

**TSX: MND**

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**MANDALAY RESOURCES**

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**DELIVERING GROWTH // DISCOVERING VALUE**

January 2013



**MANDALAY RESOURCES**

# Forward-looking Statements

*This presentation contains "forward-looking statements" within the meaning of applicable securities laws, including statements relating to life of mine production plans and exploration plans and the growth and strategy of Mandalay. Readers are cautioned not to place undue reliance on forward-looking statements. Actual results and developments may differ materially from those contemplated by these statements depending on, among other things, that exploration results at Cerro Bayo, Costerfield, and La Quebrada may not meet management's expectations, that Cerro Bayo and Costerfield capital, production and operating cost results may not meet current plans, that reclamation costs associated with Mandalay's Furioso property may exceed current estimates, and changes in commodity prices and general market and economic conditions. The factors identified above are not intended to represent a complete list of the factors that could affect Mandalay. Although Mandalay has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.*

## Quality Control and Assurance

*Quality control and assurance programs are implemented in line with the standards of National Instrument 43-101.*

*The exploration program at Costerfield is supervised by Chris Gregory (Member, Australian Institute of Geoscientists accredited Chartered Professional (Mining)), General Manager of Australasian Business Development for Mandalay and a Qualified Person as defined under National Instrument 43-101. Mr. Gregory regularly visits Costerfield, supervises the collection and interpretation of scientific and technical information contained in this presentation, and has reviewed and approved the presentation itself.*

*The exploration programs on the Cerro Bayo and La Quebrada projects are supervised by Ronald Luethe (Member: American Institute of Professional Geologists and an Idaho Registered Professional Geologist), General Manager of Mandalay Chile Ltda. and a Qualified Person as defined under National Instrument 43-101. Mr. Luethe visits the Cerro Bayo and La Quebrada projects often, supervises the collection and interpretation of scientific and technical information contained in this presentation, and has reviewed and approved the presentation itself.*

*Dr. Mark Sander (Member: AusIMM), Chief Operating Officer of Mandalay, has visited the Costerfield, Cerro Bayo, and La Quebrada projects several times during 2010, 2011 and 2012 and has supervised the preparation of this presentation.*

# Vision

To create exceptional shareholder value through the acquisition of undervalued assets that can rapidly become cash generative, self fund exploration, establish and maintain high operating margins and return cash to shareholders within a planned period of time. Mandalay is committed to operating safely and in an environmentally responsible manner, while developing a high level of community and employee engagement.





# Strategy: Rapid Value Generation and Returns

## Entry Strategy:

- Acquire high-quality assets at a low cost relative to ultimate value
- Apply management's extensive operational and exploration expertise to turn around, grow and/or develop the assets
- Focus on cash returns to shareholders and prudent use of leverage

## Operationally, Mandalay is focused on:

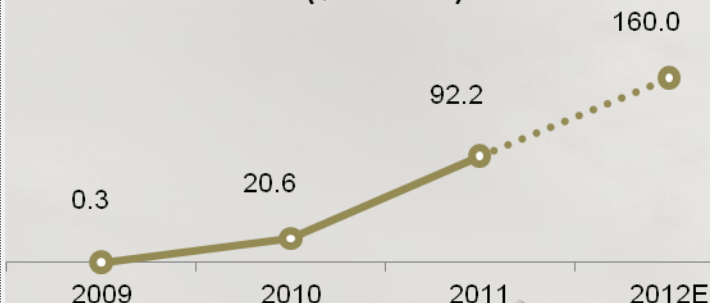
- High-margin projects where we can achieve rapid production ramp-ups from restarts, turn around situations or late-stage development
- Early cash flow to fund exploration, growth and operational improvements
- Building critical mass through acquisition

## Capital strategy: Reduce dilution and return cash to shareholders

- NCIB: Repurchasing up to 5% of the Company from operational cash flow over 1 year
- Substantial Issuer Bid: Exchange offer to reduce dilution from warrants
- Announced initial quarterly dividend (C\$0.01)\*\*\*\*

## Focus and Results

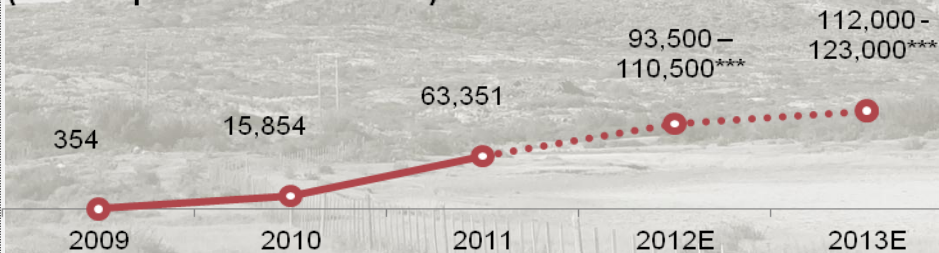
### Increase Revenues (\$US MM\*)



### Generate Cash (EBITDA - \$US MM\*\*)



### Grow Production (Gold Equivalent Ounces\*\*\*)



\*Using metal prices of \$1,250/oz Au, \$27/oz Ag, \$12,500/t Sb

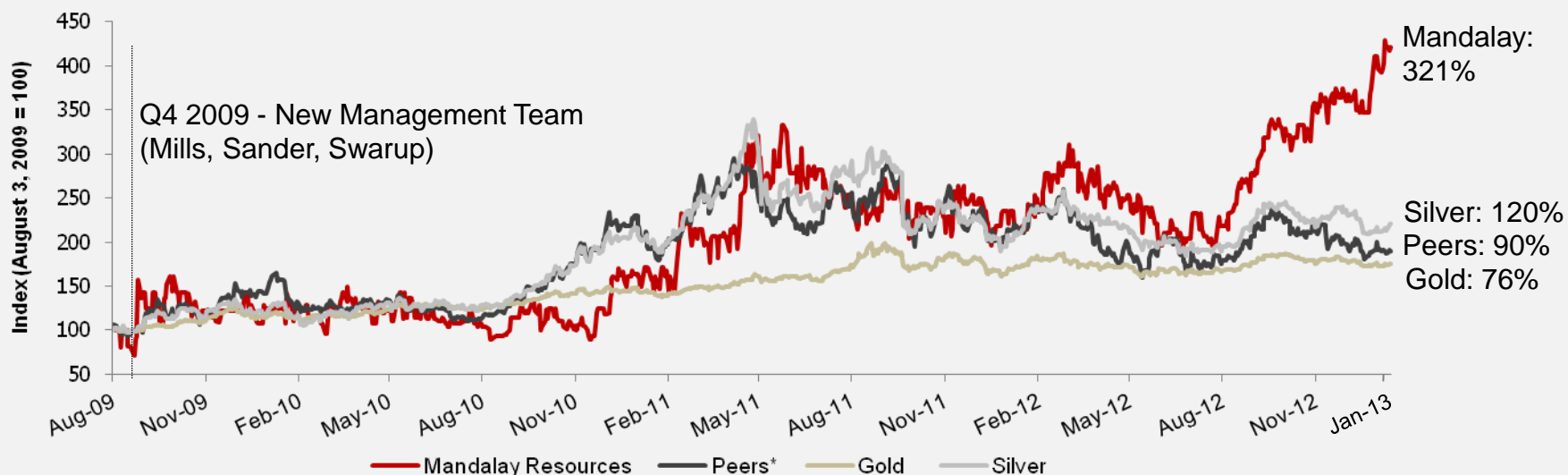
\*\*The Company defines EBITDA as earnings before interest, taxes and non cash charges/ (income). EBITDA is presented because the Company believes it is a useful indicator of relative operating performance. EBITDA should not be considered by an investor as an alternative to net income or cash flow as determined in accordance with IFRS.

\*\*\*See AuEq Calculation in Appendix. Estimated 2013 Production: 2.8-3.1MM oz Ag, 36,000-42,000 oz Au, 2,800-3,000 t Sb.

\*\*\*\*Quarterly discretionary cash dividend based on financial results and the future cash requirements of the Company. Dividend was paid on December 5, 2012 to shareholders of record as of November 20, 2012.



