MANDALAY RESOURCES

Management's Discussion & Analysis

For the quarter ended September 30, 2012

CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the consolidated financial statements and notes of Mandalay Resources Corporation ("Mandalay" or the "Company") for the quarter ended September 30, 2012, the audited consolidated financial statements of the Company for the year ended December 31,2011, the Management's Discussion and Analysis of such financial statements and the Company's annual information form dated March 31, 2012 (the "AIF") as well as other information relating to the Company on file with the Canadian provincial securities regulatory authorities on SEDAR at www.sedar.com. The Company's reporting currency is the United States dollar and all amounts in this MD&A are expressed in U.S. dollars unless otherwise stated. The Company reports its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards ("IFRS").

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

This MD&A contains forward-looking statements. Please refer to "Cautionary Statement Regarding Forward Looking Statements" at the end of this MD&A for a discussion of some of the risks and uncertainties associated with forward-looking statements.

THIRD QUARTER FINANCIAL AND OPERATING HIGHLIGHTS

1. Financial Highlights

In the third quarter of 2012, the Company generated revenue of $48,847,630, profit from mining operations before depletion and depreciation of $28,848,542 and net income of $9,011,008 ($0.03 per share). Net income is inclusive of non-cash, non-operating expense of $4,713,133 related to mark-to-market adjustments of silver and gold put options[1] ("puts"), a silver note payable to Coeur d'Alene Mine Corporation (the "Silver Note"), and fair value expense related to financing warrants of $1,657,000 and deferred tax expense of $709,740. Excluding these non-cash and non-operating expenses, profit after tax from underlying operations for the third quarter was $16,090,881 ($0.05 per share).

For comparison, in the third quarter of 2011 the Company generated revenue of $26,960,784, profit from mining operations before depletion and depreciation of $13,685,605 and net income of $13,177,845 ($0.05 per share) inclusive of a $7,465,691 positive mark to market adjustment of silver and gold put options[1]. Excluding this non-cash income of $7,465,691, profit from underlying operations in the third quarter of 2011 was $5,712,154 ($0.02 per share).

In the third quarter the Company used $8 million of internally generated cash to repay all of the amounts outstanding under its revolving corporate loan facility with Bank of Montreal and equipment loan facilities in Australia. At the end of the quarter the Company had just $945,949 in total outstanding debt.

[1] These put options gives the Company the right, but not the obligation, to sell a specified amount of gold or silver at a specified price within a specified time.

In July 2012 the Company completed its substantial issuer bid for all of its outstanding share purchase warrants. As previously announced on July 4, 2012, under the substantial issuer bid the Company purchased 67,297,777 warrants in exchange for 35,795,052 shares. Please see section 1.14 for additional details of the resulting capital structure of the Company after completion of this transaction.

As of September 30, 2012, cash and cash equivalents of the Company were $6,447,544.

2. Operating Highlights

a. Consolidated Production and Sales Results

In the third quarter of 2012, Mandalay produced 9,104 ounces ("oz") of gold ("Au"), 594 tonnes ("t") of antimony ("Sb") and 804,779 oz of silver ("Ag") representing 28,206 ounces equivalent of gold ("Au Eq. oz"). Third quarter production amounts include inventory adjustment gains of 335 oz of gold and 54,562 oz of silver at Cerro Bayo.

The Company sold 8,800 oz Au, 803,810 oz Ag and 528 t Sb in the quarter.

Quarterly and Year to Date Saleable Production

Metal	Source	3 months to 30 September 2012	3 months to 30 September 2011	9 months to 30 September 2012	9 months to 30 September 2011
Gold (oz)	Costerfield	4,317	2,057	12,129	9,441
	Cerro Bayo	4,787	1,567	12,069	4,569
	Total	**9,104**	**3,624**	**24,198**	**14,010**
Antimony (t)	Costerfield	**594**	**305**	**1,696**	**1,230**
Silver (oz)	Cerro Bayo	**804,779**	**299,679**	**2,016,373**	**923,369**
Average quarterly prices:					
Gold US$/oz		1,654	1,703		
Antimony US$/tonne		12,784	14,899		
Silver US$/oz		29.83	38.83		
Au Eq. (oz)[1]	Costerfield	8,906	4,725	25,536	21,688
	Cerro Bayo	19,300	8,400	48,867	26,437
	Total	**28,206**	**13,125**	**74,403**	**48,125**

[1] Au Eq. oz produced is calculated by multiplying the saleable quantities of Au, Ag, and Sb in the quarter by the respective average market prices of the commodities in the quarter, 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 quarter. Average Au price in the quarter is calculated as the average of the daily LME PM fixes in the quarter, with price on weekend days and holidays taken from the last business day; average Sb price in the quarter is calculated as the average of the daily average of the high and low Rotterdam warehouse prices for all days in the quarter, with price on weekend days and holidays taken from the last business day; average Ag price in the quarter is calculated as the average of the daily London Broker's silver spot price for all days in the quarter, with price on weekend days and holidays taken from the last business day. The source for all prices is www.metalbulletin.com.

Quarterly and Year to Date Sales

Metal	Source	3 months to 30 September 2012	3 months to 30 September 2011	9 months to 30 September 2012	9 months to 30 September 2011
Gold (oz)	Costerfield	3,896	2,108	11,343	10,078
	Cerro Bayo	4,904	1,690	11,148	3,191
	Total	**8,800**	**3,798**	**22,491**	**13,269**
Antimony (t)	Costerfield	**528**	**279**	**1,586**	**1,188**
Silver (oz)	Cerro Bayo	**803,810**	**376,409**	**1,875,235**	**715,850**
Quarter end prices:					
Gold US$/oz		1,776	1,620		
Antimony US$/tonne		12,650	15,800		
Silver US$/oz		34.65	30.45		
Au Eq. (oz)[2]	Costerfield	7,660	4,829	23,784	22,275
	Cerro Bayo	20,587	8,765	45,541	18,373
	Total	**28,247**	**13,594**	**69,325**	**40,648**

[2]Au Eq. oz sold is calculated by multiplying the saleable quantities of gold (Au), silver (Ag), and antimony (Sb) in the quarter by the respective quarter end market prices of the commodities, adding the three amounts to get a "total contained value based on market price", and then dividing that total contained value by the quarter end market price of Au. The source for all prices is www.metalbulletin.com with price on weekend days and holidays taken from the last business day.

b. Costerfield Gold-Antimony mine, Victoria, Australia

i. *Production* — Saleable gold production for the third quarter of 2012 was 4,317 oz versus 4,122 oz in the previous quarter and 2,057 oz in the third quarter of 2011. Saleable antimony production for the third quarter of 2012 was 594 t versus 612 t in the previous quarter and 305 t in the third quarter of 2011. At Costerfield, current quarter production was much greater than the comparable year-ago quarter due to the impact of several improvements in the mine, including implementing 24:7 mining, replacing the aged mining fleet with new equipment, and shifting to a Cemented Rock Fill stoping mining method.

Operating Costs —Cash cost per ounce of gold equivalent produced in the third quarter of 2012 was $1,293 versus $1,052 in the previous quarter and $1,646 in the third quarter of 2011. Cash cost per ounce is lower than in the year-ago quarter due to the mining improvements discussed above. It is higher than in the previous quarter due to lower grade of ore processed.

c. Cerro Bayo Silver-Gold mine, Patagonia, Chil*e*

i. *Production* —During the third quarter of 2012, Cerro Bayo produced 804,779 oz of saleable silver (including 54,562 ounces of inventory adjustment gain) versus 814,970 oz in the previous quarter and 299,679 oz in the third quarter of 2011. In the third quarter of 2012, the mine produced 4,787 oz of saleable gold (including 335 ounces of inventory adjustment gain) versus 5,093 oz in the previous quarter and 1,567 oz in the third quarter of2011. Production in the third quarter 2012 was significantly greater than in the comparable quarter of 2011 due to on-time execution of the planned ramp-up of the mining rate. It was slightly lower than in the second quarter of 2012 due to the processing of ore stockpiles in the second quarter that had been accumulated during the shipping delays experienced in the first quarters due to the labour protests in Aysen Province.

ii. *Operating Costs* — Cash cost per saleable ounce of silver produced in concentrate for the third quarter of 2012 net of gold credits was $5.00 versus $4.12 in previous quarter and $17.51 in the third quarter of the previous year. Reasons for the variation in operating costs are the same as for the production variations discussed above.

