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RESEARCH REPORT

Mandalay Resources Ltd.

(MLR-U - TSX Venture)

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Jeff Howlett is a financial analyst who for several years has provided comprehensive research services to companies lacking adequate coverage. Mr. Howlett was previously affiliated with a major Canadian investment firm specializing in Mergers & Acquisitions and has received a B.Sc. in Economics from the Wharton School of the University of Pennsylvania.

Active at La Quebrada copper-silver property in Chile. Positive exploration results throughout property history. Near term 2006 program may advance the property very rapidly.

Mandalay has been active at the La Quebrada property since 2001, when it optioned the original 11,130 hectares. In 2005, Mandalay entered into an option agreement with the same vendor to purchase the 3,900 hectare Leoncita property, effectively filling in the ground between and around what was formerly 3 discreet parcels. Prior to Mandalay's involvement, exploration had been limited to about ~2,000 hectares in the northeastern portion of the property and at a small, adjacent ~200 hectare property.

La Quebrada has a very positive exploration history, copper occurrences belong to the reduced-facies subtype of sediment-hosted copper deposits (which can be very large), mineralization is relatively close to surface, and members of the stratigraphic sequence are relatively flat lying, simple in structure, and straightforward in terms of geological modeling. Low cost programs can be utilized at this point to reach what may be some far reaching conclusions.

Key Points

- Early work by *UN/ENAMI* (1967-70) and *Placer Dome* (1981) at a small adjacent property was successful in encountering significant, continuous grades of Cu throughout their property. *Noranda* (1996) and *Teck* (1998-2000) conducted programs that served to establish meaningful Cu grades (i.e. ***0.50+%***) over wide stratigraphic horizons (i.e. ***tens of meters***) in a small (~2000 hectare) northeastern portion of La Quebrada. Mandalay drilling (2003) provided broad support for these earlier programs (see tonnage & grade table on p. 9 for information on selected "lower grade" Chilean copper producers).
- 2005 sampling at the previously unexplored Leoncita portion has discovered the ***thickest stratigraphic sections*** of the mineralized unit to date over a ***significant observable extent*** (1600 x 1200) in just one area, with potential for others. Sampling shows ***very encouraging grades*** throughout the large aerial extent worked on (about 3.5 x 4 km).
- Work to date has established ❶ impressive grades, ❷ wide intervals, ❸ continuity, ❹ "simple" structure, ❺ wide areas.
- The nature of deposit is conducive to large, continuous deposit (i.e. a ***sediment-hosted Cu deposit***, where Cu-rich fluids circulating in back arc basin marine environment among permeable sediments allows infiltration and local diffusion of ore solutions).
- An extensive trenching program is now underway at Leoncitas (the 1600 x 800 x 150 m Farellones de La Ventana area). Continued detailed mapping and sampling over the entire area will result in better understanding the potential resource.

Share Data ($Cdn):

Recent Price:	$0.26
52-week Price Range:	$0.075 - $0.30
Shares Outstanding (current) (1):	36.8 million
Fully Diluted Shares (1):	49.2 million

(1) Excludes pending 3,539,400 unit offering @ US $0.21

Capitalization ($Cdn):

Market Capitalization:	$9.6 million
Total Debt (9/30/05):	nil

Corporate Information:

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WHAT TO LOOK FOR IN 2006

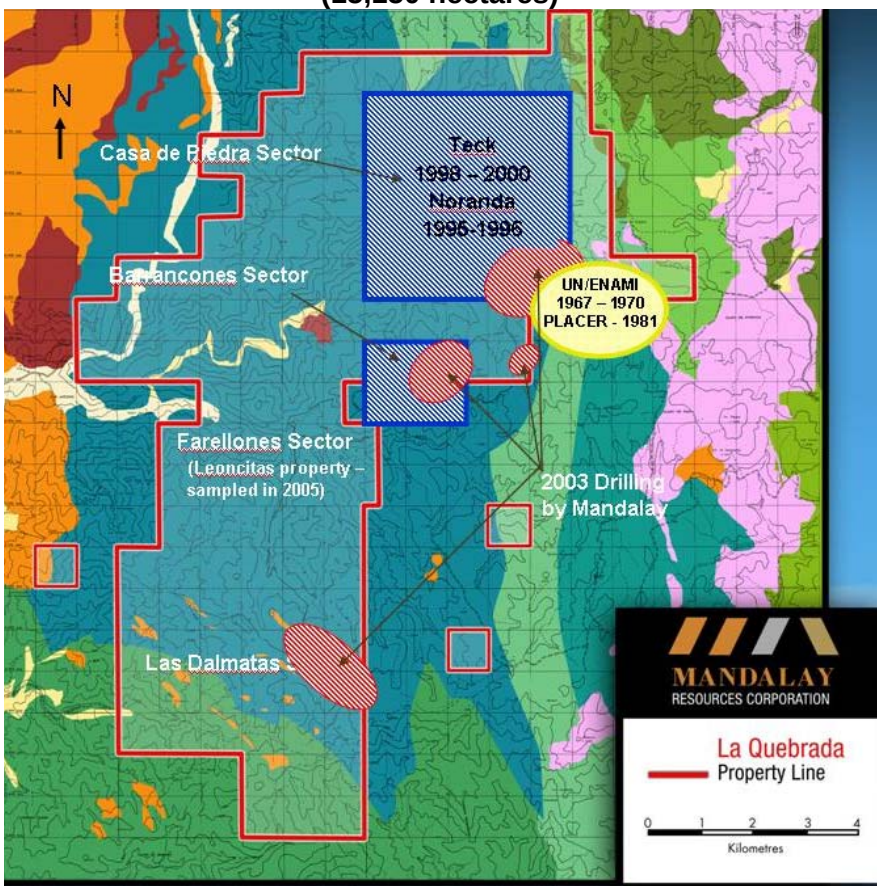
With the proceeds of a US $700,000 financing, Mandalay is set to begin a very telling exploration program at La Quebrada this now "consolidated" property – with more than 20 km of continuous N-S strike and sampling revealing copper present throughout the area.

