.

No gift or entertainment should ever be offered, given, provided, authorized or accepted by any Mandalay Personnel or their family members unless it is consistent with customary business practices, is not excessive in value, cannot be construed as a bribe or payoff, and does not violate any laws. Cash gifts are not ever to be offered, given, provided, authorized or accepted by any Mandalay Personnel or their family members. Strict rules apply when the Mandalay Group does business with governmental agencies and officials, as discussed in more detail below. Mandalay Personnel should discuss with their department head any gifts or proposed gifts about which they have any questions. These guidelines apply at all times and do not change during traditional gift-giving seasons.

Payments to Government Personnel

All Mandalay Personnel must comply with all laws prohibiting improper payments to domestic and foreign officials, including the *Corruption of Foreign Public Officials Act* (Canada) and the

Foreign Corrupt Practices Act (US). These Acts prohibit, among other things, offering, promising or giving (or authorizing any of those activities) anything of value, directly or indirectly, to officials of foreign governments or foreign political candidates to influence any of their acts or decisions or to obtain or retain business.

Similarly, other governments have laws regarding business gifts that may be accepted by government personnel. The promise, offer or delivery to an official or employee of various governments of a gift, favor or other gratuity in violation of these laws would not only violate Company policy but could also be a criminal offense. Illegal payments are not to be made to government officials of any country.

Government Relations

Mandalay Personnel may participate in the political process as private citizens. It is important to separate personal political activity and the Mandalay Group's political activities, if any, in order to comply with the appropriate rules and regulations relating to lobbying or attempting to influence government officials. The Mandalay Group's political activities, if any, shall be subject to the overall direction of the Board of Directors. The Mandalay Group will not reimburse Mandalay Personnel for money or personal time contributed to political campaigns. In addition, Mandalay Personnel may not work on behalf of a candidate's campaign while at work or at any time use the Mandalay Group's facilities for that purpose unless approved by the Chair of the Audit Committee.

Company funds must not be used to make payment or provide anything of value, directly or indirectly, in money, property, services or any other form to a government official, political party or candidate for political office in consideration for the recipient agreeing to:

1. exert influence to assist the Mandalay Group in obtaining or retaining business or secure any advantage; or
2. commit any act in violation of a lawful duty or otherwise influence an official act.

If you are in doubt about the legitimacy of a payment that you have been requested to make, refer such situations to the Chair of the Audit Committee.

In addition, Mandalay Personnel are strictly prohibited from attempting to influence any person's testimony in any manner whatsoever in courts of justice or any administrative tribunals or other government bodies.

Good Faith Dealings

Employees shall at all times act in good faith in their conduct of Mandalay's business, and shall conduct themselves in a manner that promotes mutual respect between Mandalay and its suppliers, customers, lenders, contractors, governments, and others.

Deceitful or deceptive behavior in furthering Mandalay's interests is not acceptable. Mandalay requires its employees to observe policies with respect to business processes, for example handling of sealed bids.

The Company has entered into a large number of agreements with customers, suppliers, contractors, lenders and government agencies. In such agreements Mandalay has made numerous commitments. Employees charged with the administration of such agreements shall be diligent in ensuring that such commitments are complied with.

Competitive Practices

The Mandalay Group firmly believes that fair competition is fundamental to the continuation of the free enterprise system. The Mandalay Group complies with and supports laws which prohibit restraints of trade, unfair practices, or abuse of economic power.

The Mandalay Group will not enter into arrangements that unlawfully restrict its ability to compete with other businesses, or the ability of any other business organization to compete freely with the Mandalay Group. The Mandalay Group's policy also prohibits Mandalay Personnel from entering into or discussing any unlawful arrangement or understanding that may result in unfair business practices or anticompetitive behavior.

Directorship

Mandalay employees shall be able to act as directors or officers of a not-for profit entity, organization, private company or organization without the prior written approval of the CEO with the conditions being that such position does not interfere with the employee's duties at Mandalay. Additionally, his/her involvement with such an entity/organization/company must not be in conflict or competing with Mandalay's business.