3. Exploration

a. **Cerro Bayo**

Mandalay continued drilling at Cerro Bayo with seven diamond core rigs, completing 18,353 meters in the third quarter of 2012. Infill and extensional drilling occurred on the Delia SE, Dagny (under Laguna Verde), Trinidad, Coyita, and Marcela Sur veins, where additions to resources and reserves are expected at the planned December 31, 2012 resource and reserve update to be delivered in the first quarter of 2013. New target testing drilling also occurred on the Coigues, Caiquenes, Gabriella with as yet inconclusive results. The Company expects to release an exploration update for Cerro Bayo in the fourth quarter with more detailed assay results and exploration commentary.

b. **Costerfield**

Mandalay continued drilling at Costerfield with three diamond core rigs, completing 9,150 meters in the third quarter of 2012. This drilling was focused on further extending the resource additions in N-lode and Cuffley lode that were announced in the press release of July 9, 2012. As with Costerfield, the Company plans to release assay results of this drilling and more detailed commentary in the fourth quarter and to include the data in the planned December 31, 2012 resource and reserves update.

c. **La Quebrada, Chile**

On July 3, 2012, the Company released its maiden resource estimate for its wholly owned La Quebrada copper-silver project in northern Chile. During the third quarter, 2012, the Company planned, contracted, and began executing a set of scoping-stage mining, metallurgical, processing, water, and power studies which will be complete in the first half of 2013.

1.0 DATE

This MD&A is dated as of November 7, 2012.

1.1 SUBSEQUENT EVENTS

On October 15, 2012, the Toronto Stock Exchange (“TSX”) approved the Company’s notice of intention to make a normal course issuer bid (“NCIB”). Pursuant to the NCIB, the Company may purchase up to 15,856,786 common shares, Purchases will be made, at the discretion of the Company, at prevailing market prices, commencing October 17, 2012, and ending October 16, 2013. Pursuant to TSX policies, daily purchases made by the Company will not exceed 57,089 common shares. The shares acquired under the NCIB will be cancelled upon their purchase. The cost of any purchases pursuant to the NCIB will be financed out of the working capital of the company.

Mandalay’s Board of Directors has adopted a dividend policy that provides for a quarterly cash dividend based on financial results and the future cash requirements of the Company. Given the excellent third quarter 2012 financial results, the Board of Directors has declared an initial quarterly dividend of CDN$0.01 per share, payable on December 5, 2012 to shareholders of record as of November 20, 2012.

1.2 PORTFOLIO AND OPERATIONAL OVERVIEW

The Company is a Toronto-based mining company whose business is to discover, develop and produce mineral commodities. Its current emphasis is on gold, silver, antimony and copper in Australia and Chile. The Company’s business plan is to identify and acquire undervalued mineral assets at all stages of the value chain from exploration through to production. The Company uses its strong technical expertise and understanding of value creation to systematically increase the value of its assets through a disciplined approach of exploration, mining and processing optimization and operational efficiency. The Company’s current producing assets are its Costerfield gold-antimony mine in Victoria, Australia and its Cerro Bayo silver-gold mine in Aysen, Chile. Its exploration assets include the La Quebrada copper–silver exploration project near La Serena, Chile and district targets surrounding the Costerfield and Cerro Bayo mines.

Costerfield

Costerfield delivered a record 25,360 t mined in the third quarter of 2012. Bottlenecks at the plant prevented all this ore from being processed, and an ore stockpile of 7,000 tonnes was accumulated during the quarter. By the end of the quarter, a solution had been devised to increase plant throughput without undue sacrifice in recovery. It is expected that the plant will now be able to process up to 10,000 tonnes per month (“tpm”) of ore feed, allowing it to process not only current mine production but also consume the stockpile by the end of the year.

Cerro Bayo Mine

A total of 94,629 t of ore was delivered to the concentrator in the quarter (an average of 1,050 tonnes per day). This represents a near completion of planned capital development, operating development, and stoping development in all three mines: Dagny, Fabiola, and Delia NW. Further significant production increases past the current target of 1200 tpd will depend on either developing a second ramp at the Delia NW vein or the development of a fourth mine (either at Delia SE or Marcela Sur) in the future.

Plant performance during the quarter closely matched mine output, while achieving the planned metallurgical recoveries. During the quarter, the flotation automation upgrade project was commenced in the concentrator. When completed at the end of the second quarter of 2013 this project is expected to result in gold and silver recoveries increasing by about 2%.

1.3 SELECTED QUARTERLY INFORMATION

The following table sets forth a summary of the Company's financial results for the three months ended September 30, 2012 and September 30, 2011:

	Quarter ended September 30, 2012 $	**Quarter ended September 30, 2011 $**
Revenue	48,847,630	26,960,784
Cost of sales	19,999,088	13,275,179
Earnings from mine operations before depreciation and depletion	28,848,542	13,685,605
Depreciation and depletion	4,753,815	3,425,471
Income from mine operations	24,094,727	10,260,134
Administration	5,449,141	2,717,270
EBITDA	23,399,401	10,968,335
Finance costs, fx and others/(income)*	6,005,005	(5,634,981)
Income/(loss) before tax	12,640,581	13,177,845
Current tax	(2,919,833)	-
Deferred tax	(709,740)	-
Net Income/(loss) after tax	9,011,008	13,177,845
Total assets	163,483,354	135,162,587
Total liabilities	41,266,533	38,683,332
Income per share	0.03	0.05

*Others includes such items as mark to market derivative adjustments, write off of mineral properties, exploration and evaluation, share based compensation and gain/loss on disposal of properties, if any.

The following table sets forth the summary of financial results for the nine months ended September 30, 2012 and September 30, 2011:

	Nine months ended September 30, 2012 $	Nine months ended September 30, 2011 $
Revenue	116,105,859	67,930,832
Cost of sales	52,541,785	32,905,658
Earnings from mine operations before depreciation and depletion	63,564,074	35,025,174
Depreciation and depletion	13,485,782	8,842,405
Income from mine operations	50,078,292	26,182,769
Administration	12,472,652	6,387,820
EBITDA	51,091,422	28,637,354
Finance costs, fx and others*	15,921,799	2,273,386
Income/(loss) before tax	21,683,841	17,521,563
Current tax	(3,355,466)	-
Deferred tax	1,008,817	-
Net Income/(loss) after tax	19,337,192	17,521,563
Income per share	0.07	0.07

*Others includes such items as mark to market derivative adjustments, write off of mineral properties, exploration and evaluation, share based compensation and gain/loss on disposal of properties, if any.

EBITDA Reconciliation to Net Income

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 does not have a meaning within IFRS and, therefore, amounts presented may not be comparable to similar data presented by other issuers. EBITDA should not be considered by an investor as an alternative to net income or cash flow as determined in accordance with IFRS. The table below reconciles EBITDA to reported net income for three months and nine months ended September 30, 2012 and September 30, 2011.

	Three months ended September 30, 2012		Three months ended September 30, 2011	
	$	$	$	$
Net Income/(loss)		9,011,008		13,177,845
Add: Non-cash and finance costs				
Depletion and depreciation	4,753,815		3,425,471	
Write off mineral properties/exploration and evaluation	435,709		-	
Share based compensation	475,421		428,737	
Interest and finance charges	574,536		708,711	
Fair value adjustments	4,713,133		(7,465,691)	
Current tax	2,919,833		-	
Deferred tax	709,740		-	
Foreign exchange (gain)/loss	185,401	14,767,588	55,291	(2,847,481)
		23,778,596		10,330,364
Add/(Less): Interest & (other income)/expenses	(379,195)	(379,195)	637,971	637,971
EBITDA		23,399,401		10,968,335
Add: Fair value adjustments related to financing warrants		1,657,000		-
Underlying EBITDA from pure operating activities		25,056,401		10,968,335

	Nine months ended September 30, 2012		Nine months ended September 30, 2011	
	$	$	$	$
Net Income/(loss)		19,337,192		17,521,563
Add: Non-cash and finance costs				
Depletion and depreciation	13,485,782		8,842,405	
Write off mineral properties/exploration and evaluation	435,709		-	
Share based compensation	1,312,970		1,274,058	
Interest and finance charges	2,484,735		(1,553,856)	
Fair value adjustments	12,218,087		1,800,016	
Current tax	3,355,466		-	
Deferred tax	(1,008,817)		-	
Foreign exchange (gain)/loss	125,548	32,409,480	501,666	10,864,289
		51,746,672		28,385,852
Add/(Less): Interest & (other income)/expenses	(655,250)	(655,250)	251,502	251,502
EBITDA		51,091,422		28,637,354
Add: Fair value adjustments related to financing warrants		1,657,000		-
Underlying EBITDA from pure operating activities		52,748,421		28,637,354