- **Importance of Current Trenching**. Given the existence of relatively consistent, conformable layers over significant areas, one needs to discover the basic attributes of the mineralized intervals of the individual sedimentary members (i.e. Ka4) to begin to discover important characteristics of any deposit. With Farellones, for example, we can see the length, width, and thickness of the unit. Trenching down its outcropped face can reveal its mineralized thickness with follow up drilling to begin delineating any resource.

Through 2006, we expect to see some important indications as to what the potential might be at what might be some of the best parts of La Quebrada. At a market cap of Cdn $9.1 million, we believe a favorable risk / reward equation exists for risk investors.

April 24, 2006

LA QUEBRADA COPPER-SILVER PROPERTY, Chile (15,150 hectares)



Acquisition

In 2001, Mandalay optioned the original 11,130 hectare La Quebrada property for a total of 3.7 million shares issuable through November, 2006 (2.45 million issued to date). A 2% net smelter royalty was retained by the vendors, subject to the company's right to purchase the royalty at any time for US $2 million. In 2005, Mandalay entered into an option agreement with the same vendor to purchase a 100% interest in the 3,900 hectare Leoncita property (effectively filling in the ground between and around what was formerly 3 discreet parcels) for a total of US $225,000 and 750,000 shares (US $175,000 and 500,000 shares paid).

The Location

The property is located about 15 km from the coastal city of La Serena in north central Chile at an elevation of 1,000 – 1,500 m. Relief is moderate except where drainage incision has formed local canyons. Most of the property is accessible by a >100 km network of roads and vegetation comprises sparse desert grasses, shrubs and cactus. Infrastructure is excellent, with the property being 30 km from a deep water port and 7 km from rail access, mill and power. Recent roadbuilding now provides excellent access to the property.

Work History

Work until recently has focused in relatively small areas of the property, to its northeastern portion.

Period	Work History
1967-1970	**United Nations/ENAMI (explored Tugal – a small adjacent 200 hectare property)** • ***Drilled eight core holes.*** • Excavated several shallow shafts and short drifts. **Tugal concession owner** • Commissioned metallurgical tests in 1967 – including 4 flotation tests on a 50 kg sample. The best results yielded a Cu recovery of 96%.

HOLE #	Int. (m)	Cu (%)
DDH-1	10.00	1.07
DDH-2	3.00	1.07
DDH-3	2.40	1.22
DDH-5	4.00	1.07
DDH-6	9.00	1.01
DDH-7	4.60	1.11
DDH-8	9.00	1.06

Period | **Work History**

1981

Placer Dome – (also explored 200 hectare Tugal area).

- Drilled an additional 6 core holes (415 m)
- Estimated a "geological resource" of 6.2 million tonnes grading 1.06% Cu and 18.2 g/t Ag within a surface area of about 0.4 km^2 (see 2002 Geological Report available on Sedar).