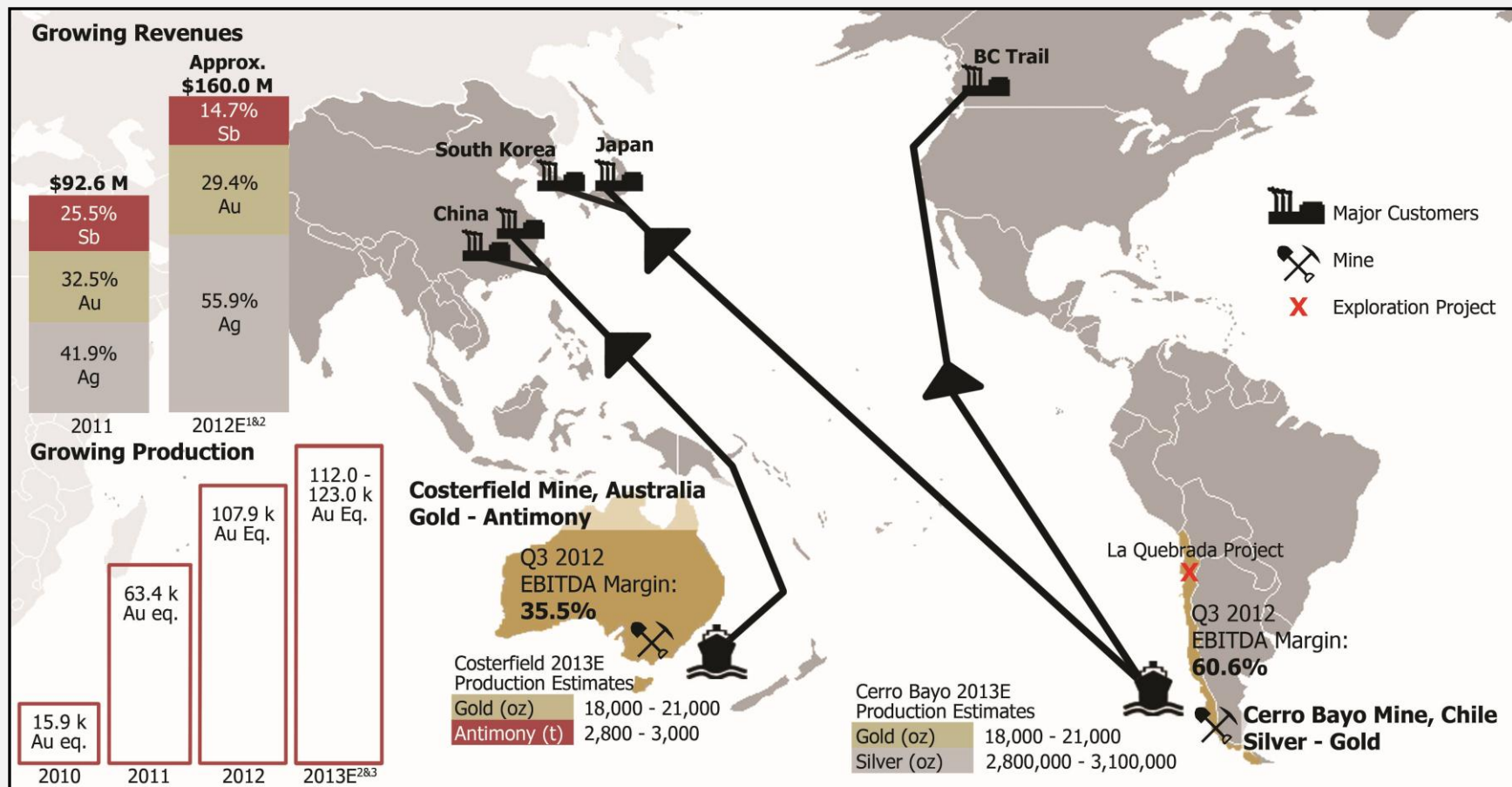
# Management Track Record: Execution, Value Creation



Company History and Milestones				
	2009 Q4	2010	2011	2012
Financial/ Corporate	Acquired Costerfield gold-antimony mine for Mandalay stock	Listed on TSX main board from TSX-V  Raised \$23 million for purchase and restart of Cerro Bayo silver-gold mine	Announced Normal Course Issuer Bid to buy back 5% of Company's shares	Completed Substantial Issuer Bid; reduced FD share count by 8%  Completed and Renewed Normal Course Issuer Bid  Announced quarterly dividend (C\$0.01)
Operational	Began Production at Costerfield (Dec 2009)	Began production at Cerro Bayo (Sept 2010)	Began milling & shipping at Cerro Bayo (Jan 2011)  Increased production at both projects	Doubled silver reserves, boosted gold reserves 85%  Reached design production at both operations

- Peer group includes: Endeavour Silver, Silver Standard, Fortuna Silver, and Aurcana
- Share prices as at January 16, 2013

# High Production Growth and Margin Expansion



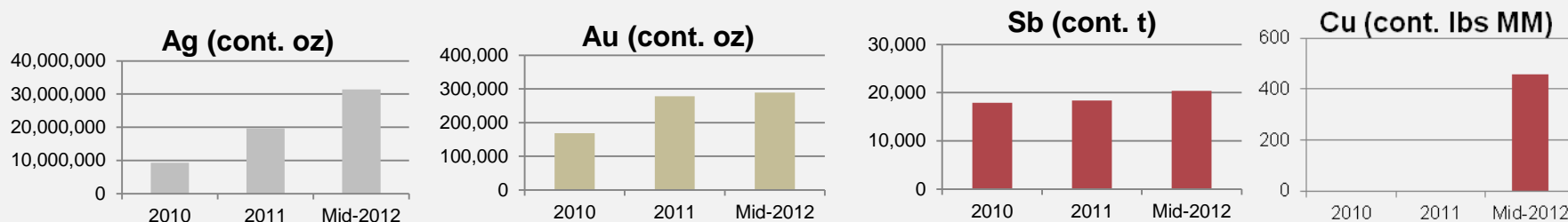
<sup>1</sup> 2012 Average production estimates graphed at midpoint of ranges: 2,850,000 oz Ag, 30,000 oz Au, & 2,000 t Sb. Estimated Ag production: 2,700,000 - 3,000,000 oz. Estimated Au production: 26,000 - 34,000 oz. Estimated Sb production: 1,800 - 2,200 t.

<sup>2</sup> Using metal prices of \$1,250/oz Au, \$27/oz Ag, \$12,500/t Sb

<sup>3</sup> 2013 Production guidance: 112,000 - 123,000 Au Eq. oz. Midpoint of guidance range graphed.

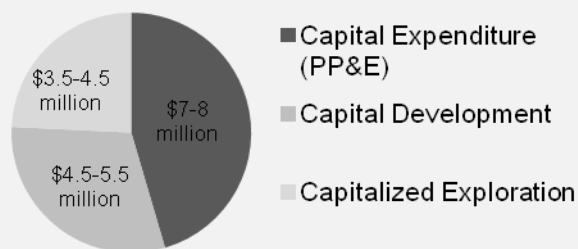
# Discovery-fuelled Organic Growth

## Significant M&I Resource Growth (1,2,3)

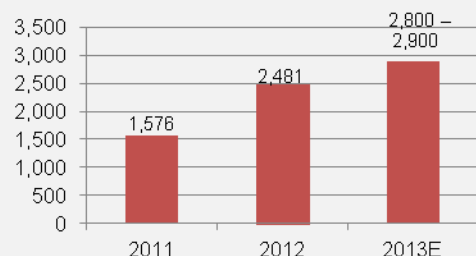


## Costerfield Budget and Production (2013E)

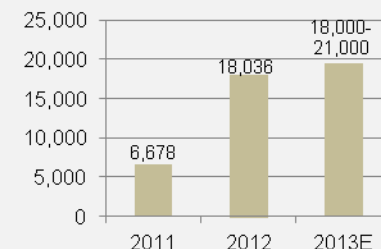
(2013E)



### Antimony (Sb)

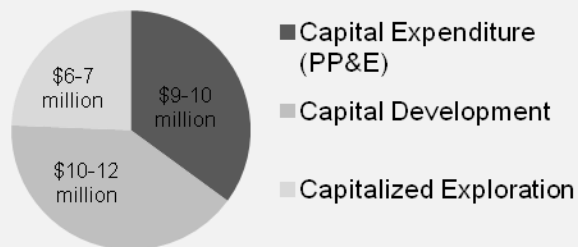


### Gold (oz)

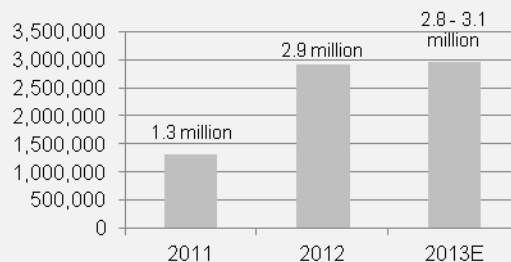


## Cerro Bayo Budget and Production (2013E)

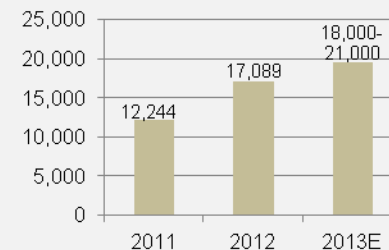
(2013E)