Fair-value adjustments

As at September 30, 2012, the following items on the balance sheet were subject to fair-value adjustments in accordance with IAS 39:

a) *150,000 silver puts with a strike price of $25/oz* had a fair value of $5,900 as at September 30, 2012. Fair value adjustments resulted in loss of$274,250 on the income statement for the third quarter of 2012.

b) *300,000 silver puts with a strike price of $35/oz* had a fair value of $551,300 as at September 30, 2012. Fair value adjustments resulted in loss of $2,775,500 on the income statement for the third quarter of 2012.

c) *210,000 silver puts with a strike price of $30/oz* had a fair value of $40,320 as at September 30, 2012. Fair value adjustments resulted in loss of $1,142,540 on the income statement for the third quarter of 2012.

d) *7,200 gold puts with a strike price of $1,400/oz* had a fair value of $1,523as at September 30, 2012. Fair value adjustments resulted in loss of $201,628 on the income statement for the third quarter of 2012.

e) *Silver Note*. The Company has an obligation to pay to Coeur d'Alene Mines Corporation the U.S dollar equivalent of 125,000 oz of silver in six equal installments commencing in the third quarter of 2011. As at September 30, 2012, 20,833 ounces of this obligation remained, valued at $690,232. The revaluation loss for this liability during the third quarter of 2012was $319,215.

f) Financing warrants – The Company has issued 3,050,000 'financing' warrants to specific service providers as consideration for financing and other services which the Company received in prior years. Each financing warrant entitles the holder to receive from the Company a cash payment equal to the difference between the exercise price of the warrant and the market price of the Company's common shares at the time of exercise. No common shares are issuable upon the exercise of the warrants. These financing warrants are accounted as liability and are marked to market at each period end until they are exercised or expire. During the three months ended September 30, 2012, 420,900 financing warrants were exercised with cash settlement of $139,578. The Company recorded a fair value adjustment of $1,657,000 for three months ended September 30, 2012 on 2,629,100 outstanding financing warrants which is included as administration cost.

All the above items are non-cash, non-operating in nature, and the following tables summarize the impact of these changes.

Fair value and deferred tax adjustments impact on items in the statement of financial position

	Before fair value and deferred tax adjustments	Note	Fair value and deferred tax adjustments	As of September 30, 2012	As of December 31, 2011
			Q3 2012		
	$		$	$	$
Assets					
Derivative Financial Instrument (Put options)	4,992,961	(a)	(4,393,918)	599,043	16,253,768
Deferred tax	2,081,425	(b)	(709,740)	1,371,685	-
Liabilities					
Derivative Financial Instrument (Financing warrants)	-	(c)	1,657,000	1,657,000	-
Current portion of long-term debt	563,961	(d)	319,215	883,176	10,004,691
Shareholders' equity					
Surplus/(Deficit)	25,950,906		(7,079,873)	18,871,032	1,674,415

(a)The Company entered into certain silver put options and gold put options to hedge commodity price risks. The Company recorded a fair value measurement loss of $4,393,918 for three months ended September 30, 2012.

(b) The Company recorded a deferred tax expense of $709,740 for three months ended September 30, 2012.

(c) The Company recorded a fair value expense relating to financing warrants of $1,657,000 for three months ended September 30, 2012.

(d) The Company adjusted the Silver Note to $690,231 as at September 30, 2012 based on updated forecast silver prices and time values, resulting in fair value measurement loss of $319,215 for three months ended September 30, 2012.

Fair value and deferred tax adjustments impact on items in the income statement for three months ended September 30, 2012 and September 30, 2011

	September 30, 2012				September 30, 2011
	Underlying operations	Note	Fair value and deferred tax adjustments	Total	Total
	$		$	$	$
Income (loss) from operations	17,784,592			17,784,592	6,453,223
Other items					
Interest and other income	329,059			329,059	22,933
Finance (costs)/income	(574,536)	(a)	(4,393,918)	(5,287,669)	6,756,980
		(b)	(319,215)		
Financing warrants	1,657,000	(c)	(1,657,000)		
Foreign exchange gain (loss)	(185,401)		-	(185,401)	(55,291)
Net income/(loss) before tax	19,010,714		(6,370,133)	12,640,581	13,177,845
Current tax	(2,919,833)			(2,919,833)	-
Deferred tax		(d)	(709,740)	(709,740)	-
Net income/(loss)	16,090,881		(7,079,873)	9,011,008	13,177,845
Income (loss) per share					
Basic	0.05			0.03	0.05
Diluted	0.04			0.03	0.04

(a)The Company entered into certain silver put options and gold put options to hedge commodity price risks. The Company recorded a fair value measurement loss of $4,393,918 for three months ended September 30, 2012.

(b) The Company adjusted the Silver Note to $690,231 as at September 30, 2012 based on updated forecast silver prices and time values, resulting in fair value measurement loss of $319,215 for three months ended September 30, 2012.

(c) The Company recorded a fair value expense related to financing warrants of $1,657,000 for three months ended September 30, 2012.

(d) The Company recorded a deferred tax expense of $709,740 for three months ended September 30, 2012.

Fair value and deferred tax adjustments impact on items in the income statement for nine months ended September 30, 2012 and September 30, 2011

	September 30, 2012				September 30, 2011
	Underlying operations	Note	Fair value and deferred tax adjustments	Total	Total
	$		$	$	$
Income (loss) from operations	35,907,097			35,907,097	18,183,454
Other items					
Interest and other income	605,114			605,114	85,935
Finance (costs)/income	(2,484,735)	(a)	(11,704,025)	(14,702,822)	(246,160)
		(b)	(514,062)		
Financing warrants	1,657,000	(c)	(1,657,000)		
Foreign exchange gain (loss)	(125,548)		-	(125,548)	(501,666)
Net income/(loss) before tax	35,558,928		(13,875,087)	21,683,841	17,521,563
Current tax	(3,355,466)			(3,355,466)	-
Deferred tax		(d)	1,008,817	1,008,817	-
Net income/(loss)	32,203,462		(12,866,270)	19,337,192	17,521,563
Income (loss) per share					
Basic	0.11			0.07	0.07
Diluted	0.09			0.05	0.06

(a)The Company entered into certain silver put options and gold put options to hedge commodity price risks. The Company recorded a fair value measurement loss of $11,704,025 for nine months ended September 30, 2012.

(b) The Company adjusted the Silver Note to $690,231 as at September 30, 2012 based on updated forecast silver prices and time values, resulting in fair value measurement loss of $514,062 for nine months ended September 30, 2012.

(c) The Company recorded a fair value expense related to financing warrants of $1,657,000 for nine months ended September 30, 2012.

(d) The Company recorded a deferred tax asset of $1,008,817 for nine months ended September 30, 2012.

1.4 RESULTS OF OPERATIONS

Three Months Ended September 30, 2012 compared to Three Months Ended September 30, 2011

During the three months ended September 30, 2012, the Company recorded net income of $9,011,008 (net of mark-to-market adjustments of $4,713,133, fair value expense related to financing warrants of $1,657,000 and deferred tax expense of $709,740) compared to net income of $13,177,845 during the three months ended September 30, 2011. The lower net profit in the third quarter of 2012 was principally due to current tax expense of $2,919,833, negative mark-to-market adjustments of $4,713,133 and fair value expense of $1,657,000 related to financing warrants. Mandalay delivered EBITDA of $ 23,399,401 for the quarter ended September 30, 2012, compared to $10,968,335 in quarter ended September 30, 2011. The higher EBITDA was mainly due to greater metal volumes produced and shipped from both operations with less than a proportional increase in cost of sales.

Administrative expenses for the quarter ended September 30, 2012, were $5,449,141 compared to $2,717,270 during the quarter ended September 30, 2011. The main components of administration expenses in third quarter of 2012 were $1,206,099 at Costerfield, $1,409,911 at Cerro Bayo, and $2,833,130 at Corporate. By comparison, in the third quarter of 2011, administration expenses were $876,387 at Costerfield, $1,124,740 at Cerro Bayo and $716,143 at Corporate. The increase in administration costs from the third quarter of 2011 to the third quarter of 2012 is mainly because of the mining and operational ramp-up at Costerfield and Cerro Bayo and the fair value expense of $1,657,000 related to financing warrants at Corporate.

The Corporate portion of the administrative expenses consisted of $365,039 in management fees, $129,481 in audit and internal review fees, $129,971 in travel expenditure, $82,928 in legal and accounting fees, $147,633 in investor relations and transfer agent and filing fees, $1,809,549 in consulting fees ($1,657,000 is for financing warrants liability recognized in current quarter) and $116,400 in general administrative expenses comprising of $112,380 for GST receivable write off.