A position of director or officer of another publicly listed company on any exchange must be pre-approved in writing or by email by the CEO. The CEO may provide authorizations for such positions if they are not considered to be contrary to the interests of Mandalay and if they are not deemed to negatively impact the Employee's ability to perform his/her duties as an employee of Mandalay.

Execution of Agreements

All agreements entered into by the Mandalay Group must be executed by the appropriate authorized signing officers.

INFORMATION AND RECORDS

Confidential and Proprietary Information and Trade Secrets

Mandalay Personnel may be exposed to certain information that is considered confidential by the Mandalay Group or entrusted to the Mandalay Group by persons with whom the Mandalay Group does business, or may be involved in the design or development of new procedures related to the business of the Mandalay Group. All such information and procedures, whether or not the subject of copyright or patent, are the sole property of the Mandalay Group. Mandalay Personnel shall not disclose confidential information to persons outside the Mandalay Group, including family members, and should share it only with other Mandalay Personnel who have a "need to know" unless the disclosure is specifically authorized by the Chief Executive Officer.

Mandalay Personnel are responsible and accountable for safeguarding the Mandalay Group documents and information to which they have direct or indirect access as a result of their employment, officer position or directorship with the Mandalay Group. All Mandalay Personnel should read and abide by the Company's Timely Disclosure, Confidentiality and Insider Trading Policy.

Financial Reporting and Records

The Mandalay Group requires honest and accurate recording and reporting of information to make responsible business decisions. The Mandalay Group's accounting records are relied upon to produce reports for our management, directors, shareholders, governmental agencies and persons with whom the Mandalay Group does business. All of the Mandalay Group's financial statements and the books, records and accounts on which they are based must appropriately reflect the Mandalay Group's activities and conform to applicable legal and accounting requirements and to the Mandalay Group's system of internal controls. Unrecorded or "off the books" funds or assets should not be maintained unless required by applicable law or regulation.

All Mandalay Personnel have a responsibility, within the scope of their positions, to ensure that the Mandalay Group's accounting records do not contain any false or intentionally misleading entries. The Mandalay Group does not permit intentional misclassification of transactions as to accounts, departments or accounting records. All transactions must be supported by accurate documentation in reasonable detail and recorded in the proper accounts and in the proper accounting period.

Many Mandalay Personnel use business expense accounts, which must be documented and recorded accurately. If Mandalay Personnel are not sure whether a certain expense is legitimate, a supervisor or department head can provide advice.

Business records and communications often become public through legal or regulatory proceedings or the media. Mandalay Personnel should avoid exaggeration, derogatory remarks, guesswork or inappropriate characterizations that can be misunderstood. This requirement applies equally to communications of all kinds, including internal and external e-mail, informal notes, internal memos, and formal reports. Mandalay Personnel are not allowed to speak to media without approval from the CEO or the General Manager.

Records Retention

The Mandalay Group maintains all records in accordance with laws, rules and regulations regarding retention of business records. The term "business records" covers a broad range of files, reports, business plans, receipts, policies and communications, including hard copy, electronic, audio recording, microfiche and microfilm files whether maintained at work or at home. The Mandalay Group prohibits the unauthorized destruction of or tampering with any records, whether written or in electronic form, where the Mandalay Group is required by laws, rules or regulations to maintain such records or where it has reason to know of a threatened or pending government investigation or litigation relating to such records.

COMPANY ASSETS

Use of Company Property

All Mandalay Personnel should endeavor to protect the Mandalay Group's assets and ensure their efficient use. Theft, carelessness, and waste have a direct impact on the Mandalay Group's profitability. Any suspected incident of fraud or theft should be reported immediately to your department head for investigation. Mandalay Group equipment should not be used for non-Mandalay Group business, other than incidental personal use.

The Mandalay Group's assets (such as funds, products or proprietary information) may be used only for legitimate business purposes. The Mandalay Group's assets may never be used for illegal purposes.