### Silver (oz)



### Gold (oz)



1 Source: Roscoe Postle Associates, February 2012, documented in an independent NI 43-101 report filed 30-Mar-2012.

Source for Dalila vein: Internal Company Report, prepared under the supervision of Qualified Person Ron Luethe

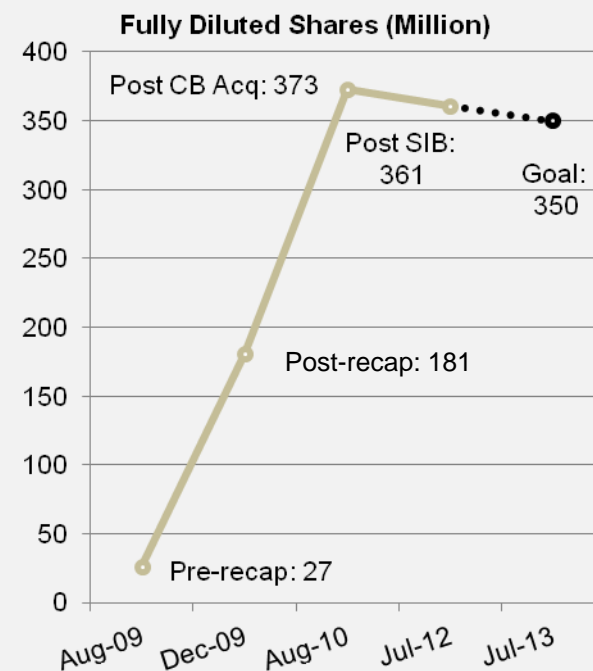
2 Source: Internal Company Report, prepared by AMC, reviewed and approved by Qualified Person Chris Gregory.

3 Source: La Quebrada Independent Technical Report, filed 16-Aug-2012.

Average guidance range graphed for 2013E

# Capital Structure and Ownership

Capital Structure as at January 16, 2013	Millions (Except Share Price Information)
Share price (Last close) (CAD\$)	1.18/shr
Shares Outstanding	324.8
Options <sup>(1)</sup>	13.7
Warrants <sup>(2)</sup>	21.0
<b>Fully Diluted Shares Outstanding</b>	<b>359.5</b>
<b>Market Capitalization (CAD\$)</b>	<b>383.2</b>
Cash and Cash Equivalents (US\$) (as of Sep 30, 2012)	6.4
Total Debt (US\$) (as of Sep 30, 2012)	0.9
<b>Total Enterprise Value (US\$)</b>	<b>377.7</b>



Major Shareholders <sup>(3)</sup>		
Holder	%	Shares (Million)
West Face Capital	42.2%	136.9
Sprott Asset Management	10.6%	34.3
Plinian (Mills, Sander, Swarup)	8.4%	27.4
Arcourt (Byrne)	3.6%	11.7
Baker Steel	2.7%	8.6

<sup>(1)</sup> Exercise price: C\$0.255 - C\$0.83; Expiry date: Aug 21, 2013 - Mar 9, 2017

<sup>(2)</sup> Exercise price: C\$0.31 - C\$0.465; Expiry date: Nov 30, 2014

<sup>(3)</sup> As of January 16, 2013, the directors and executive officers of the Corporation, as a group, beneficially owned, or controlled or directed, directly or indirectly, approximately 174,783,947 Common Shares, representing approximately 53.81% of the outstanding Common Shares



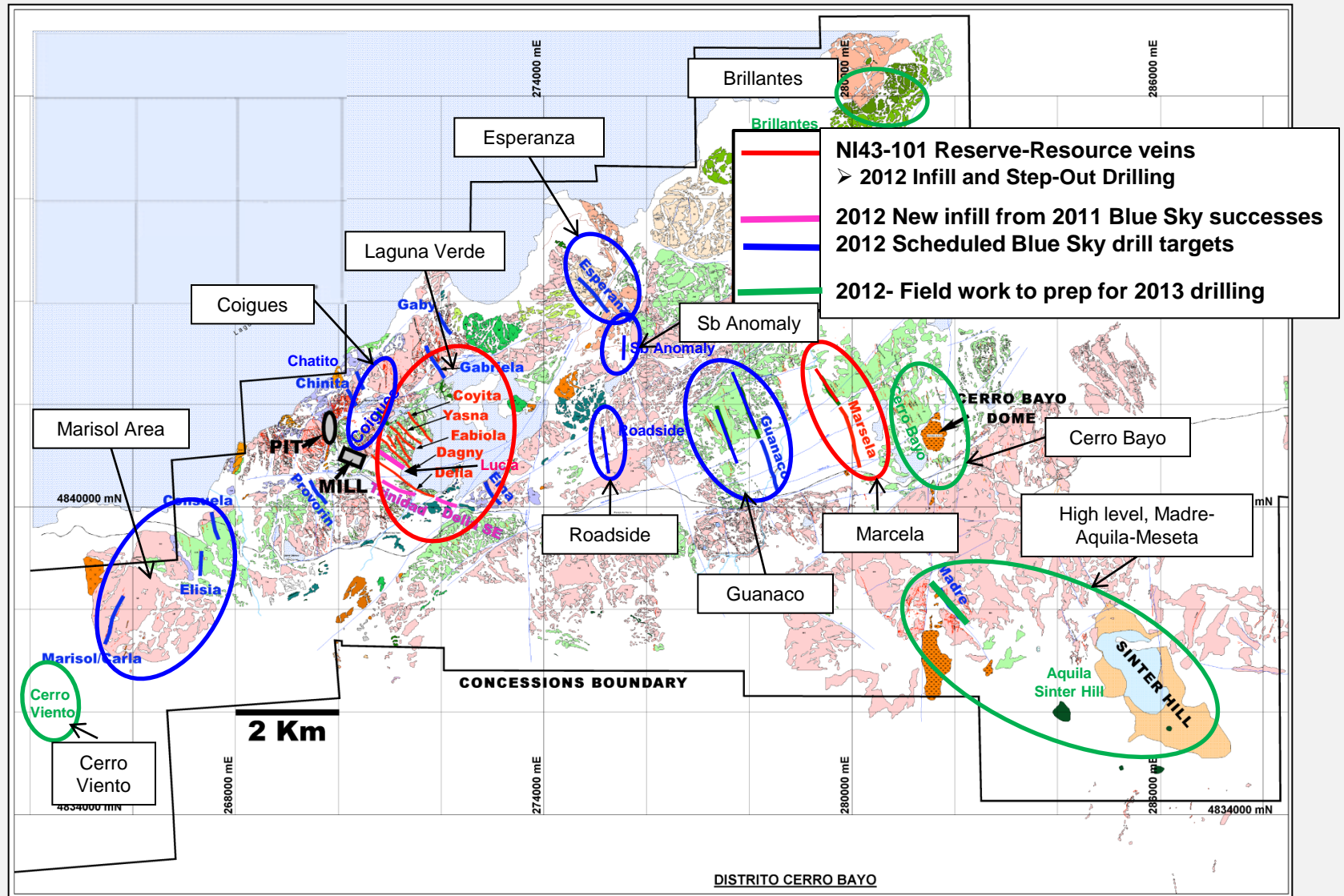
# Cerro Bayo Silver-Gold Mine

Land package	23,096 hectares
Ownership	100%
2012 silver production	2,911,595 oz
2012 gold production	17,089 oz
2013E silver production	2.8 – 3.1 million oz
2013E gold production	18,000 – 21,000 oz
Current throughput	approx. 1,200 tpd
P&P Reserve grade	246 g/t Ag; 2.1 g/t Au
Current recoveries (Q3 2012)	Ag: 90.2%, Au: 88.2%
2013E cash costs/oz Ag, net of Au credits	\$4 – \$6