HOLE #	Int. (m)	Cu (%)	Ag (g/t)
81-1	6.99	1.47	23.5
81-2	9.00	1.47	58.1
81-3	No Limestone Intersected		
81-4	No Limestone Intersected		
81-5	5.35	0.14	9.4
81-6	5.80	0.59	9.8

1996

Noranda – optioned 1,950 acres

- Rock chip, soil and stream sediment geochemistry (**3,000+** samples)
- Ground magnetic survey & one line of IP
- Despite initial encouragement, it appears Noranda concluded that the size potential of the concessions at about ~1500 ha limited the mineralization and terminated their option agreement (1/97)

1	0.64%	over	19.5 m
2	0.54%	over	43.5m
3	1.06%	over	26.25 m
4	2.80%	over	10 m
5	2.07%	over	10 m
6	1.44%	over	7 m

1998 - 2000

Teck – optioned 2,200 acres

- **Channel Samplilng**. A program of channel sampling (**230** samples) in the *Casa de Piedra* area to test stratigraphic continuity over a 1.2 km strike length. This area 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).
- The stratigraphic thickness-weighted average grades of the 93 channel samples of mineralized horizons within the carbonate package over a ***1.2 kilometer strike length*** were ***1.304% Cu*** and 14.0 g/t Ag. The stratigraphic thicknesses represented by these samples were between 0.6 and 3.4 m (average of 1.65 m).
- **Trenching**. These positive results led to a second phase of channel sampling in three widely spaced hand trenches, which cut the mineralized carbonate unit approximately perpendicular to strike. The objective was to test the grade variability between the more resistive carbonate horizons that had been sampled previously and less resistive horizons that were covered and had remained largely unsampled. ***It was found that the entire carbonate package at this location is mineralized to varying degrees from the footwall contact with andesitic volcanics of Unit Ka3 to the hangingwall contact with volcanics of Unit Ka5*** (see summary of results right - for individual sample details, see Appendix II, 2005 Technical Report).

Trench	Stratigraphic Thickness (m)	Cu (%)
1	53.51	0.74
2	31.79	0.59
3	41.41	0.69

- **Reconnaissance geological mapping** of the area was carried out in conjunction with the channel-sampling program. Results identified three separate fault-bounded blocks that expose the prospective carbonate stratigraphy over relatively broad areas;
  (1) the Casa de Piedra – Tugal (presently 3rd -party claims measuring 0.5 km x 0.25 km to 0.5 km) – Totorita block measuring **4.5 km x 0.5 to 1.2 km**,
  (2) the *Barrancones (Cerro Colorado)* block measuring ***1.2 km x 2.5 km*****,** and
  (3) The *Quebrada Mala* block measuring approximately ***1.2 by 2.5 km*** and centered about 3.5 km to the NNW of Tugal.
- **Work @ Totorita**. Systematic channel sampling of outcrops was then extended southwestward to the *Totorita* area (229 individual samples). The ***overall thickness of Unit Ka4 in the Totorita area was found to be substantially greater*** than that at Casa de Piedra located approximately 2.5 kilometres to the northeast. Within this thickened carbonate package are horizons of significant thickness that returned assays similar to those at Casa de Piedra. The most significant results in the Totorita zone came from the lower horizons (102 samples) which yielded thickness weighted average grades of ***0.820 % Cu*** and 11.3 g/t Ag. The thickness weighted average grade of samples collected from the upper horizons in the Totorita zone were ***0.399% Cu*** and 2.3 g/t Ag (108 samples).

Period	Work History
2001 - 2005	**Mandalay Resources** • Preliminary geological mapping, outcrop sampling & road construction • In 2003, conducted a 14 hole RC and 3 hole diamond drilling program on the eastern side of the concession block • Acquired the ~4000 ha Leoncitas property along with mapping and sampling.

Results from Mandalay drilling are shown below. Of particular note:

- Drilling was carried out in the eastern portion of the concession only – this arose from the strategy to be in areas of previous surface exploration.
- Spacing of drill holes was large, up to 800 m at times, and represented a first opportunity to examine hidden mineralogical grades.
- Particularly encouraging was the repetition of banding of higher grades as several occurrences in most drill intersections – suggesting a degree of continuity.

In a general sense, the results appear to correlate somewhat with the trenching conducted by Teck (i.e. grades in the neighborhood of 0.50+% Cu in a relatively consistent fashion).

In 2005, Mandalay acquired the adjoining Leoncita Property, representing an additional ~4,000 hectares, effectively filling in the ground between and around what was formerly three discreet parcels. A preliminary program was conducted during the short field visits, consisting of **25** rock chip, channel, and stratigraphic profile samples. Results are given below.