Capital expenditures in the third quarter of 2012, including capitalized depreciation, were $11,525,721. Of this, $6,992,899 was spent at Cerro Bayo, 4,257,304 was spent at Costerfield, $239,366 was spent at La Quebrada, and $36,152 was spent for corporate purposes. By comparison, capital expenditures in the third quarter of 2011 totaled $7,721,049. The increase in capital spending in the third quarter of 2012 relative to 2011 is the result of increasing capital development rates at both mines, purchases of new mining equipment, and increasing exploration drilling rate.

Costerfield Results, Production, Sales, and Costs for the Three Months Ended September 30, 2012

Costerfield generated record revenue of $13,402,803 for the quarter ended September 30, 2012. Earnings from mine operations before depreciation and depletion were $5,962,037 and EBITDA was $4,755,938. Consolidated income after fair value adjustments and deferred tax income was $1,397,599. These are all significantly better results than in the year-ago quarter due to the success of the 24:7 mining schedule, the new mining mobile equipment, and the Cemented Rock Fill mining method, all introduced in the fourth quarter of 2011 and refined since then.

Costerfield financial results

	Quarter ended September 30, 2012 $	Quarter ended September 30, 2011 $
Revenue	13,402,803	8,761,623
Cost of sales	7,440,766	6,805,141
Earnings from mine operations before depreciation and depletion	5,962,037	1,956,482
Depreciation and depletion	1,431,463	1,510,979
Income from mine operations	4,530,574	445,503
Administration	1,206,099	876,387
EBITDA	4,755,938	1,080,095
Finance costs, fx and others*	467,727	896,538
Income/(loss) before tax	2,856,748	(1,327,422)
Current tax expense	-	-
Deferred tax income (expense)	(1,459,149)	-
Net income/(loss) after tax	1,397,599	(1,327,422)
Capital expenditure**	4,257,304	2,395,588

*Others includes such items as mark to market derivative adjustments, write off of mineral properties, exploration and evaluation, share based compensation and gain/loss on disposal of properties, if any.

** Capital expenditure includes additions net of retirement carrying amounts due to disposals. It also includes capitalized depreciation on equipment.

Costerfield operating statistics

The following table summarizes certain aspects of production, sales, costs and capital investment activities at Costerfield during the nine months ended September 30, 2012, nine months ended September 30, 2011 three months ended September 30, 2012, three months ended September 30, 2011, three months ended June 30, 2012 and three months ended March 31, 2012.

	Unit	Nine months ended September 30, 2012	Nine months ended September 30, 2011	Three months ended September 30, 2012	Three months ended September 30, 2011	Three months ended June 30, 2012	Three months ended March 31, 2012
Mining Production and Mining Cost							
Operating development	m	3,964	3,133	1,370	1,102	1,335	1,259
Mined ore	t	69,167	49,133	25,360	17,433	24,714	19,093
Ore mined Au grade	g/t	8.30	5.90	8.24	4.24	8.34	8.45
Ore mined Sb grade	%	4.57	4.04	4.53	2.67	4.77	4.39
Mined contained Au	oz	18,448	9,320	6,636	2,377	6,625	5,188
Mined contained Sb	t	3,163	1,983	1,146	465	1,179	838
Mining cost per tonne ore	$/t	297	261	297	288	261	342
Processing and Processing Cost							
Processed ore	t	62,271	55,629	23,112	18,089	20,812	18,348
Mill head grade Au	g/t	8.08	7.30	7.59	4.83	8.33	8.41
Mill head grade Sb	%	4.45	3.72	4.22	2.51	4.77	4.39
Recovery Au	%	89.33	85.79	89.68	83.96	89.55	88.62
Recovery Sb	%	96.26	91.72	96.42	92.95	96.49	95.78
Concentrate produced	dry t	4,915	3,693	1,713	792	1,755	1,447
Concentrate grade Au	g/t	91.26	93.43	92.57	92.58	88.52	93.03
Concentrate grade Sb	%	54.14	51.42	54.58	53.34	54.53	53.15
Saleable Au produced	oz	12,129	9,441	4,317	2,057	4,122	3,690
Saleable Sb produced	t	1,695	1,230	594	305	612	489
Saleable Au equivalent produced	oz	25,536	22,121	8,906	4,887	9,273	7,356
Processing cost per tonne ore	$/t	69.38	82.00	71.35	72.64	66.39	70.35
Sales							
Concentrate sold	dry t	4,597	3,653	1,526	812	1,749	1,322
Concentrate Au grade	g/t	91.44	94.63	93.67	93.45	87.53	94.03
Concentrate Sb grade	%	53.90	50.96	54.12	53.58	54.29	53.13
Au sold	oz	11,343	10,078	3,896	2,108	4,063	3,384
Sb sold	t	1,586	1,187	528	279	608	450
Benchmark Unit Cost							
Site cash operating cost/ tonne ore processed	$/t	479.97	386.00	480.99	434.68	452.59	509.76
Site cash operating cost/tonne concentrate produced	$/t	6,081	5,810	6,490	9,926	5,368	6,462
EBITDA/tonne ore milled	$/t	198	212	206	60	247	133
EBITDA/tonne concentrate produced	$/t	2,513	3,190	2,777	1,364	2,932	1,686
Cash cost per oz Au equivalent produced[1]	$/oz	1,208.18	1,004.00	1,292.92	1,645.55	1,052.44	1,300.71
Capital Spending							
Capital development	m	1,248	682	516	177	427	305
Capital development cost	$000	5,915	4,014	2,086	1,684	1,842	1,987
Capital development cost/meter	$/m	4,741	5,887	4,043	9,536	4,317	6,513
Capital purchases	$000	6,021	2,153	664	(77)	2,704	2,653
Capitalized exploration	$000	3,821	2,131	1,507	788	1,249	1,065

[1]The cash cost per ounce of gold equivalent produced is a non IFRS performance measure that is included in this MD&A because this statistics 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 antimony realized price divided by the gold realized price. The total cash operating cost associated with the production of these equivalent ounces

produced in the period is then divided by the equivalent gold ounces produced to yield the cash cost per equivalent ounce produced. Variations between the produced ounces and sold ounces in a reporting period are purely the result of the timing of shipments to customers.

Three months ended September 30, 2012 and September 30, 2011:

The Costerfield mine completed 1,370 m of operating development in 2012 versus 1,102 m in 2011. It produced more ore at higher grade in 2012 than in 2011: 25,360 t containing 8.24 g/t Au and 4.53% Sb versus 17,433 t containing 4.24 g/t Au and 2.67% Sb. Mining costs were $297/t, nearly the same as the $288/t in the previous year.

Capital development advance increased dramatically from 177 m in 2011 to 516 in 2012, while the cost decreased from $9,536/m to $4,043/m.

In the third quarter of 2012, the Costerfield concentrator processed 23,112 t of ore containing 7.59 g/t Au and 4.22% Sb. This is significantly more tonnes at much higher grade than it processed in the corresponding period of 2011: 18,089 t with grades of 4.83 g/t Au and 2.51% Sb. The plant achieved higher recoveries in 2012 as well: 89.68% for gold and 96.42% for antimony in 2012 against 83.96% for gold and 92.95% for antimony in 2011.

The improved throughput, head grades, and recovery led to significantly higher payable metal production in the third quarter of 2012 than in the year-ago period: 4,317 oz Au and 594 t Sb versus 2,057 oz Au and 305 t Sb. Processing costs in 2012 were $71.35/t, slightly lower than the $73/t incurred during the year-ago period.

Site cash operating cost per tonne of ore processed was $481/t in the third quarter of 2012, compared to $435/t in the third quarter of 2011. However, the greater metal production in the third quarter of 2012 led to a lower cost per gold equivalent ounce produced: $1,293/oz as compared to $1,646/oz. The Company expects the unit cash costs to further improve in the fourth quarter of 2012 as stockpiled mined ore is processed and metal recovered, and then be sustained at the improved levels as the mine and plant operate through 2013 at a rate of 9,000-10,000 tpm.

During the third quarter of 2012, the Company invested $2,086,421 in capital development, $1,507,181 in exploration, and $663,702 in property, plant and equipment. The corresponding amounts for the year-ago quarter were $1,684,000, $788,000, and ($77,000),respectively.

Nine months ended September 30, 2012 and September 30, 2011

The Costerfield mine completed 3,964 m of operating development versus 3,133 m in the year-ago period. It produced 69,167 t of ore containing 8.3 g/t Au and 4.57% Sb in 2012 as compared to 49,133 t of ore containing 5.9 g/t Au and 4.04% Sb. Mining costs were $297/t in 2012 vs. $261/t in 2011. The increase in cost is mainly due to higher proportion of development vs. stoping ore in 2012 and increased water management costs, although the much higher grades in the current year resulted in significantly improved financial results.