Intellectual Property of Others

The obligation of Mandalay Personnel to protect the Mandalay Group's assets includes the Mandalay Group's proprietary information. Proprietary information includes any confidential information, as well as the Mandalay Group's intellectual property. Examples of proprietary information include intellectual property (such as trade secrets, patents, trademarks (such as logos), copyrights and exclusive photo images), business, marketing and service plans, policies and procedures manuals, designs, databases, salary information and any unpublished financial data and reports. Unauthorized use or distribution of this information would violate Company policy and could be illegal and result in civil or criminal penalties. The obligation to preserve the confidentiality of proprietary information continues even after Mandalay Personnel cease to have a relationship with the Mandalay Group.

Information Technology

The Mandalay Group's information technology systems, including computers, e-mail, intranet and internet access, telephones and voice mail are the property of the Mandalay Group and are to be used primarily for business purposes. The Mandalay Group information technology systems may be used for minor or incidental personal messages provided that such use is kept at a minimum and is in compliance with Mandalay Group policy and this Code.

Electronic documents and messages (including voice-mail, e-mail and SMS) sent, received, created or modified by Mandalay Personnel are considered Mandalay Group property and Mandalay Personnel should recognize that they are not "personal" or "private". Unless prohibited by law, the Company reserves the right to access and disclose (both internally and externally) electronic documents and messages, as well as, to specify, configure and restrict its electronic systems as necessary for its business purposes. Mandalay Personnel should use good judgment and not access, send messages or store any information that they would not want to be seen or heard by others.

WORKPLACE

A Nondiscriminatory Environment

The Mandalay Group fosters a work environment in which all individuals are treated with respect and dignity. The Mandalay Group is an equal opportunity employer and does not discriminate against Mandalay Personnel or potential employees, officers or directors on the basis of race, color, religion, sex, national origin, age, sexual orientation or disability or any other category protected by Canadian federal and provincial laws, rules and regulations and, in addition, in accordance with the laws, rules or regulations applicable in the jurisdiction where such Mandalay Personnel are located. The Mandalay Group will make reasonable accommodations for its Mandalay Personnel in compliance with applicable laws, rules and regulations. The Mandalay Group is committed to actions and policies to assure fair employment, including equal treatment in hiring, promotion, training, compensation, termination and corrective action and will not tolerate discrimination by Mandalay Personnel.

Harassment-Free Workplace

The Mandalay Group will not tolerate harassment of Mandalay Personnel, customers or suppliers in any form.

Sexual Harassment

Sexual harassment is illegal and all Mandalay Personnel are prohibited from engaging in any form of sexually harassing behavior. Sexual harassment means unwelcome sexual conduct, either visual, verbal or physical, and may include, but is not limited to, unwanted sexual advances; unwanted touching and suggestive touching, language of a sexual nature, telling sexual jokes, innuendoes, suggestions, suggestive looks and displaying sexually suggestive visual materials.

Substance Abuse

The Mandalay Group is committed to maintaining a safe and healthy work environment free of substance abuse. Mandalay Personnel are expected to perform their responsibilities in a professional manner and, to the degree that job performance or judgment may be hindered, be free from the effects of drugs and/or alcohol.

Workplace Violence

The workplace must be free from violent behavior. Threatening, intimidating or aggressive behavior, as well as bullying, subjecting to ridicule or other similar behavior toward fellow employees or others in the workplace will not be tolerated.

Employment of Family Members

Employment of more than one family member at a Mandalay Group office or other premises is permissible but the direct supervision of one family member by another is not permitted unless otherwise authorized by the Chair of the Audit Committee. Indirect supervision of a family member by another is also discouraged and requires the prior approval of the Chair of the Audit

Committee. If allowed, any personnel actions affecting that employee must also be reviewed and endorsed by the CEO and if needed the Chair of the Audit Committee.