Sample Composite Summary and Comparison to DD

		Reverse Circulation					Diamond Drilling				
Hole	Location	From m	To m	Thick m	Cu %	Ag g/t	From m	To m	Thick m	Cu %	Ag g/t
3	Casa	58	62	4	0.49%	4					
	de Piedra	70	76	6	0.63%	6					
		84	86	2	0.38%	1					
4	Casa	36	42	6	0.76%	7					
	de Piedra	48	56	8	0.31%	3					
		63	68	5	0.93%	6					
5	Casa	9	14	5	0.76%	9	9	14	5	0.66%	7
	de Piedra	20	27	7	0.21%	2	23	26	3	0.28%	4
							28	31	3	0.22%	4
							36	40	4	0.70%	7
6	Casa	14	20	6	0.40%	5					
	de Piedra	23	29	6	0.93%	9					
7	Totorito	49	50	1	0.40%	6	<--- too shallow				
8	Totorito	1	2	1	0.37%	1	<--- too shallow				
		42	43	1	0.23%	1					
9	Cerro	12	15	3	0.64%	2					
	Colorado	31	33	2	1.23%	8					
10	Cerro	1	7	6	0.52%	2	5	7	2	0.15%	1
	Colorado	15	19	4	0.37%	1	15	19	4	0.56%	2
		25	35	10	0.56%	3	25	33	8	0.96%	3
		38	40	2	0.31%	2	38	40	2	0.24%	1
11	Cerro		2	2	0.34%	1					
	Colorado	5	11	6	0.26%	1					
		20	22	2	0.50%	1					
12	Cerro		3	3	0.37%	1					
	Colorado	10	13	3	0.36%	1					
13	Las		1	1	0.36%	4		1	1	0.37%	6
	Palmates						10	12	2	0.21%	5
		32	34	2	0.23%	3	25	27.5	2.5	0.39%	3
		38	39	1	0.30%	1					
		61	62	1	0.30%	1					
		81	85	4	0.70%	8	80	84	4	0.28%	2
		87	93	6	0.84%	11					
		97	98	1	0.26%	3	97	99	2	0.27%	2
		102	107	5	0.22%	2	101	103	2	0.30%	1
		126	127	1	0.41%	3	127	132	5	0.24%	1
14	L. Palmates	4	5	1	0.39%	1					
15	Las	5	14	9	0.64%	5					
	Palmates	34	35	1	0.42%	9					
16	L. Palmates	< .2%									

Thickness Weighted Averages		
Casa de Piedra	0.57%	0.51%
Cerro Colorado	0.48%	0.67%
Las Palmates	0.53%	0.28%

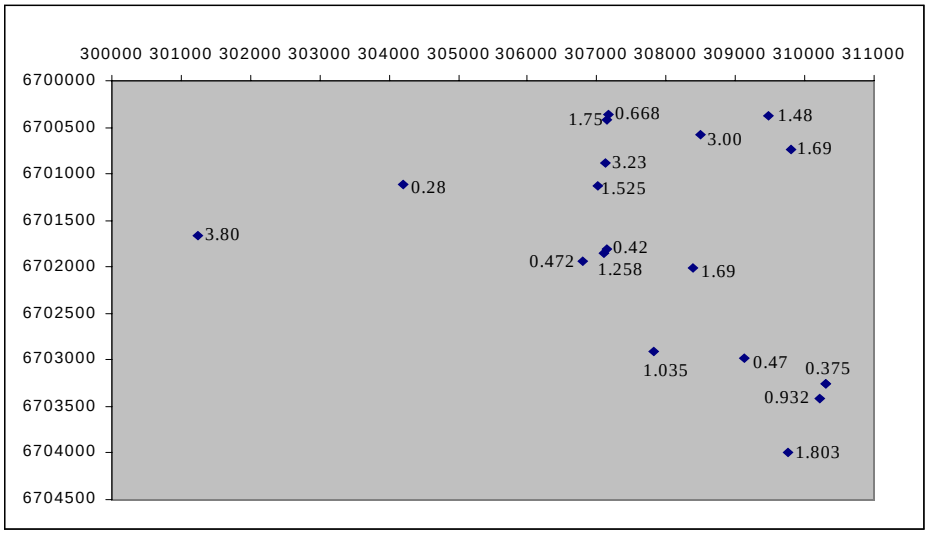
(from April, 2004 Technical Report (available on Sedar)