As the capital development advance improved in the 2012 period to 1248 m from 682 m in 2011, the cost per metre declined to $4,741/m from $5,887/m. The Company believes that these improvements are sustainable going forward.

In the nine months ended September 30, 2012 , the Costerfield concentrator processed 62,271 t of ore containing 8.08 g/t Au and 4.45% Sb. This is a significant gain relative to the corresponding year-ago throughput of 55,629 t of ore containing 7.30 g/t Au and 3.72% Sb. As well, the plant achieved higher recoveries in the 2012 period than in the 2011 period: 89.33% recovery of gold and 96.26% recovery of antimony in as against 85.79% recovery of gold and 91.72% recovery of antimony. The improved tonnages, head grades, and recoveries in 2012 led to greater saleable metal production in 2012 Concentrate production was 4,915 dry metric tonnes ("dmt") containing 1,695 t of saleable antimony and 12,129 oz of saleable gold in 2012 versus 3,693 dry metric tonnes ("dmt") containing 1,230t of antimony and 9,441 oz of gold for nine months of 2011. Processing costs were lower in 2012 than in 2011 as well: $69.38/t versus $82/t.

Site cash operating cost per tonne of ore processed was $480/t in 2012 versus $386/t in 2011. The higher operating costs led to a higher cost per gold equivalent ounce produced in 2012 ($1,208/oz) as compared to 2011 ($1,004/oz). However, the higher volumes of saleable metal in the 2012 led to much improved revenue, EBITDA, and net income. The Company expects unit cash costs to improve as the impact of higher plant throughput going forward (more tonnes) is divided into relatively well-controlled total costs.

During the nine months ended September 30, 2012, the Company invested $5,914,705 in capital development, $3,820,829 in exploration, and $6,020,924 in property, plant and equipment. The corresponding amounts for 2011 were $4,014,000 for capital development, $2,131,000 for exploration and $2,153,000 for property, plant and equipment.

Cerro Bayo Results, Production, Sales and Costs for the Three Months Ended September 30, 2012

Cerro Bayo generated record revenue of $35,444,827 for the quarter ended September 30, 2012. Earnings from mine operations before depreciation and depletion were $22,886,505 and EBITDA was $21,476,594. Consolidated income after fair value adjustments and deferred tax income was $11,387,406.

Cerro Bayo financial results

	Quarter ended September 30, 2012 $	Quarter ended September 30, 2011 $
Revenue	35,444,827	18,199,161
Cost of sales	12,558,322	6,470,038
Earnings from mine operations before depreciation and depletion	22,886,505	11,729,123
Depreciation and depletion	3,322,352	1,914,492
Income from mine operations	19,564,154	9,814,631
Administration	1,409,911	1,124,740
EBITDA	21,476,594	10,604,383
Finance costs, fx and others*	4,596,413	222,118
Income/(loss) before tax	13,557,830	8,467,773
Current tax expense	(2,919,833)	-
Deferred tax income (expense)	749,409	-
Net income/(loss) after tax	11,387,406	8,467,773
Capital expenditure**	6,992,899	4,995,560

*Others includes such items as mark to market derivative adjustments, write off of mineral properties, exploration and evaluation, share based compensation and gain/loss on disposal of properties, if any.

**Capital expenditure includes additions net of retirement carrying amounts due to disposals. It also includes capitalized depreciation on equipment.

Cerro Bayo operating statistics

The following table summarizes certain aspects of production, sales, costs and capital investment activities at Cerro Bayo during the nine months ended September 30, 2012, nine months ended September 30, 2011 three months ended September 30, 2012, three months ended September 30, 2011, three months ended June 30, 2012 and three months ended March 31, 2012.

	Unit	Nine months ended September 30, 2012	Nine months ended September 30, 2011	Three months ended September 30, 2012	Three months ended September 30, 2011	Three months ended June 30, 2012	Three months ended March 31, 2012
Mining Production and Mining Cost							
Operating development	m	6,773	3,264	2,479	1,104	2,375	1,919
Mined ore	t	254,401	131,642	94,629	54,299	86,112	73,660
Ore mined Au grade	g/t	1.69	1.05	1.66	1.11	2.08	1.26
Ore mined Ag grade	g/t	276.51	228.34	276.33	225.86	305.34	243.02
Mined contained Au	oz	13,826	4,460	5,061	1,929	5,771	2,993
Mined contained Ag	oz	2,261,607	966,417	840,719	394,302	845,351	575,536
Mining cost per tonne ore	$/t	58.27	59.00	58.42	60.29	56.87	59.72
Processing and Processing Cost							
Processed ore	t	255,016	193,351	97,125	78,643	98,914	58,976
Mill head grade Au	g/t	1.69	0.95	1.67	0.95	1.87	1.41
Mill head grade Ag	g/t	276.22	181.06	275.66	172.05	295.56	244.69
Recovery Au	%	87.27	84.13	88.12	82.39	87.96	84.70
Recovery Ag	%	89.63	85.60	90.25	84.27	89.64	88.59
Concentrate produced	dry t	5,451	2,976	2,128	700	2,274	1,049
Concentrate grade Au	g/t	68.25	47.34	67.11	69.63	70.84	64.95
Concentrate grade Ag	g/t	11,460.08	9,530.35	11,381.01	13,314.47	11,395.32	11,760.88
Saleable Au produced	oz	12,069	4,569	4,787	1,567	5,093	2,190
Saleable Ag produced	oz	2,016,373	923,369	804,779	299,679	814,970	396,624
Saleable Au equivalent produced	oz	48,867	26,792	19,300	8,508	19,936	9,631
Processing Cost per tonne ore	$/t	26.05	29.00	24.70	28.30	25.41	29.35
Sales							
Concentrate sold	dry t	5,249	2,341	2,277	1,089	2,376	595
Concentrate Au grade	g/t	68.35	44.18	69.10	50.47	67.35	69.46
Concentrate Ag grade	g/t	11,554.80	9,878.18	11,395.17	11,180.13	11,636.95	11,837.36
Au sold	oz	11,148	3,191	4,904	1,690	4,960	1,284
Ag sold	oz	1,875,235	715,851	803,810	376,409	853,364	218,060
Benchmark Unit Cost							
Site cash operating cost/ tonne ore processed	$/t	103	85	101	84	90	128
Site cash operating cost/tonne concentrate produced	$/t	4,808	5,533	4,595	9,485	3,909	7,189
EBITDA/tonne ore milled	$/t	172	99	221	135	180	77
EBITDA/tonne concentrate produced	$/t	8,048	6,451	10,093	15,148	7,838	4,353
Cash cost per oz Ag produced net of Au byproduct credit[1]	$/oz	5.90	12.65	5.00	17.51	4.12	11.45
Capital Spending							
Capital development	m	1,504	2,049	503	805	542	459
Capital development cost	$000	9,103	7,802	2,946	2,706	2,921	3,235
Capital development cost/meter	$/m	6,053	3,807	5,854	3,364	5,393	7,049
Capital purchases	$000	5,106	1,890	2,831	352	1,213	1,061
Capitalized exploration	$000	3,105	3,204	1,215	1,937	1,299	591

[1]The cash cost per ounce of silver produced net of gold byproduct credit is a non IFRS performance measures that is included in this MD&A 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.

Three months ended September 30, 2012 and three months ended September 30, 2011:

The Cerro Bayo mine produced 94,629 t in the 2012 period versus 54,299 t of ore in the year-ago period. This represents an average of 1,050 t/day, clearly reflecting as-planned implementation of the ramp-up. Mined ore grades increased from the year-ago period to the current period: 1.66 g/t Au and 276 g/t Ag in the third quarter of 2012 versus 1.11g/t Au and 226g/t Ag in the third quarter of 2011. In addition, mine development rates increased: 2,479 m of operating development were completed in the 2012 period versus 1,104 m in the year-ago comparable period. Mining cost per tonne in the third quarter of 2012 was $58.42/t versus $60.00/t in the third quarter of 2011.

During the third quarter of 2012, the Cerro Bayo concentrator processed 97,125 t of ore containing 275.66 g/t silver and 1.67 g/t gold as compared to 78,643 t of ore with grades of 172.05 g/t silver and 0.95 g/t gold in the third quarter of 2011. The plant achieved significantly better recoveries of metal to concentrate in the current period than in the year-ago comparable period: 88.12% recovery of gold and 90.25% recovery of silver versus 82.39% of gold and 84.27% of silver. Cerro Bayo produced 2,128 dmt of concentrate containing 804,779 oz of saleable silver and 4,787 oz of saleable gold in the third quarter of 2012, as compared to 700 dmt of concentrate containing 299,679 oz of saleable silver and 1,567 oz of saleable gold in the comparable 2011 period. Processing costs during the third quarter of 2012 were $24.70/t, lower than the $29.00 /t incurred in the third quarter of 2011.