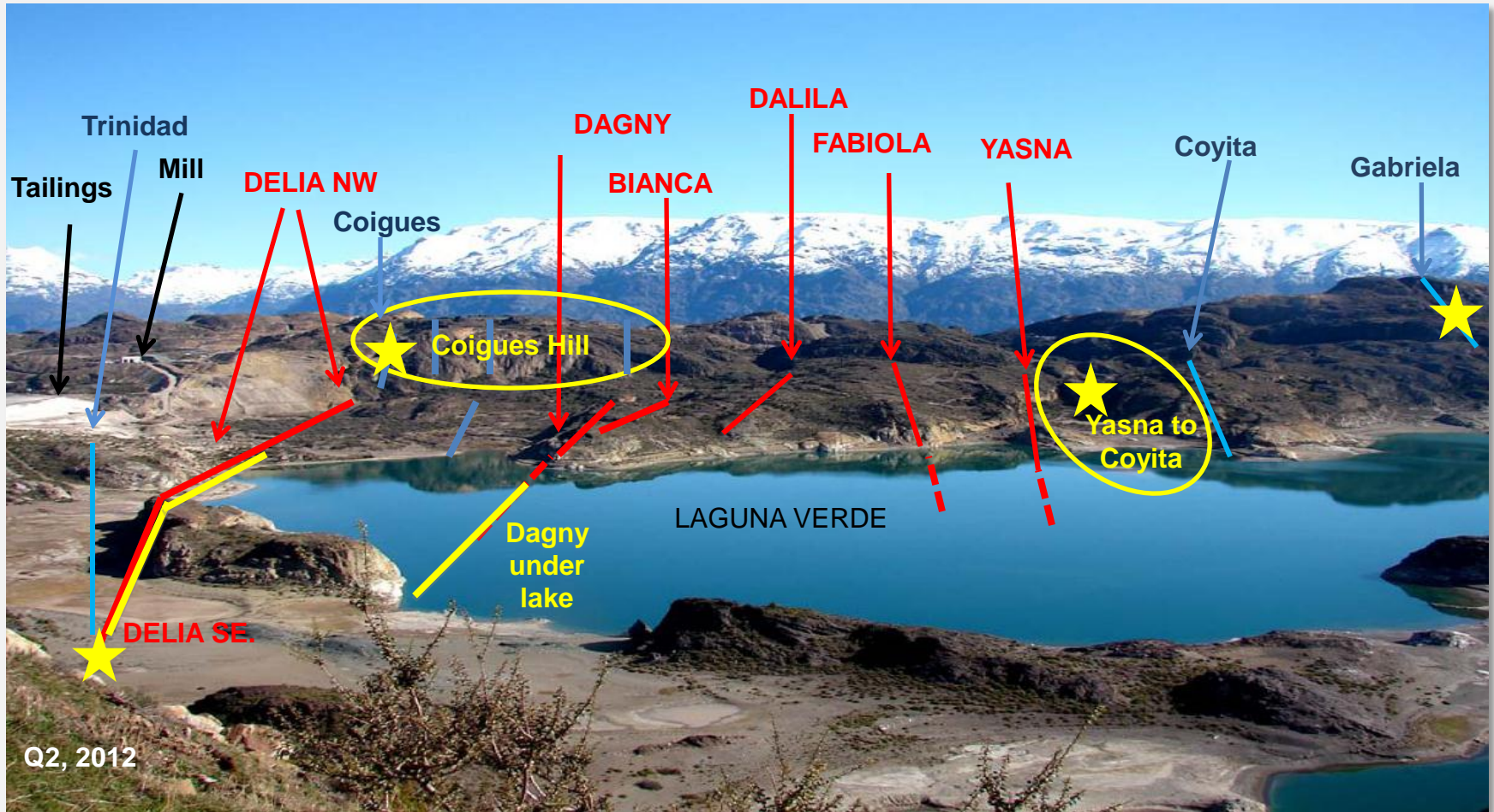
2013 Planned Exploration	
Metres	60,000
Budget	\$6-7 million

# Cerro Bayo District: Target-rich Land Package





# Cerro Bayo: Laguna Verde Area

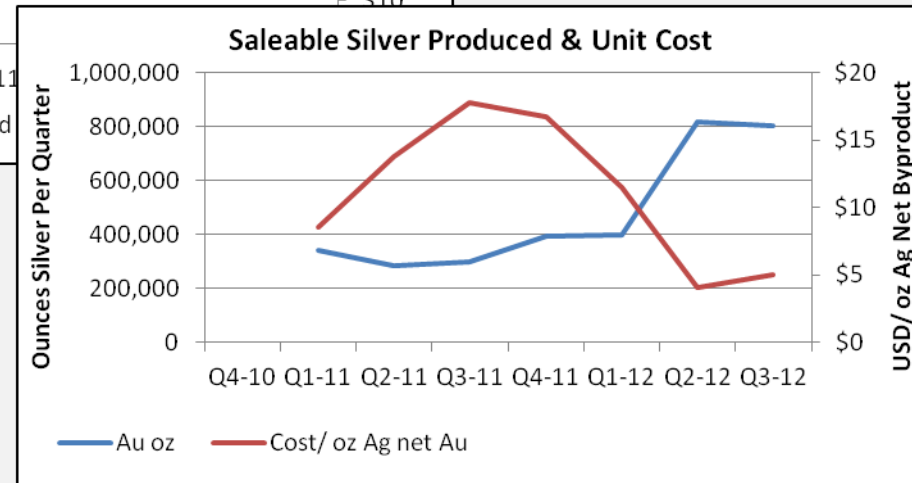
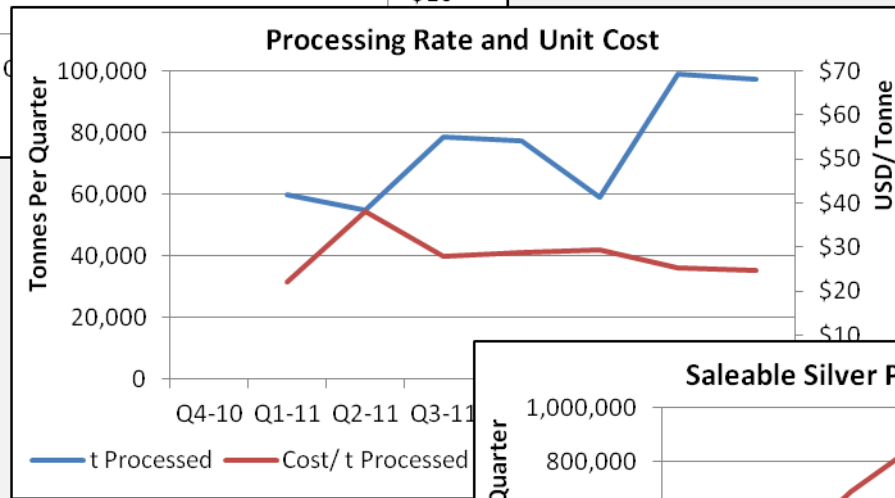
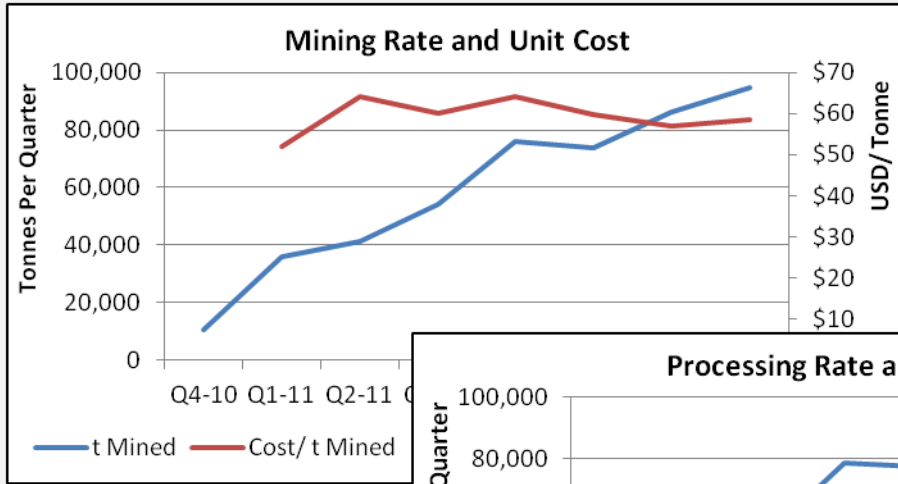


— Producing Mine or Planned mine (Vein Outcrop)      Exploration Vein —

★ Discoveries

— Q2 Active Drilling

# Cerro Bayo Operating Performance





# Costerfield Gold-Antimony Mine: Overview

Land package	1,293 hectares
Ownership	100%
2012 gold production	18,036 oz
2012 antimony production	2,481 t
2013E gold production	18,000 – 21,000 oz
2013E antimony production	2,800 – 3,000 t
Current throughput	250 tpd
P&P Reserve grade	9.6 g/t Au; 5.9% Sb
Current recoveries (Q3 2012)	Au: 89.7%, Sb: 96.4%
2013E Cash cost/ oz Au Equiv. (US\$)	\$950 – \$1,000