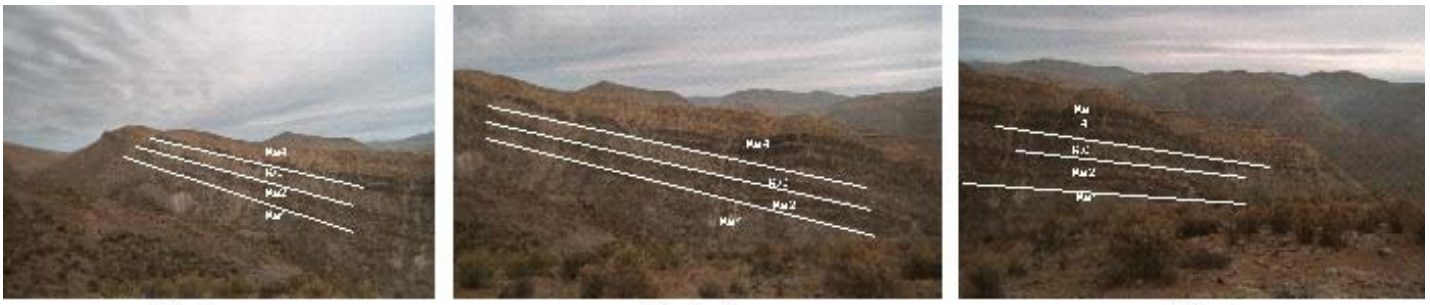
Sample Number	Sector	Sample Type	North Coord (m)	East Coord (m)	Length (m)	Cu %	Ag ppm
LQ-0001-05	Las Dalmatas	channel	6697719	309556	2	0.007%	1,4
LQ-0002-05	Las Dalmatas	channel	6698187	309429	2	0.350%	4,4
LQ-0003-05	Las Dalmatas	channel	6698679	307434	2	0.018%	1,7
LQ-0004-05	Las Dalmatas	channel	6699620	307109	2	0.006%	1,4
LQ-0005-05	Las Dalmatas	channel	6700702	307288	2	0.003%	1,3
LQ-0006-05	Leoncita	chip	6703408	310217	2	**0.932%**	8,1
LQ-0007-05	Leoncita	chip	6702903	307823	2	**1.035%**	10,1
LQ-00009B	Las Dalmatas	chip	6707498	314419	1	**1.187%**	12,6
378,157	Leoncita	P-LL1	6701665	301232	3.8	**3.800%**	29,0
378,168 /378,166	Leoncita	P-LL4	6701805	307140	5.7	**1.258%**	29,0
378,130 /378,329	Leoncita	P-LL7	6700876	307118	6.5	**3.230%**	30,5
378,0912 /37,090	Leoncita	P-LL7	6700425	307150	11	**1.750%**	8,0
37812-10-378128	Leoncita	P-LL6	6701130	307007	**29.5**	**1.525%**	15,0
AM190	Leoncita	chip	6701938	306799	**30**	**1.690%**	6,0
AM 69	Leoncita	channel	6700378	309485	3	**1.480%**	N/A
AM187	Leoncita	chip	6701856	307095	**70**	**0.420%**	2,0
AM196	Leoncita	chip	6702985	309117	**100**	**0.470%**	4,0
AM926	Leoncita	chip	6700731	309801	**36**	**1.690%**	4,0
AM192	Leoncita	chip	6701112	304204	75	0.280%	1,0
A70	Leoncita	chip	6700580	308495	20	**3.000%**	N/A
378058/378119	Leoncita	P-LL11	6702008	308391	5	0.472%	1,0
378120	Leoncita	P-LL8	6700365	307161	12	0.668%	6,0
TP24	Leoncita	Profile24	6703250	310295	10	0.323%	1,5
TP23	Leoncita	Profile23	6703250	310295	10	0.375%	1,5
20381	Leoncita	chip	6703990	309753	5	**1.803%**	5,0
				Simple average - Leoncita samples only --->		**1.379%**	
				Thickness weighted average - Leoncita samples only --->		**0.940%**	

We believe there are several noteworthy points to be made concerning this sampling:

- **Grades** are very impressive and consistent (i.e. preliminary sampling returned values well in excess of 1.0% Cu).
- **Wide intervals**. Many of the intervals given for these good grades are for 10s of meters.
- **Wide Extent**. As noted in the August 9, 2005 news release, sampling was undertaken throughout the Leoncita concessions. As exhibited below, sampling appears to have occurred over a 3.6 x 9.06 km, or 32 square km area (most points over a 3.5 km x 4 km area). This is a large area, particularly when significant grades of copper are evident throughout.
- **Farellones de La Ventana**. As noted in the Mandalay September 9, 2005 news release,

  > "One area, *Farellones de La Ventana*, the principal mineralized units outcrop on the surface and cover an area of **1,600m x 800m** and is more than 150m thick.
  >
  > Preliminary mapping in a ***second area***, 1,200 meters to the west of Farellones de La Ventana, exhibits similar characteristics.





Farellones de la Ventana (1,600 m x 800 m)

It has been concluded that the Leoncita Property, upon preliminary investigation, appears to represent a thickening of at least one of the principal Cu-bearing units, the Ka4 Member. This is very good news, in that ***this unit is relatively close to surface***.

The inclusion of the Leoncita Property with the La Quebrada Property, covering 15,130 hectares, exhibits **remarkable grade continuity** within **near surface mineralized stratigraphic units** over both properties. The incorporation of these properties into one large project may dramatically increase the size of the deposit if subsequent exploration proves positive.

Continued mapping and sampling will result in better understanding the potential resource of the overall La Quebrada Project.