During the third quarter of 2012, Cerro Bayo sold 2,277 dmt of concentrate, containing 4,904 oz of saleable gold and 803,810 oz of saleable silver. Sales during the third quarter of 2011, were 1,089 dmt of concentrate, containing 1,690 oz of saleable gold and 376,409 oz of saleable silver.

Site cash operating cost per tonne of ore processed was $100.68/t in the third quarter of 2012, versus $84.00/t in the third quarter of 2011. Cash cost per ounce silver produced net of gold by-product was $5.00/oz in the third quarter of 2012, significantly lower than the $17.51/oz in the third quarter of 2011, mainly due to higher production as the ramp-up proceeded.

During the third quarter of 2012, the Company invested $2,946,488 in mine development versus $2,706,270 in 2011. The Company spent $2,831,397 for purchase of property, plant and equipment in 2012 versus $352,393 in 2011. It spent $1,215,014 on exploration versus 1,936,897 in the third quarter of 2011.

Nine months ended September 30, 2012 and nine months ended September 30, 2011:

Cerro Bayo mine produced 254,401 t of ore in 2012 versus 131,642 t in 2011. This represents an average of 942 tpd in 2012 versus 488 tpd in 2011. In addition, the mine completed 6,773 m of operating development in 2012 versus 3,264 m in the corresponding year-ago period.. Gold and silver grades were 1.69 g/t Au and 276.51 g/t Ag for nine months ended September30,2012 versus 1.05g/t Au and 228.34 g/t Ag for nine months ended 2011. Mining cost per tonne in 2012 was $58.27/t, essentially unchanged compared to the $59/t for the nine months ended September 30, 2011.

During the nine months ended September 30, 2012, the Cerro Bayo concentrator processed 255,016 t of ore with grades of 276.22 g/t silver and 1.69 g/t gold. During the nine months ended September 30, 2011, the concentrator processed 193,351 t of ore with grades of 181.06 g/t silver and 0.95 g/t gold. The plant achieved 87.27% recovery of gold and 89.63% recovery of silver in 2012 versus 84.13% of gold and 85.60% of silver in 2011. Cerro Bayo produced of 5,451 dmt of concentrate containing 2,016,373 oz of saleable silver and 12,069 oz of saleable gold in 2012. Production for the year-ago period was 2,976 dmt of concentrate containing 923,369 oz of saleable silver and 4,569 oz of saleable gold. Processing costs for the nine months ended September 30, 2012 were $26.05/t versus $29/t during the nine months ended September 30, 2011.

During the nine months ended September 30,2012, Cerro Bayo sold 5,249 dmt of concentrate, containing 11,148 oz of saleable gold and 1,875,235 oz of saleable silver. Sales during the nine months ended September 30, 2011 were 2,341 dmt of concentrate, containing 3,191 oz of saleable gold and 715,851 oz of saleable silver.

Site cash operating cost per tonne of ore processed was $102.78/t for nine months ended September30, 2012, versus $85/t for the nine months of 2011. Cash cost per ounce silver produced net of gold by-product was $5.90/oz in 2012, lower than the $12.65/oz for nine months ended September 30, 2011.

During the nine months ended September 30, 2012, the Company invested $9,103,075 in capital mine development versus $7,802,000 in 2011; $5,105,970 for purchase of property, plant and equipment versus $1,890,000; and $3,104,869 versus $3,240,000 for exploration.

La Quebrada

Spending on exploration at La Quebrada was $282,234 during the third quarter. During the third quarter of 2012, work continued on scoping-stage metallurgical and engineering studies.

Markets - Currency Exchange Rates

The average currency exchange rates for the reporting period are summarized in the table below. During the reporting period, the Company did not enter any hedging arrangements for currency exchange rates.

Currency	Average rate July 1, 2012 September 30, 2012	Average rate January 1, 2012 September 30, 2012	Average rate July 1, 2011 September 30, 2011	Average rate January 1, 2011 December 31, 2011
1A$ = C$	1.0343	1.0371	1.0279	1.0206
1A$ = US$	1.0393	1.0350	1.0488	1.0325
1 US$ = C$	0.9954	1.0023	0.9807	0.9891
1 US$ = Chilean Peso	482.04	489.00	472.57	483.63

Markets—Commodity Prices

The average market and realized commodity prices for the reporting period are summarized in the table below. Market gold, silver and antimony prices decreased in the third quarter of 2012 relative to the third quarter of 2011.

COMMODITY	Average rate July 1, 2012 September 30, 2012	Average rate January 1, 2012 September 30, 2012	Average price July 1, 2011- September 30, 2011	Average price Janaury 1, 2011 December 31, 2011
Gold US$/Oz - Realized[1]	1,730	1,658	1,814	1,622
Gold- US$/Oz. Average London Daily PM close (Metal Bulletin)	1,654	1,651	1,700	1,572
Realized antimony US$/Tonne[1]	12,918	12,795.15	17,326	15,252
Antimony US$/Tonne- Rotterdam Warehouse (Metal Bulletin)	12,784	13,022.99	14,931	14,976
Realized silver price US$/oz	33	31	40	35
Silver US$/oz Average London Daily PM close	30	30.59	39	35

[1]Includes the effect of prior period smelter revenue adjustment on sales revenue and realized prices for the period.

1.5 SUMMARY OF QUARTERLY RESULTS

The following information is derived from the Company's quarterly financial statements for the past eight quarters.

Particulars	September 30, 2012 $	June 30, 2012 $	March 31, 2012 $	December 31, 2011 $
Revenue	48,847,630	46,538,713	20,719,516	24,233,020
Income/(Loss)	9,011,008	19,246,828	(8,920,644)	955,754
Income/(Loss) per Share	0.03	0.07	(0.03)	0.00

Particulars	September 30, 2011 $	June 30, 2011 $	March 31, 2011 $	December 31, 2010 $
Revenue	26,960,784	24,360,995	16,609,053	8,322,097
Income/(Loss)	13,177,845	1,936,478	2,407,240	1,740,990
Income/(Loss) per Share	0.05	0.01	0.01	0.01

Since the acquisition of the Costerfield mine in December, 2009, and of the Cerro Bayo mine in August, 2010, the Company's results have been, and are expected to continue to be, influenced by the operational results of the Costerfield and Cerro Bayo mines and the mark to market adjustments of the Company's silver and gold price protection program. These results are impacted by the levels of gold, silver and antimony production, the costs associated with that production and the prices received for metal in concentrate and the quantity and value of any outstanding silver or gold puts that the Company has purchased to provide price insurance for future periods. Metal prices are determined prevailing international prices for gold, silver and antimony. The Company's products are sold in U.S. dollars, whereas the majority of mine costs are in Australian dollars (at Costerfield) and Chilean pesos (at Cero Bayo). The Company's results will be impacted by exchange rate variations during the reporting periods.

The general trend of increasing revenue from the quarter ended September 30, 2010, to the quarter ended September 30, 2012, represents the ramp-up of Costerfield production under Mandalay ownership and the acquisition, restart, and ramp-up of the Cerro Bayo mine. Volatility in earnings over the last four quarters is largely due to the changes in value of the unexpired portion of the Company's gold and silver puts. The Company expects this volatility to decline in the future as the balances of the silver and gold puts expire in 2012.

1.6 LIQUIDITY, SOLVENCYAND USES OF CASH

At September 30, 2012, the Company had working capital of $28,394,140 compared to $28,178,485 at December 31, 2011. The Company had cash and cash equivalents of $6,447,544 at the end of the September 30, 2012 as compared to $12,741,454 at December 31, 2011.

In the future, the Company expects to fund operational requirements through a combination of internally generated cash flow, joint venture arrangements for its projects, debt offerings and equity financing.

In the opinion of management, the Company's working capital at September 30, 2012, together with cash flows from operations, will be sufficient to support the Company's normal operating requirements through 2012. The Company continuously reviews operational results, expenditures and additional financial opportunities in order to ensure adequate liquidity and flexibility to support its growth strategy while maintaining or increasing production levels at its current operations.

1.7 CONTRACTUAL COMMITMENTS AND CONTINGENCIES

As at September 30, 2012, the Company has a Silver Note payable to Coeur D'Alene Mines Corporation in the U.S. dollar equivalent amount of 20,333 ounces of silver due in one installment at the end of the fourth quarter, 2012.