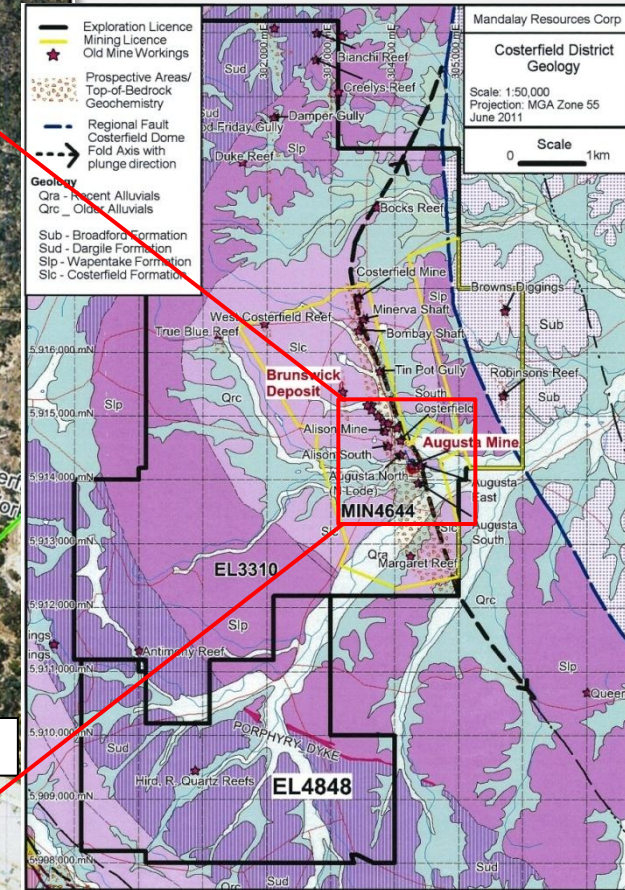
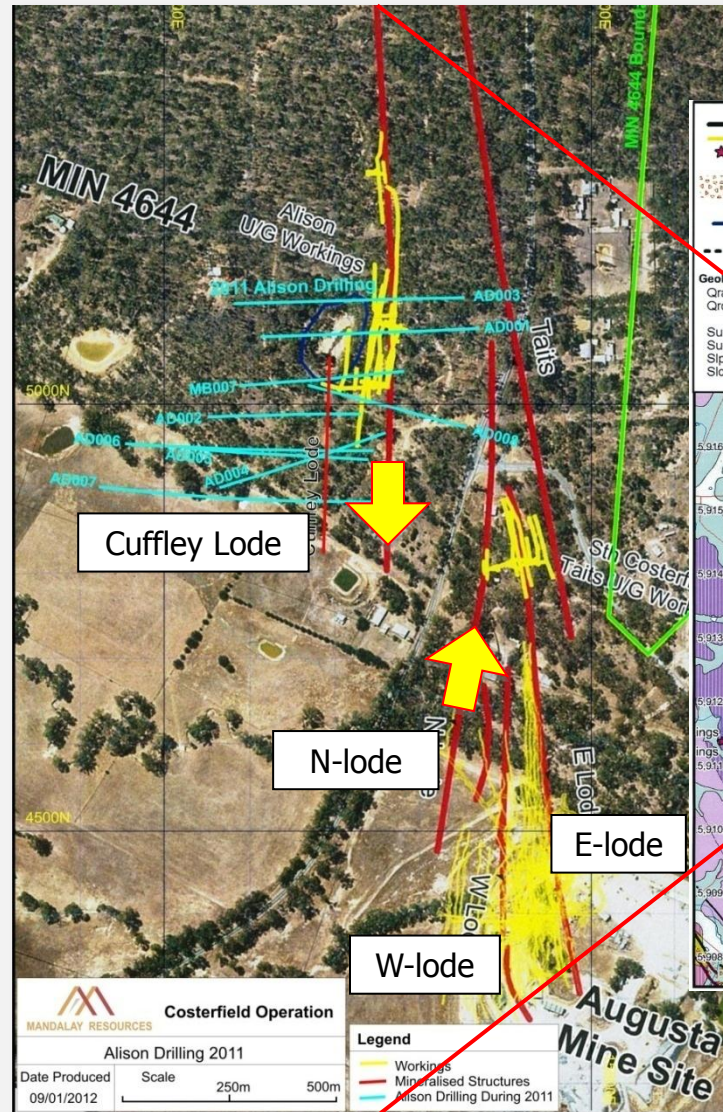


2013 Planned Exploration	
Metres	~13,000
Budget	\$3.5 million

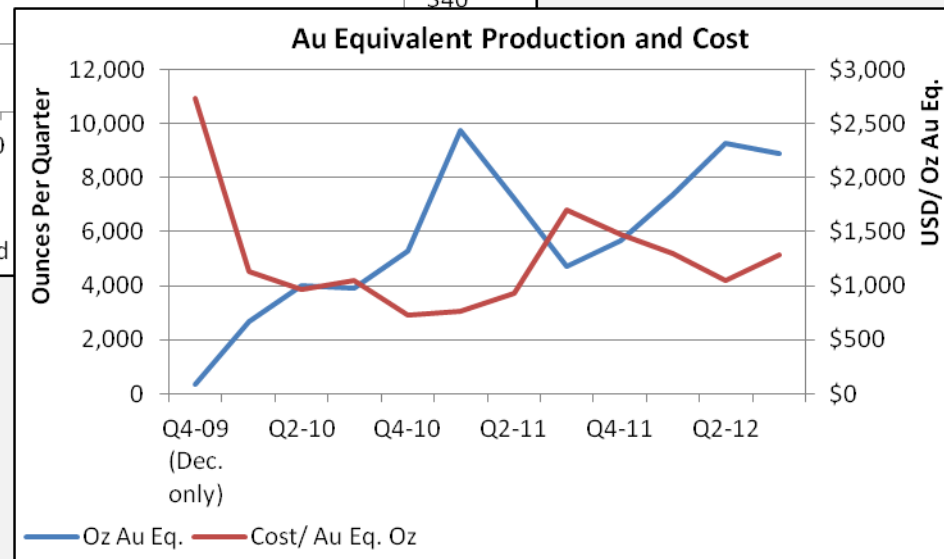
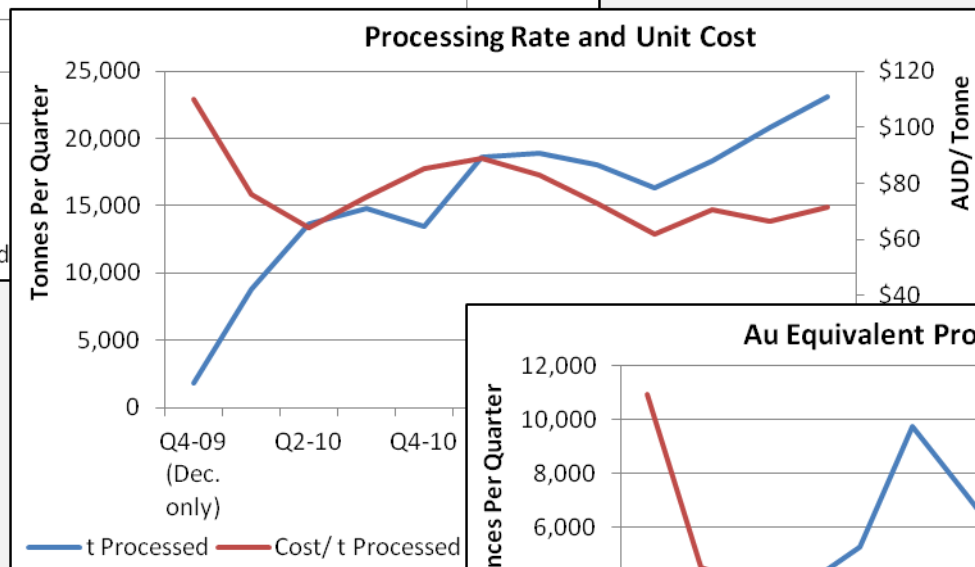
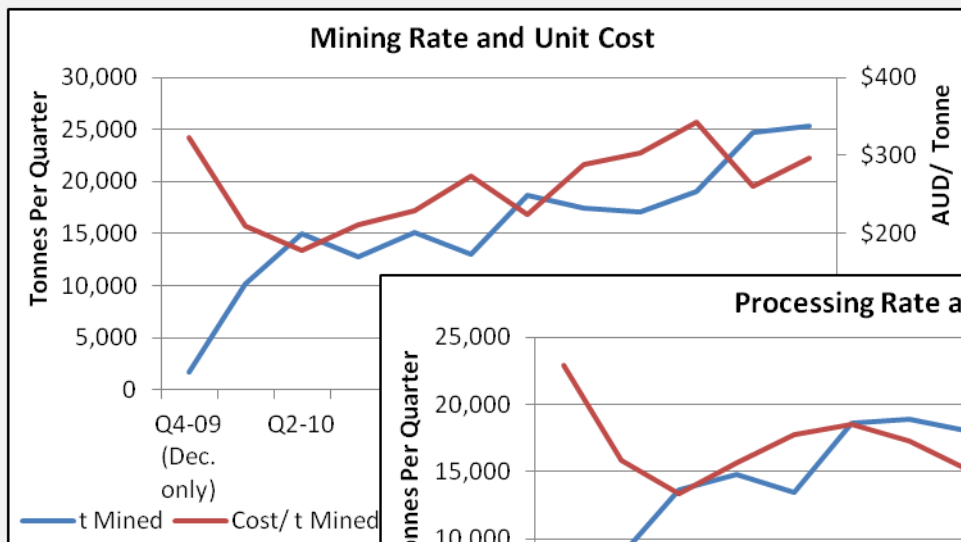