Interpretation

What we seem to have at this point is:

- Encouraging early work in one small area, Tugal, which showed consistent high grades in a limited number of drillholes, albeit over somewhat limited intervals (i.e. under 10 m) which may have met their criteria at the time. A geological resource was calculated (6.2 mm t @ 1.06% Cu and 18.2 g/t Ag).
- What appears to be a fairly major sampling program by Noranda in 1996 – but over a relatively small 1950 hectare area. It has been noted that – in the face of positive results – the lack of a significant land position may have led to the decision to drop the property.
- Teck appears to have taken up in 1998 where Noranda left off – ❶ sampling in the Casa de Piedra area to extend the mineralization over a large 1.2 km area, which was successful, ❷ follow up trenching, which showed that copper mineralization occurred constantly over very significant stratigraphic horizons (i.e. 30 – 50 m). Overall reported grades over these horizons were interesting, ranging from 0.59% - 0.74%. ❸ Reconnaissance mapping showed three sizable fault-bounded blocks.
- Continuing south to Totorito, Teck found similar results – horizons of significant thickness with assays averaging 0.820% Cu in the lower units and 0.399% Cu from the upper horizons.
- As noted, an important observation made during the mapping and prospecting work by Teck was the presence of significant grades of Cu and Ag within progressively thinner mineralized horizons of Unit Ka4 moving further to the southwest of the previously known occurrences. This thinning mineralization is contained in increasingly thicker carbonate sequences.
- With copper sitting at the $0.80 level, Teck dropped the property and Mandalay was able to pick up a much larger acreage. Drilling in 2003 seemed to generally support the major trenching results reported by Teck.

NOTE ON THE GEOLOGICAL MODEL

Copper occurrences in the Leoncita and La Quebrada areas belong to the ***reduced-facies*** subtype of ***Sediment-hosted Copper Deposits*** ("**SCD**").

Sediment-hosted Copper Deposits

Sediment-hosted copper deposits are formed by fluid mixing in permeable sedimentary and (more rarely) volcanic rocks. Two fluids are involved: ❶ an oxidized brine carrying copper as a chloride complex, and ❷ a reduced fluid, commonly formed in the presence of anaerobic sulfate-reducing bacteria. For a sediment-hosted copper deposit to form, four conditions are required:

1. There must be an oxidized *source rock*. This rock must be hematite stable and must contain ferromagnesian minerals or mafic rock fragments from which copper can be leached.
2. There must be a *source of brine to mobilize copper.* Evaporites are commonly interbedded with red beds and act as brine sources, but any sedimentary environment in which evaporation exceeds rainfall will produce brines. Brines may also form by evaporation of sea water where connection with the open sea is restricted as in rift valleys. The brines are generally rich in sodium because other cations, potassium, calcium, and magnesium, are removed during formation of clays, sulfates, and carbonates.
3. There must be a *source of reduced fluid* to precipitate copper and form a deposit. The chemistry of brine formation, and copper mobilization and precipitation was described by Rose (1976). Reduced fluids can be derived from organic-rich shales and carbonate rocks, from pockets of liquid or gaseous hydrocarbons in the host sediments or from any sedimentary fluid in equilibrium with pyrite. In equation 2 copper-rich brine contacts organic material and produces native copper.
4. There must be *conditions favorable for fluid mixing* (i.e. permeability, sulfide ore precipitation close to the sediment-water interface).

Model for Cu / Ag Formation

- This model consists essentially of: a footwall source (basin-filling red bed and /or volcanic strata, metamorphosed basement rocks, or deep magmatic fluids) which releases metals to a warm or even hot brine; an oxidized aquifer (footwall red beds) and/or deep-reaching rift basin faults, which allow circulation of the metalliferous brine across thermal and/or hydraulic gradients; and a fine-grained, reducing, sulphur-rich, host rock on the hanging-wall side of a chemically distinct redoxcline
- The metals (essentially copper, with minor to major amounts of silver, lead, zinc, cobalt, molybdenum, etc.) are carried as metal-chloride complexes in warm, oxidized, chloride- rich, sulphide-poor brines.
- Basin-wide circulation of ore solutions
- At the depositional site, the host rock must be physically and chemically suitable for metal emplacement. First, the host sediment should be permeable to ore solutions by infiltration and/or locally by diffusion.
- Second, the host should initially contain sufficient sulphur to form ore-grade, disseminated mineralization over economically interesting stratigraphic thicknesses.

Locally, La Quebrada is situated within a *back arc basin* environment (an isolated marine basin behind a subduction zone) located eastward of the Cretaceous magmatic arc. It is characteriized by *submarine volcanism* and *shallow marine sedimentation*.

The Lower Cretaceous Arqueros Formation hosts the Cu-Au mineralization at the Leoncita Property. The Arqueros Formation has been mapped and described by previous workers. It ***comprises 5 members*** in a ***conformable sequence*** with an approximate ***aggregate thickness of 1,250 meters***. The base of the Arqueros Formation is not exposed in the region. At its top it is concordant with the overlying Quebrada Marquesa Formation.