Health and Safety

The Mandalay Group is committed to providing a healthy and safe workplace in compliance with applicable laws, rules and regulations. Mandalay Personnel must be aware of the safety issues and policies that affect their job, other Mandalay Personnel and the community in general. Managers, upon learning of any circumstance affecting the health and safety of the workplace or the community, must act immediately to address the situation. Mandalay Personnel must immediately advise their managers of any workplace injury or any circumstance presenting a dangerous situation to them, other co-workers or the community in general, so that timely corrective action can be taken.

Employee Issue Resolution Process

Mandalay also has a formal Employee Issue Resolution Process which is intended to allow specific employee concerns to be documented, directed to the appropriate person and resolved in a timely way.

Each General Manager is accountable for establishing a local Employee Issue Resolution Process with specific processes and timelines for issue intake, response, and resolution. Details of the process are to be posted and available at each mine site.

WAIVERS OF THE CODE

Any waiver of this Code for directors or members of senior management may be made only by the Board of Directors (or a committee of the Board of Directors to whom that authority has been delegated) and will be disclosed promptly² if required by law or stock exchange regulation, including the filing of a material change report describing the date of waiver, the parties involved, the reasons of the Board of Directors for approving the waiver or not sanctioning the respective departure and any measures taken by the Board of Directors to address the situation.

REPORTING ANY ILLEGAL OR UNETHICAL BEHAVIOR

The Mandalay Group has a strong commitment to the conduct of its business in a lawful and ethical manner. Mandalay Personnel are encouraged to talk to supervisors, managers or other appropriate personnel about observed illegal or unethical behavior and when in doubt about the best course of action in a particular situation. It is the policy of the Mandalay Group not to allow retaliation for reports of misconduct by others made in good faith. It is, at the same time, unacceptable to file a

² The Canadian Securities Administrators consider that conduct of directors or executive officers that constitutes a material departure from the Code, whether or not sanctioned by the Board of Directors, will likely constitute a “material change” (which would require the Company to issue a press release forthwith and to file a material change report within ten days of the change).

report knowing that it is false. All Mandalay Personnel are expected to cooperate in internal investigations of misconduct.

Mandalay's Whistleblower hotline is designed for the Company's employees, suppliers, customers and community members or government at all jurisdictions of operations and projects to confidentially, and anonymously if preferred, disclose concerns or complaints relating to wrongdoings at Mandalay.

COMPLIANCE PROCEDURES

All Mandalay Personnel must work to ensure prompt and consistent action against violations of this Code. However, in some situations it is difficult to know right from wrong. Since we cannot anticipate every situation that will arise, it is important that the Mandalay Group have a way to approach a new question or problem. These are the steps to keep in mind:

- Make sure you have all the facts. In order to reach the right solutions, we must be as fully informed as possible.
- Ask yourself: What specifically am I being asked to do? Does it seem unethical or improper? This will help you to focus on the specific question you are faced with and the alternatives you have. Use your judgment and common sense - if something seems unethical or improper, it probably is.
- Clarify your responsibility and role. In most situations, there is shared responsibility. Are your colleagues informed? It may help to get others involved and discuss the problem.
- Discuss the problem with your supervisor. This is the basic guidance for all situations. In many cases, your supervisor will be more knowledgeable about the question, and will appreciate being brought into the decision-making process. Remember that it is your supervisor's responsibility to help solve problems.
- Seek help from Mandalay Group resources. In the rare case where it may not be appropriate to discuss an issue with your supervisor, or where you do not feel comfortable approaching your supervisor with your question, discuss it locally with your "two-up". If that is not appropriate for any reason, contact your department head or any member of senior management.
- You may report ethical violations in confidence and without fear of retaliation. If your situation requires that your identity be kept secret, your anonymity will be protected. The Mandalay Group does not permit retaliation of any kind against employees for good faith reports of ethical violations.
- Always ask first, act later: If you are unsure of what to do in any situation, seek guidance before you act.

APPLICABLE LAW

The provisions of this Code of Business Conduct and Ethics will be modified, as and to the extent necessary, to comply with applicable laws, regulations or policies imposed by the various jurisdictions in which the Company and Mandalay Personnel operate.