# Augusta Mine & Cuffley Exploration Breakthrough

- Drilling and development shows possible shoot at southern N-lode in Augusta, open to north and at depth
- 176.3 kt inferred resource at Cuffley @ 19 g/t Au, 7% Sb
  - Exploration open to south and at depth
- Possibility of several hundred thousand tonnes of new resource in new W-lode targets, N-lode, and expanded Cuffley lode
- Three rigs yielding high-quality new geologic data and understanding of district



# Costerfield Operating Performance





# La Quebrada Copper-Silver Project: Overview

Land package	7,418 hectares
Ownership	100%
Location	45 km NW of La Serena
Mineralization	Cu-Ag mantos
Elevation	1,000 – 1,500 metres ASL





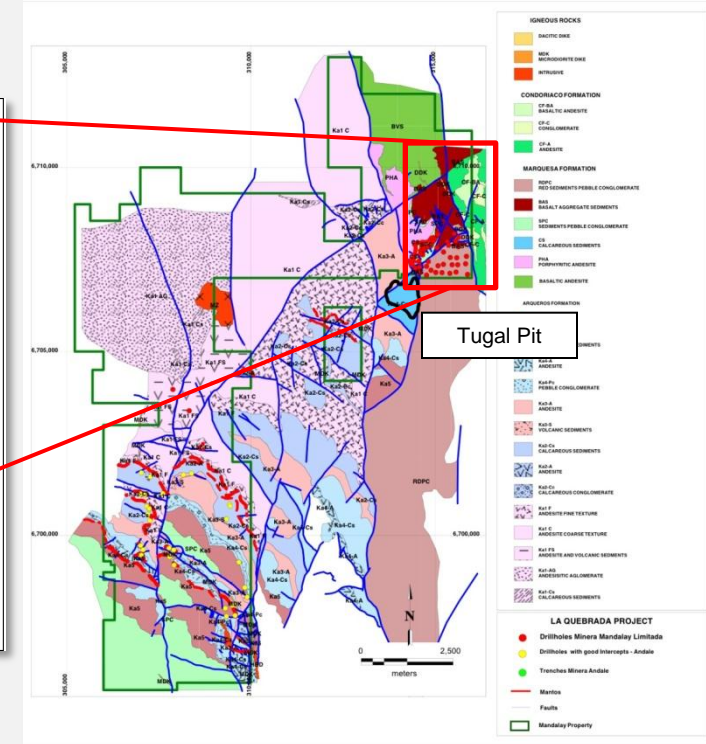
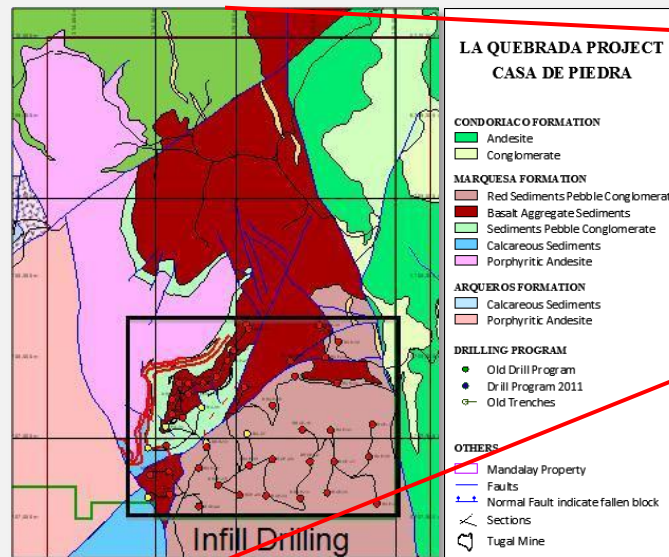
# La Quebrada

La Quebrada Total Resources<sup>(1)</sup>

	Rock (t)	Ag Grade (g/t)	Ag (cont. oz)	Cu Grade (%)	Cu (cont. lb)
Measured	0	0	0	0	0
Indicated	34,800,000	10	11,188,272	0.6%	459,360,000
<b>Measured &amp; Indicated</b>	<b>34,800,000</b>	<b>10</b>	<b>11,188,272</b>	<b>0.6%</b>	<b>459,360,000</b>
Inferred	1,000,000	11	353,652	0.6%	13,200,000

Next steps:

- Drilling for modest expansion of Casa de Piedra
- District exploration – new concepts
- Basic engineering studies
- Conversation for district consolidation

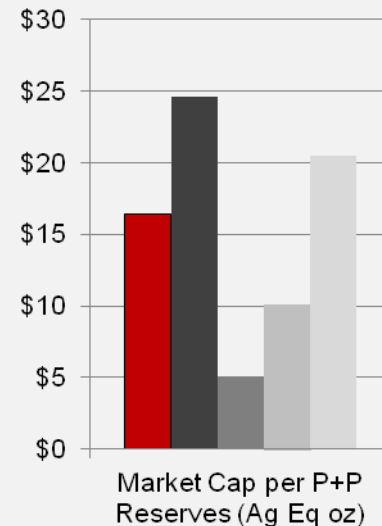
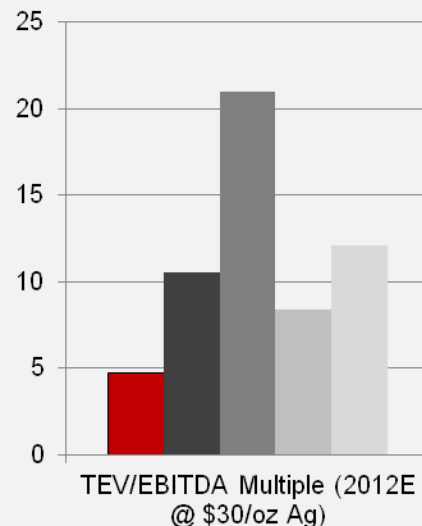
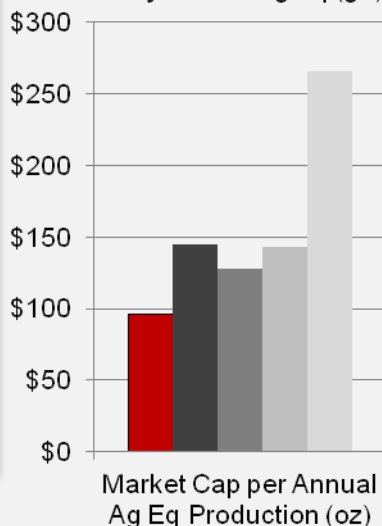
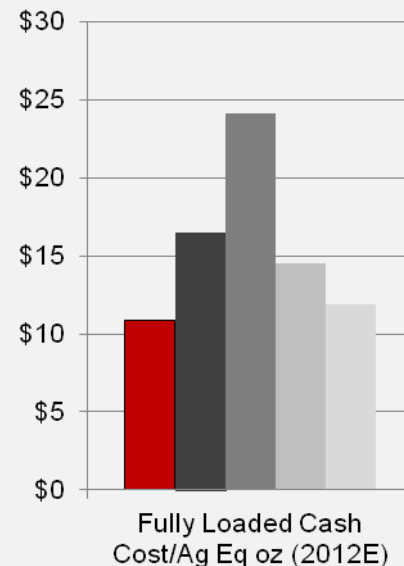
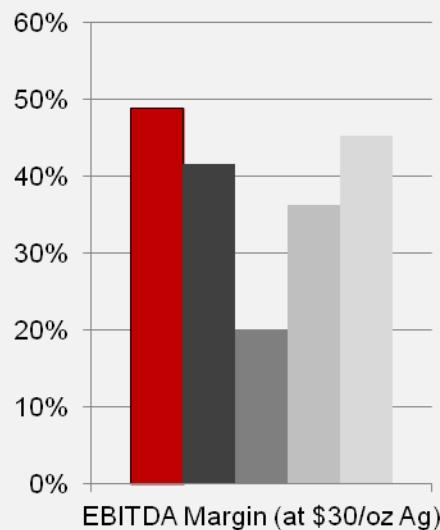
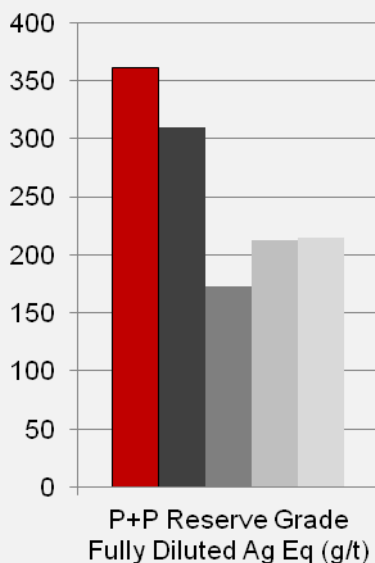