Basin-wide circulation of ore solutions was induced by the anomalous crustal heat in the rift setting, aided by the heat of local high level intrusions of hot magmas and with later, upper level volcanism related to the deposition of the Ka1, Ka3, and Ka5 members.

Two of the members, the **Ka2** and **Ka4** are calcareous sediments, separated by intervening andesite flow sequences. The Cu-Ag mineralization at La Quebrada occurs in these two horizons, made up of clastic and calcareous sedimentary sequences with minor volcanic admixture, each sandwiched between intervening andesite flows. These horizontal to gently dipping sedimentary sequences host beds with disseminations and blebs of copper sulfides accompanied by lesser pyrite and galena. The K2 and K4 horizons are laterally persistent in the volcani-sedimentary

The permeable Ka2 and Ka4 sediments (limestones, calcareous sandstones, cherts and sedimentary breccias), directly overlying coarse-grained redbeds, allowed infiltration and local diffusion to ore solutions. These sediments in turn contained sufficient sulfur to form ore-grade, disseminated mineralization throughout the two members over 10s of km. The Ka2 and Ka4 members represented the favorable host rocks in reduced-facies setting that permitted the observed copper deposit.

The earlier Jurassic La Negra Formation provided the material, sediments, and bimodal intrusions, that would form the underlying redbeds.

basin and resistant to weathering, thus they commonly form topographically distinct, elongated, cliffy outcrops and scarp features.

The ***average thickness of K2 is 150 m*** but in some areas it exceeds 250 m. The ***average thickness of K4 is about 150 m***.

Reduced Facies Subtype

Three subtypes of sediment-hosted copper deposits with significant differences in tonnage and copper grade are recognized: ❶ reduced-facies Cu, ❷ redbed Cu, and ❸ Revett Cu. ***The three types differ in the strength and efficiency of the reductant at the site of deposition***. In reduced-facies deposits, the reductant is a marine or lacustrine fine-grained sediment containing abundant organic matter. In redbed deposits, the reductant is more weakly distributed, represented by patches of organic debris in sandstone. In Revett Cu deposits, the reductant is broad and diffuse and in some Phanerozoic deposits can be shown to be gaseous or liquid hyrocarbon, or sulfide-rich sour gas.

Based on the composition and texture of the host rocks the copper occurrences in the Leoncita and La Quebrada areas belong to the reduced-facies subtype. Favorable host rocks for reduced-facies type copper deposits are those that contain organic carbon and sulfide compounds. This section of the Arqueros Formation found at La Quebrada apparently contains host sediments permeable to ore solutions by infiltration and/or locally by diffusion. These sediments in turn host sufficient sulphur to form ore-grade, disseminated mineralization over what appear to be economically interesting stratigraphic thicknesses.

Significance

The *Geological Survey of Canada* published a database of **950** deposits and occurrences of sediment-hosted stratiform copper deposits (Kirkham and others, 1994). From this file, **133** deposits with data on tonnage and metal grade were extracted and reserve and production data were combined to provide a single tonnage-grade estimate for each deposit for use in statistical modeling. The median tonnage of the whole set of deposits is **11 (Mmt)** and the mean copper grade is **1.7%**.

Deposit Type	Number	Median Tonnage	Median Grade
Reduced Facie	58	**33 Mmt**	**2.30%**
Redbed	35	1.2 Mmt	1.70%
Revett	11	14 Mmt	0.79%

For a reduced facie type of deposit, using these median figures, this works out to 33,000,000 x 2,206 lbs / t x 0.023 = 1.67 billion lbs.

The beauty of having a reduced facie type of deposit is that the depositional environment contains matter with a chemistry that has a strong attraction to the Cu ion. It takes very low concentrations of copper that circulate in the briny solutions that ultimately are deposited over wide areas. As long as the volcanics continue to produce copper solutions, these sedimentary sequences can continue to build. One sees relatively conformable members having been formed, which can be mineralized in thick sequences.

The fact is that sediment-hosted copper deposits can be very large, as shown right.

Deposit	Type	Contained Cu (mil. tonnes)	Contained Cu (bill. lbs)
Chuquicamata, Chile	Porphyry copper	73	161
El Teniente, Chile	Porphyry copper	67	148
Lubin (Poland)	**SCD**	**52**	**115**
Tenke-Fungurume R.D.C.	**SCD**	**46**	**101**
Rio Blanco-Los Bronces, Chile	Porphyry copper	45	99
Kolwezi (Kamoto) R.D.C	**SCD**	**43**	**95**
La Escondida, Chile	Porphyry copper	35	77
Olympic Dam, Australia	Diatreme	32	71
Los Pelambres-El Pachon, Chile	Porphyry copper	26	57
Collahuasi, Chile	Porphyry copper	25	55
Bingham, USA	Porphyry copper	24	53
Udokan (RCR)	**SCD**	**24**	**53**
Nchanga (Zambia)	**SCD**	**22**	**49**

FUTURE PROGRAM AT LA QUEBRADA

As stated in the company's recent 3/22/06 news release, an exploration crew has been mobilized to commence Phase II exploration on the La Quebrada Project, which will principally involve an extensive trenching program in the Farellones de La Ventana area. The company has stated that the principal mineralized units in this one particular area outcrop on the surface and cover an area of 1,600 by 800 meters and is more than 150 meters thick.