In December, 2010, the Company entered into a loan agreement with Sprott Resource Lending Partnership ("Sprott") in the amount of $10,054,000 (C$10,000,000) bearing interest at a rate of 11% and maturing on December 17, 2012. The loan was secured by certain assets of the Company. The Company drew down the first tranche of the loan of C$5,000,000 by December 31, 2010, net of the arrangement fee of $100,540 (C$100,000). The Company also issued 1,885,938 common shares to Sprott and incurred $467,266 in loan issue costs. These transaction costs are netted against the loan balance. The Company was required to prepay portions of the loan upon certain financing transactions occurring prior to maturity of the loan. In February, 2011, the Company drew down the second tranche of the loan of $5,027,000(C$5,000,000). On this second tranche, the Company incurred $757,086 (C$734,038) in loan issue costs. The loan was fully repaid in June, 2012.

On May 30, 2012, the Company and the Bank of Montreal ("BMO") entered into a one-year revolving corporate loan facility (the "Corporate Facility") for $20 million. The Corporate Facility is for general corporate purposes, including working capital, capital expenditures and certain specified acquisitions. It is subject to an interest rate based on the lender's borrowing cost (LIBOR etc.) plus a variable margin of between 2.25% and 3.25%. Unused credit facility balances are subject to a standby fee at the rate of 0.8%. The Corporate Facility is secured by all of the Company's assets. The Company incurred transaction costs of $157,828 for the arrangement of the Corporate Facility. On June 8, 2012, the Company drew down $5 million of the Corporate Facility to repay a portion of the Sprott loan. On July 12, 2012, the Company further drew down $3 million of the Corporate Facility to repay equipment loans. On September 30, 2012, Company fully repaid the BMO loan amount.

In March, 2012, Cerro Bayo borrowed $1,000,100 from Banco Credito Inversiones ("BCI").The loan was non-secured, with an interest rate of 3.68% and matured at on May 29, 2012.The Company repaid this loan in full at maturity.

Repayments of borrowings required in each of the next four years are as follows:

	Equipment loans	Silver Contract	Total
	$	$	$
2012 (3 months)	61,104	690,232	751,336
2013	161,822	-	161,822
2014	32,791	-	32,791
2015	-	-	-
Total	255,717	690,232	945,949

1.8 OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

1.9 TRANSACTIONS WITH RELATED PARTIES

As of September 30, 2012, the Company had no related party transactions.

1.10 PROPOSED TRANSACTIONS

None.

1.11 CRITICAL ACCOUNTING POLICIES

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Significant estimates used in the preparation of these consolidated financial statements include, but are not limited to, the recoverability of trade and other receivables, measurement of revenue and trade receivables, the proven and probable ore reserves and resources of mining properties and the related depletion and amortization amounts, the estimated tonnes of waste material to be mined and the estimated recoverable tonnes of ore from each mine area, the assumptions used in the accounting for stock-based compensation, valuation of warrants, the provision for income and mining taxes and composition of future income and mining tax assets and liabilities, the expected economic lives of and the estimated future operating results and net cash flows from mining interests, the anticipated costs of reclamation and other closure cost obligations, the fair value measurement of derivative financial instruments and silver note, and the fair value of assets and liabilities acquired in business combinations.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue from the sale of metals is recognized when all of the following conditions are satisfied:

- the significant risks and rewards of ownership have been transferred to the purchaser;
- the Company does not retain continuing managerial involvement to the degree usually associated with ownership or effective control over the metals sold;
- the amount of revenue can be measured reliably;

- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the sale can be measured reliably.

Sales of certain commodities are provisionally priced such that the price is not settled until apre-determined future date based on the market price at that time. Revenue on these sales is initially recognized (when the above criteria are met) at the current market price. Provisionally priced sales are marked to market at each reporting date using the forward price for the period equivalent to that outlined in the contract. This mark to market adjustment is recognized in revenue.

Inventories

Finished goods, work-in-process and stockpiled ore are valued at the lower of average production cost or net realizable value. Production costs include the cost of raw materials, direct labor, mine-site overhead expenses and depreciation and depletion of mining interests. Net realizable value is calculated as the estimated price at the time of sale based on prevailing and long-term metal prices less estimated future production costs to convert the inventories into saleable form.

Work in-process inventory represents materials that are currently in the process of being converted into finished goods. The average production cost of finished goods represents the average cost of work in-process inventories incurred prior to the refining process, plus applicable refining costs and associated royalties.

Supplies are valued at the lower of average cost and net realizable value.

The estimates and assumptions used in the measurement of work-in-process inventories include saleable ounces of gold, silver and antimony and the gold, silver and antimony prices to be realized when the metal is sold. If these estimates or assumptions prove to be inaccurate, the Company could be required to write down the carrying amounts of its work-in-process inventories, which would reduce the Company’s earnings and working capital.

Property, plant and equipment

Exploration and Evaluation

Once a license to explore an area has been secured, expenditures on exploration and evaluation activities are capitalized within property, plant and equipment.

The Company records its capitalized exploration and evaluation at cost. The capitalized cost is based on cash and the value of share considerations paid for the property and exploration costs incurred on the property. The recorded amount may not reflect recoverable values as this will be dependent on the results of exploration and development program, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

All costs related to the acquisition, exploration and evaluation of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are moved into development or production, sold, or management has determined there to be an impairment of the value.

Management reviews the carrying value of capitalized exploration and evaluation costs at least annually. In the case of undeveloped projects, there may be only inferred resources to form a basis for the impairment review. The review is based on a status report regarding the Company's intentions for development of the undeveloped property. In some cases, the undeveloped properties are regarded as successors to ore bodies currently in production. Where this is the case, it is intended that these will be developed and be put into production when the current source of ore is exhausted or to replace the reduced output.

Once an economically viable reserve has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to mining interests within property, plant and equipment.

Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a project does not prove viable, all unrecoverable costs associated with the project are written off.

Mining Interests

Mining interests represent capitalized expenditures related to the development of mining properties, acquisition costs, capitalized borrowing costs, expenditures related to exploration and evaluation transferred in and estimated site closure and reclamation costs.

Capitalized costs are depleted using the unit-of-production method over the estimated economic life of the mine to which they relate.

Plant and equipment

Plant and equipment are recorded at cost less accumulated depreciation and impairment charges.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment.

Expenditures incurred to replace a component of an item of plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized. Directly attributable expenses incurred for major capital projects and site preparation are capitalized until the asset is brought to a working condition for its intended use. These costs include dismantling and site restoration costs to the extent these are recognized as a provision.

Depreciation

Mining interests are depreciated using the unit-of-production method based on the estimated total recoverable metal contained in proven and probable reserves at the related mine when the production level intended by management has been reached.

The production level intended by management is considered to be reached when operational commissioning of major mine and plant components is completed, operating results are being achieved consistently for a period of time and there are indicators that these operating results will be sustained. Other factors include one or more of the following:

- a significant utilization rate of plant capacity has been achieved;
- a significant portion of available funding is directed towards operating activities;
- a pre-determined, reasonable period of time of stable operation has passed; and
- A development project significant to the primary business objective of the Company has been completed and significant milestones have been achieved.

Management reviews the estimated useful lives, residual values and depreciation methods of the Company's property, plant and equipment at the end of each reporting period and when events and circumstances indicate that such a review should be made. Changes to estimated useful lives, residual values or depreciation methods resulting from such review are accounted for prospectively.

Plant and equipment cost is depreciated using the straight-line method or diminishing-balance method over their estimated useful lives if their lives are shorter than the mine life; otherwise they are depreciated on the unit- of-production basis.

The Company records a liability based on the best estimate of costs for site closure and reclamation activities that the Company is legally or constructively required to remediate. The liability is recognized at the time environmental disturbance occurs and the resulting costs are capitalized to the corresponding asset. The provision for site closure and reclamation liabilities is estimated using expected cash flows based on engineering and environmental reports prepared by third party industry specialists and discounted at a pre-tax rate specific to the liability. The capitalized amount is amortized on the same basis as the related asset. The liability is adjusted for the accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows. Significant judgments and estimates are involved in forming expectations of the amounts and timing of future closure and reclamation cash flows.

Changes in site closure and reclamation estimates are accounted for as a change in the corresponding capitalized cost.

Costs of rehabilitation projects for which a provision has been recorded are recorded directly against the provision as incurred, most of which are incurred at the end of the life of mine.

Reserve Estimates

The Company estimates its ore reserves and mineral resources based on information compiled by Qualified Persons as defined in accordance with Canadian Securities Administrators National Instrument 43-101 - Standards for Disclosure of Mineral Projects ("NI 43-101"). Reserves are used in the calculation of depreciation and amortization, impairment assessment, assessment of life of mine stripping ratios and for forecasting the timing of payment of mine closure, reclamation and rehabilitation costs.