<sup>(1)</sup> La Quebrada Independent Technical Report filed 16-Aug-2012.

# Mandalay Compares Favourably to its Peers

■ Mandalay  
■ Endeavour  
■ Silver Standard  
■ Fortuna  
■ Aurcana

- Highest grade reserves (Ag Eq oz)
- Highest EBITDA margin
- Lowest fully loaded cost (Ag Eq oz) 2012E
- Lowest market cap (Annual Ag Eq production oz)
- Lowest total enterprise value/EBITDA multiple
- Third lowest market cap/P+P reserves oz



Market capitalization as at January 16, 2013; Ag Eq oz converted at 54/1 Au/Ag

Basis 2012 Company estimates – Production (2012E): 2,800,000 oz Ag, 30,000 oz Au; Financial (2012E): \$164 revenue, \$80 EBITDA

Metal prices: Ag price of \$28.92 and Au price of \$1,578.00

# Highlights and Catalysts

## Cerro Bayo

- Current ramp up to 1,200 tpd is complete
- 7 rigs drilled through 2012 – Resource and reserve update expected Q1 2013
- 5 rigs drilling on 12 major district exploration areas in 2013
- Flotation automation project to improve recoveries

## Costerfield

- Currently exceeding design production rate of 250 tpd
- Cuffley lode development and production in 2013
  - Growing resources at Cuffley lode and Augusta extensions with 3 rigs – Resource and reserve update expected Q1 2013
  - Increased metal production from higher grade ore
- Evaluating tonnage ramp-up to 500 – 600 tpd from the end of 2012
- Continuing district exploration for longer mine life
- Cuffley PEA expected in mid-2013

## La Quebrada

- Infill drilling completed; indicated NI 43-101 Resource filed August 2012
- Metallurgical and engineering studies
- District consolidation

# Summary

- Execution-focused management with track record of operational and exploration success, growth and value generation
- High-quality, cash flowing asset portfolio with major exploration upside
- Strong balance sheet, self-funding projects, zero net debt
- Rapid increase in production and margins through low-capex organic growth and operational efficiencies
- Returning cash to shareholders and reducing dilution wherever possible
- Company paying discretionary quarterly dividend
- Continued growth through further acquisitions





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## Appendices

For more information, please contact:

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Company Website: [www.mandalayresources.com](http://www.mandalayresources.com)

Twitter: [@MandalayAuAg](https://twitter.com/MandalayAuAg)

# Management and Board of Directors

## Senior Management



**Brad Mills, CEO and Executive Director**  
Former CEO Lonmin plc, over 30 years experience in Copper, Gold, PGMs



**Sanjay Swarup, CFO and Executive Director**  
Former Lonmin plc, over 20 years of industry experience



**Mark Sander, COO**  
27 years experience in exploration, strategy and operating improvements



**Belinda Labatte, Corporate Secretary**  
Over 10 years experience in capital markets and investment banking

## Board of Directors



**Braam Jonker,**  
Chairman



**Peter R. Jones,**  
Independent Director



**Tony Griffin,**  
Independent Director



**Robert Doyle,**  
Independent Director

# Mandalay Reserves

Cerro Bayo Reserves <sup>(1)</sup>	Resource (t)	Ag Grade (g/t)	Ag (cont. oz)	Au Grade (g/t)	Au (cont. oz)
Proven Reserves	156,366	341	1,712,759	1.9	9,536
Probable Reserves	1,948,148	239	14,963,477	2.1	132,175
<b>P&amp;P Reserves</b>	<b>2,104,514</b>	<b>246</b>	<b>16,676,236</b>	<b>2.1</b>	<b>141,712</b>

Costerfield Reserves <sup>(2)</sup>	Ore (t)	Sb Grade (%)	Sb (cont. t)	Au Grade (g/t)	Au (cont. oz)
Proven Reserves	41,902	7.9	3,306	13.1	17,707
Probable Reserves	46,508	4.0	1,877	6.4	9,523
<b>P&amp;P Reserves</b>	<b>88,410</b>	<b>5.9</b>	<b>5,183</b>	<b>9.6</b>	<b>27,230</b>

<b>TOTAL RESERVES: 31-December-2011</b>	<b>Ag (cont. oz)</b>	<b>Au (cont. oz)</b>	<b>Sb (cont. t)</b>
Mandalay Proven Reserves	1,712,759	27,243	3,306
Mandalay Probable Reserves	14,963,477	141,699	1,877
<b>Mandalay P&amp;P Reserves</b>	<b>16,676,236</b>	<b>168,942</b>	<b>5,183</b>

**1 Source:** Roscoe Postle Associates, February 2012, documented in an independent NI 43-101 report filed 30-Mar-2012; Source for Dalila vein: Internal Company Report, prepared under the supervision of Qualified Person Ron Luethé

**2 Source:** Snowden Group, February 2012, documented in an independent NI 43-101 report filed 30-Mar-2012.

Numbers may differ slightly from Source documents due to rounding

# Mandalay Resources

Cerro Bayo Resources <sup>(1)</sup>	Resource (t)	Ag Grade (g/t)	Ag (cont. oz)	Au Grade (g/t)	Au (cont. oz)
Measured Resources	121,400	520	2,029,972	2.9	11,182
Indicated Resources	1,564,237	362	18,209,006	3.2	159,572
<b>M&amp;I Resources</b>	<b>1,685,637</b>	<b>373</b>	<b>20,238,978</b>	<b>3.2</b>	<b>170,754</b>
Inferred Resources	610,482	251	4,917,049	2.1	41,099

Costerfield Resources <sup>(2)</sup>	Resource (t)	Sb Grade (%)	Sb (cont. t)	Au Grade (g/t)	Au (cont. oz)
Measured Resources	163,325	7.9%	12,868	13.0	68,032
Indicated Resources	213,300	3.7%	7,941	7.3	50,074
<b>M&amp;I Resources</b>	<b>376,625</b>	<b>5.5%</b>	<b>20,810</b>	<b>9.8</b>	<b>118,106</b>
Inferred Resources	482,300	4.9%	23,615	11.3	175,387

La Quebrada Resources <sup>(3)</sup>	Resource (t)	Cu Grade (%)	Cu (cont. lb)	Ag Grade (g/t)	Ag (cont. oz)
Measured Resources	0	0	0	0	0
Indicated Resources	34,800,000	0.6%	459,360,000	10	11,188,272
<b>M&amp;I Resources</b>	<b>34,800,000</b>	<b>0.6%</b>	<b>459,360,000</b>	<b>10</b>	<b>11,188,272</b>
Inferred Resources	1,000,000	0.6%	13,200,000	11	353,652

TOTAL RESOURCES 30-Jun-12	Ag (cont. oz)	Au (cont. oz)	Sb (cont. t)	Cu (cont. lb)
Measured Resources	2,029,972	79,214	12,868	0.00
Indicated Resources	29,397,278	209,646	7,500	459,360,000
<b>M&amp;I Resources</b>	<b>31,427,250</b>	<b>288,859</b>	<b>20,368</b>	<b>459,360,000</b>
Inferred Resources	5,270,701	216,485	23,615	13,200,000

1 Source: Roscoe Postle Associates, February 2012, documented in an independent NI 43-101 report filed 30-Mar-2012. Source for Dalila vein: Internal Company Report, prepared under the supervision of Qualified Person Ron Lueth