Obviously, the company can be expected to follow up on the previously identified significant occurrence to the west of Farellones de la Ventana as well as to identify additional occurrences of favorable, Ka2 and Ka4 members.

Note on Importance of Trenching

Normally, with junior exploration programs, work needs to be advanced to the drill stage before much of the excitement begins. We do not believe that is the case here. Given the nature of the geological model, which involves relatively consistent, conformable layers over very significant areas, one needs to discover the basic attributes of the mineralized intervals of the individual member(s) to begin to discover overall dimensions. With Farellones, for example, we can see the length, width, and thickness of the unit. Through the earlier sampling program, we know that copper is present throughout the area. The real issue then becomes one of determining the extent to which copper is present throughout the identified thickness of the Ka4 member – and this can be done by simple trenching down the outcropped face. This needs to be done throughout the unit. Once this is know, it can be expected, given the nature of the mineralization, that it should be spread laterally and consistently "into" the mountainside. To verify this, drilling would be completed in such a way as to delineate a resource / reserve. We have seen much more complicated exploration targets and programs than this one.

We expect this trenching to be completed later this month, with results coming out perhaps later in May.

As shown in the table below, there are several examples of copper producers in Chile having copper grades of well under 1%.

Selected Chilean Producers

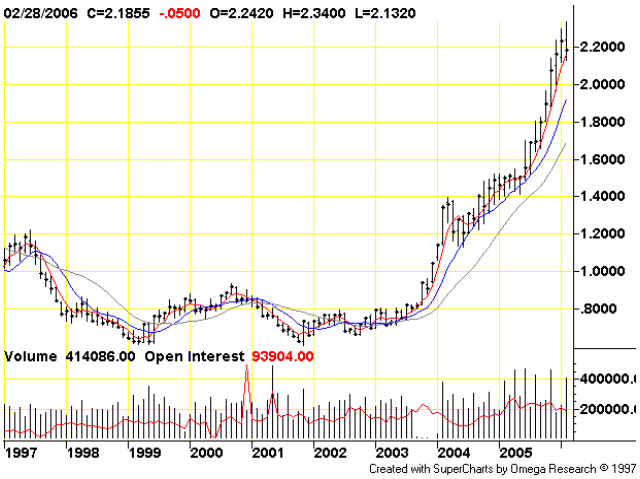
Deposit	Billion Tonnes	% Cu
Codelco Norte ("Mining Plan")	6.1	**0.66%**
Andina ("Mining Plan")	5.7	**0.77%**
El Teniente ("Mining Plan")	4.3	**0.89%**
Collahuasi (Prov/Prob)	1.8	**0.90%**
Los Pelambres ("Prov/Prob)	1.4	**0.69%**
Lomas Bayas ("Prov/Prob")	0.7	**0.37%**
Gaby Project ("Mining Plan")	0.5	**0.44%**
Salvador ("Mining Plan")	0.2	**0.58%**
Zaldivar ("Prov/Prob")	0.4	**0.67%**

Source: Codelco 2004 Annual Report, mining-technology.com)

BRIEF NOTE ON COPPER

Recently trading at all time highs (i.e. ***US $2.96 / lb*** – NYMEX 4-18-06), copper continues to enjoy a very robust outlook.

- Global demand exceeds production.
- Copper consumption growing at 3.5% per annum, driven by demand in China, India & Eastern Europe (Bloomsbury Minerals Economics).
- Strong demand and tight supply after years of underinvestment in new mining projects.



Within this global environment, Chile continues to be an excellent place in which to explore for and conduct mining operations.

- CHILE #1 in mining investment worldwide.
- Pro-mining government
- Excellent Infrastructure
- Low risk mining environment

One should also note the ease of access and proximity to a deep water port that La Quebrada has.

CONCLUSIONS

We see Mandalay as a company that has increasingly diversified its property holdings and we look forward to the coming announcements for work programs at its three active projects.

- Real potential for large mineralized units (with potential for more than 1).
- Previous explorers had nowhere near the land package that Mandalay does – and mineralization appears throughout this area.
- Relative ease of access.
- Mineralization – at least at Farellones de la Ventana, is relatively close to surface.
- Relatively straightforward geology, ease of exploration, low cost.
- Mining friendly jurisdiction.

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