There are numerous uncertainties inherent in estimating ore reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated.

Income taxes

The Company uses the liability method of accounting for income taxes. Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income and on the carry forward of tax losses and tax credit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

For subsidiaries, the Company recognizes a deferred tax asset for deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized. The Company recognizes a deferred tax liability for taxable temporary differences associated with investments in subsidiaries, except to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

1.12 FINANCIAL INSTRUMENTS

General

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, reclamation and other deposits, derivative financial instruments, trade and other payables and long-term debt. The Company also periodically uses financial instruments to protect itself against future downward fluctuations in the prices of gold, silver and antimony. See "Hedging Activities" below.

The Company has exposure to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth and shareholder returns. The Company has credit risk which is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations and arises principally from the Company's accounts receivable and derivative financial instruments. The Company closely monitors extensions of credit and has not experienced significant credit losses in the past. As at September 30, 2012, the Company had no past overdue trade receivables.

The Company invests its excess cash principally in highly rated government and corporate debt securities. The Company has established guidelines related to diversification, credit ratings and maturities that maintain safety and liquidity. These guidelines are periodically reviewed by the Company's audit committee and modified to reflect changes in market conditions.

The Company is subject to interest rate risk on its cash and cash equivalents and believes that the results of operations, financial position and cash flows would not be significantly affected by a sudden change in market interest rates relative to the investment interest rates due to the short term nature of the investments. Excess cash is invested in highly rated investment securities at fixed interest rates with varying terms to maturity but generally with maturities of three months or less from the date of purchase.

The Company reports its financial statements in U.S. dollars; however, the Company has extensive operations in the Australia and Chile. As a consequence, the financial results of the Company's operations as reported in U.S. dollars are subject to changes in the value of the U.S. dollar relative to the Australia dollar and Chilean peso. The Company does not currently enter into any foreign exchange hedges to limit exposure to exchange rate fluctuations. The Board of Directors assesses the Company's strategy towards its foreign exchange rate risk as needed, depending on market conditions.

Hedging Activities

The Company's earnings and cash flows are subject to price risk due to fluctuations in the market prices of gold and silver. World gold and silver prices have historically fluctuated widely. World gold and silver prices are affected by numerous factors beyond the Company's control, including:

- the strength of the U.S. economy and the economies of other industrialized and developing nations;
- global or regional political or economic crises;
- the relative strength of the U.S. dollar and other currencies;
- expectations with respect to the rate of inflation;
- interest rates;
- purchases and sales of gold and silver by central banks and other holders;
- demand for jewellery containing gold and silver; and
- investment activity, including speculation, in gold and silver as commodities.

The Company's earnings and cash flow are also subject to price risk due to the fluctuation in the price of antimony. The primary factors affecting the antimony price are the demand for flame retardant chemicals made from antimony and Chinese primary antimony production.

The Company occasionally purchases derivative financial instruments to protect itself against future downward fluctuations in the prices of gold and silver.

The financial reporting impact of these hedges under IFRS will potentially produce non-cash earnings volatility on a quarterly basis because IFRS require that these hedges be valued at fair value each quarter. In the third quarter of 2012, the mark-to-market loss on this hedge position was $4,393,918. It is not the Company's intent to trade these securities, but rather to hold them to maturity as price protection for its future revenues, earnings and cash flows.

1.13 OTHER MD&A REQUIREMENTS

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS

I. Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management, so that appropriate decisions can be made regarding public disclosure. During the second quarter of 2011, the Company finished implementing Sage AccPac Enterprise Resource Planning (ERP) software to strengthen internal control and reporting. Sage AccPac implementation combined with improvements in the monthly close process provides information to the senior management for appropriate decision making.

II. Internal Controls and Financial Reporting

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, are responsible for establishing and maintaining adequate internal control over financial reporting. The Company evaluated the design and operational effectiveness of its internal controls over financial reporting as defined under NI 52-109 for the quarter ended March 31, 2012. The Company's controls include policies and procedures that:

- relate to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of the Company's management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the annual financial statements or interim financial statements.

The Company's management, including its Chief Executive Officer and Chief Financial Officer, has evaluated the design and operational effectiveness of the Company's internal control over financial reporting using the framework and criteria established in Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission.

With the help of Sage AccPac ERP system that the Company implemented in 2011, the Company has been implementing complete segregation of duties. It has appointed KPMG to conduct an internal audit review of the Company. This is designed to further identify the gaps in internal control procedures and help create internal policy documents as necessary.

The table below is a summary of key internal control issues, their potential impact and the actions the Company is taking to remedy:

Internal control weakness	**Potential impact of the weakness on the issuer's financial reporting and its ICFR**	**Current plan or actions being undertaken for remediating the potential material weakness**
Complete segregation of duties	Accuracy and possible fraud	KPMG have completed the first review of Costerfield and Cerro Bayo operations and no material weaknesses were reported by them. The Company intends to further tighten internal controls processes in the interest of promoting continuous improvement.
Collusion	Financial loss to the Company	

III. Limitation of Controls and Procedures

The Company's management, including its Chief Executive Officer and Chief Financial Officer, believe that any disclosure controls and procedures or internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

1.14 OUTSTANDING SHARES

As of November 7, 2012, the Company had 319,112,567 common shares issued and outstanding. The weighted average number of shares outstanding during the third quarter used for the calculation of per share results was 317,003,125.

Outstanding incentive stock options that could result in the issuance of additional common shares at the respective dates as of the date of this MD&A are as follows:

Exercise Price CDN$	As of September 30, 2012	As of November 07, 2012	Expiry Date
0.83	4,092,500	4,092,500	Mar 9, 2017
0.76	450,000	450,000	Jul 4, 2016
0.70	490,000	490,000	Dec 2, 2016
0.58	470,000	470,000	Apr 11, 2016
0.56	3,965,000	3,965,000	Mar 11, 2016
0.50	150,000	150,000	Aug 21, 2013
0.50	80,000	-	Nov 1, 2012
0.42	90,000	90,000	Jan 25, 2016
0.335	100,000	100,000	Sep 16, 2015
0.33	300,000	300,000	Oct 6, 2015
0.31	50,000	50,000	Sep 7, 2015
0.26	1,502,500	1,502,500	Aug 26, 2015
0.255	5,344,586	5,084,586	Dec 7, 2014
Total	**17,084,586**	**16,744,586**	

During the quarter ended September 30, 2012, 27,500 stock options were cancelled, 10,000 stock options were forfeited and 112,500 options were exercised. There were 17,084,586 options outstanding as of September 30, 2012, which could result in issuance of shares.

Outstanding share purchase warrants that could result in the issuance of additional common shares as of September 30, 2012, and as of the date of this MD&A are as follows:

Exercise Price CDN$	As of September 30, 2012	As of November 07, 2012	Expiry Date
0.31	15,650,000	14,650,000	Nov 30, 2014
0.465	9,820,000	8,950,000	Nov 30, 2014
Total	**25,470,000**	**23,600,000**	

During the quarter ended September 30, 2012, the number of warrants exercised was 408,600and the Company received $145,372 (C$142,956) for the warrants exercised. As of July 4, 2012, 67,297,777 warrants were tendered to the Company's substantial issuer bid and the Company issued 35,795,052 common shares in exchange for the tendered warrants.

1.15 QUALIFIED PERSONS

Disclosures of a scientific or technical nature in this MD&A in respect of each of the Company's material mineral resource properties were prepared by, or under the supervision of, the "qualified persons" (as that term is defined in NI 43-101) listed below:

Project	Qualified Person	Relationship to Mandalay Resources
Costerfield	Chris Gregory	Employee
Cerro Bayo	Ronald Luethe	Employee
La Quebrada	Ronald Luethe	Employee

1.16 FORWARD LOOKING STATEMENTS

Certain statements contained in this document constitute "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressly stated or implied by such forward-looking statements. Such factors include, among others, the following: mining industry risks; fluctuations in the market price of mineral commodities; project development, expansion targets and operational delays; environmental risks and hazards; requirement of additional financing; health and safety; uncertainty as to calculations of mineral deposit estimates; marketability; licenses and permits; title matters; governmental regulation of the mining industry; current global financial conditions; currency risk; uninsured risks; competition; repatriation of earnings; properties without known mineral reserves; dependence upon key management personnel and executives; dependence on major customers; infrastructure; litigation; potential volatility of market price of common shares; possible conflicts of interest of directors and officers of the Company; risk of dilution; payment obligations relating to properties; instability of political and economic environments; and integration of acquisitions. Specific reference is made to the Annual Information Form for a discussion of some of the factors underlying forward-looking statements. 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, the reader is cautioned not to place undue reliance on forward-looking statements.