2 Source: Internal Company Report, prepared by AMC, reviewed and approved by Qualified Person Chris Gregory.

3 Source: La Quebrada Independent Technical Report filed 16-Aug-2012.

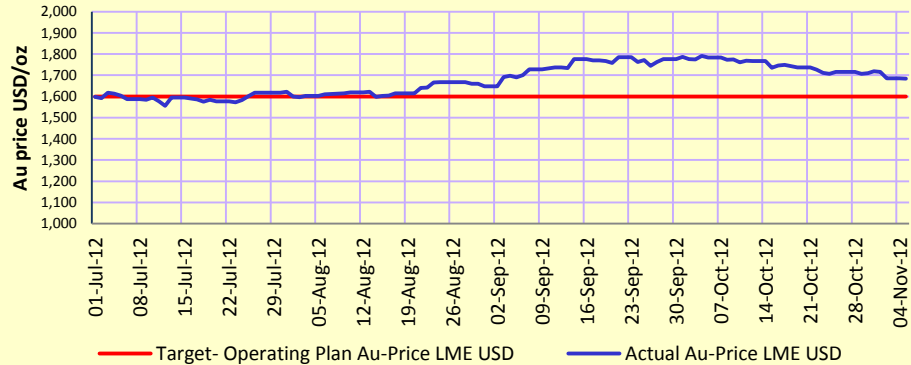


# Safety, Health, Environment and Community

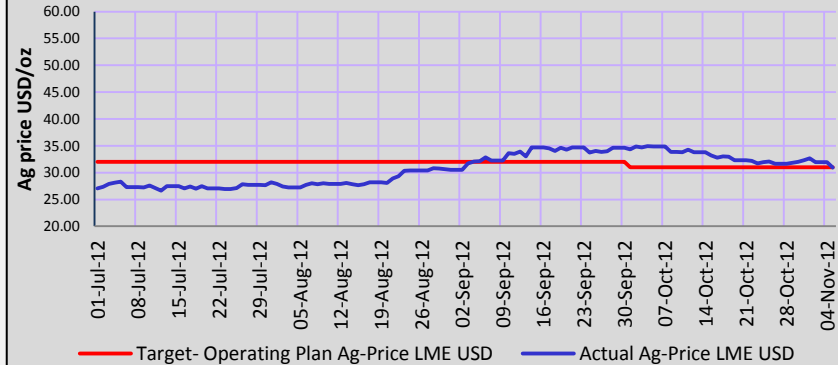
Safety & Health	Environment & Community	Employees
<b>ACTIONS</b>		
<ul style="list-style-type: none"> <li>• Spending on S&amp;H (including safety training) tripled in last two years</li> <li>• Focus on line management safety leadership, systems and behaviours</li> <li>• Improved S&amp;H safety processes &amp; compliance</li> <li>• Implementation of DuPont safety system in 2013 at both operations</li> <li>• Extensive training and equipping of mine rescue team at Cerro Bayo</li> </ul>	<ul style="list-style-type: none"> <li>• Spent over 200% more in 2012 on environment &amp; community projects as compared to 2011</li> <li>• Commitment to local purchases &amp; payrolls</li> <li>• Development of new water &amp; mine waste solutions at Costerfield</li> <li>• Closure works completion at Furioso Mine Site</li> <li>• Supplying various workshops for local community at Cerro Bayo</li> <li>• University scholarships for local school leavers at Cerro Bayo</li> </ul>	<ul style="list-style-type: none"> <li>• Employee selection process improved</li> <li>• Focus on local hires including management positions</li> <li>• Increased hours of training in 2012 by +80% as compared to 2011</li> <li>• High level executive coaching for leadership team</li> </ul>
<b>RESULTS</b>		
<ul style="list-style-type: none"> <li>• Consolidated lost time injury frequency rate approximately halved</li> <li>• Improved return to work performance</li> <li>• Maintained high levels of attendance at mine sites</li> </ul>	<ul style="list-style-type: none"> <li>• More prosperous local communities</li> <li>• Reduced impacted land area</li> <li>• Zero incidences of unpermitted discharge at both operations</li> </ul>	<ul style="list-style-type: none"> <li>• 3 year collective contract signed with Cerro Bayo union in 2012</li> <li>• Increased presence of local hires among workforce and supervisors</li> <li>• Reduced employee turnover at mine sites</li> <li>• More productive employees, leading to lower unit costs</li> </ul>

# Metal Price History

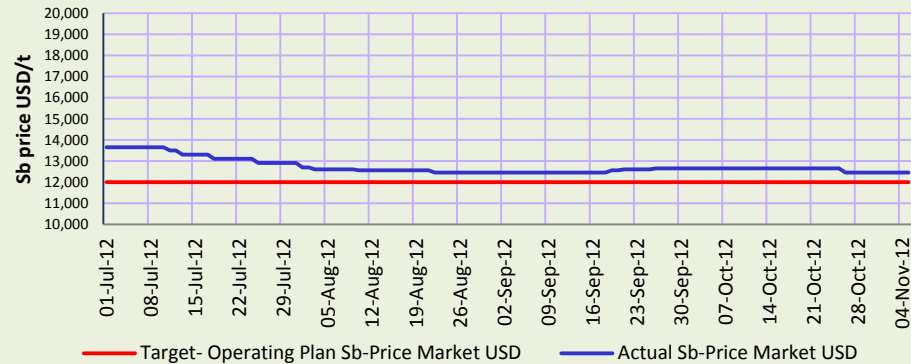
### GOLD PRICE - DAILY SPOT LME



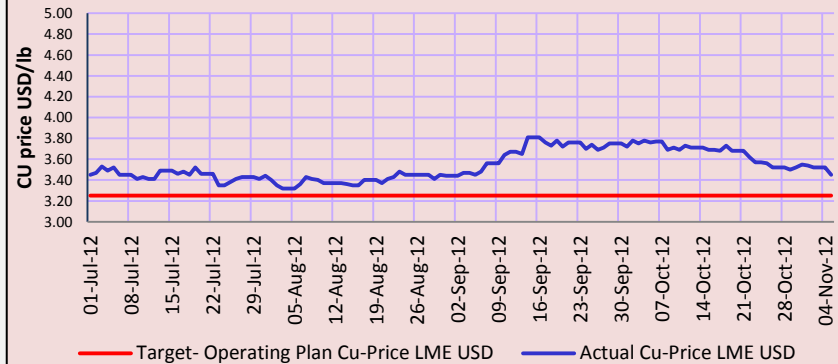
### SILVER PRICE - DAILY SPOT LME



### ANTIMONY PRICE - DAILY ROTTERDAM WAREHOUSE



### COPPER PRICE - DAILY SPOT LME



Source: [www.metalbulletin.com](http://www.metalbulletin.com)

# Antimony Facts

- 140,000 t/y global market
  - Sold either as metal ingots or various grades of antimony oxides and trioxides
  - Primary use as fire retardant in fabrics and plastics (trioxides)
  - Relatively minor uses in electronics, with possible new uses in development, e.g. in batteries
  - Ingredient of lead alloys as hardener (antimony metal)
  - Consumption growth in line with global GDP growth
- Market dominated and prices set by China
  - Declining Chinese mine production as reserves depleted and environmental controls strengthened, closing marginal mines
  - Chinese beginning to invest in mines outside China
  - Two dominant Chinese smelters, only one of which recovers Au

# Gold Equivalent Ounces Calculation

\*\*\*Au Eq. oz produced is calculated by multiplying the saleable quantities of Au, Ag, and Sb in the period by the respective average market prices of the commodities in the period, adding the three amounts to get a “total contained value based on market price”, and then dividing that total contained value by the average market price of Au in the period. Average Au price in the period is the average of the monthly LME PM fix, average Sb price is the average of the monthly high and low Rotterdam warehouse prices, and average Ag price is the average of the monthly London Broker’s silver spot price, all reported in [www.metalbulletin.com](http://www.metalbulletin.com). The monthly commodity prices are calculated as the average of the daily prices, with holiday and weekend day prices carried forward from the last business day.

Au Eq. oz for each of the low range and high range guidance is calculated by multiplying (i) total Au oz by an assumed US\$1,600/oz Au price, (ii) total Ag oz by an assumed US\$32.00/oz Ag price and (iii) total Sb tonnes times an assumed US\$12,000/t Sb price, then, in each case, dividing by the assumed US\$1,600/oz Au price.

# Silver Equivalent Ounces Calculation

Ag Eq oz converted at 54/1 Au/Ag at metal prices: Ag price of \$28.92 and Au price of \$1,578.00