



Mandalay Resources Costerfield Operations Pty Ltd

2021 Modern Slavery Statement



A message from our CEO, Dominic Duffy:

“Mandalay Resources has always been committed to ensure fair and equal treatment of all employees granting benefits in line with industry standards within Australia and according to Australia laws. The company strives to use local employees, contractors and supplies wherever possible. Mandalay has and will continue to ensure that no employee within Mandalay Resources is subject to modern slavery.

Mandalay will also continue to ensure or direct suppliers are not associated to modern slavery and also commits to examining non-direct suppliers.”

This Modern Slavery Statement is made by Mandalay Resources Costerfield Operations Pty Ltd ACN 006 711 119 (**Costerfield, we or our**).

Costerfield is a narrow vein mining company operating in Costerfield, central Victoria. The

operation extracts gold (Au) and antimony (Sb), processing approximately 150,000 tonne of ore each year. Costerfield employs about 210 people and further engages 60 contractors who work at Costerfield.

Structure, operations and supply chains

Structure

Costerfield is wholly owned by Mandalay Resources Australia Pty ACN 005 482 815 (**MRA**). MRA is wholly owned by Mandalay Resources Corporation which is listed on the Toronto Stock Exchange (TSX). Costerfield does not control any entities. Costerfield's registered office is located at McNicols Lane, Costerfield, Australia, 3523.

Operations

Costerfield produces two products, Gold (Au) and Antimony (Sb). Costerfield operates predominantly in two physical locations, Brunswick & Augusta sites, which are roughly 1km apart and joined through underground mining. Costerfield sells concentrate products in Australia and globally. Costerfield processes around 140,000 tonnes of ore each year.

The Costerfield operation is located in Victoria, Australia, approximately 10 km northeast of the town of Heathcote, Victoria. Purchased in 2009 from AGD Mining Pty Ltd, Costerfield immediately restarted capital development. By 2013, through extensive improvements and investments in mining and processing methods, the processing plant's capacity was expanded to approximately 13,000 tonnes per month from 5,000.

The Augusta mine has been operational since 2006 and was the sole ore source for the Brunswick processing plant until December 2013, when ore production started from the Cuffley deposit located approximately 500 m to the north of the Augusta mine workings. The Brunswick deposit is being mined in conjunction with the Youle deposit, which produced its first ore in August 2019. Youle has been the main source of ore source since the third quarter of 2020.

The mining method employed is long-hole stoping with cemented rock fill. Ore is accessed by a primary spiral ramp, known as a decline. From the decline, horizontal development branches off in both directions of the deposit, at a minimum width of 1.8 m drives. Levels are then mined out on retreat with long hole stopes drilled. The stopes are subsequently backfilled with cemented rock fill to supply stability, reduce dilution, and allow for mining above and below developed levels.

Ore was once trucked on the surface from the Augusta mine portal to the Brunswick processing plant. However, during 2020 a portal to the Brunswick site was completed, linking the two sites underground. This enables ore to be trucked underground directly to the mill site, where it is stockpiled and blended into the processing circuit. The circuit includes primary mobile crusher, primary and secondary ball mills, flash cells rougher, scavenger, cleaner flotation, cavitation tube sparging, gravity circuit, and filtering. Gravity gold concentrate is sold to a refinery in Melbourne, Victoria, and gold-antimony flotation concentrate is trucked to the port of Melbourne and shipped to

one of two smelters in China, or a smelter in Oman.



Supply chain

Costerfield makes a concerted effort to acquire goods and services from local suppliers. Where possible, supplies are sourced from Australia, and wherever possible a local supplier is selected. Currently, Costerfield's suppliers range from those that have been with supplying Costerfield for many years to those who only come in to complete a task and are not used again.

Below is a list of the countries or regions where Costerfield's suppliers are located:

Country	Number of Suppliers
United States of America	1
United Kingdom	3
Singapore	1
Peru	1
New Zealand	1
Mexico	1
China	3
Canada	2
Australia	1,518
Total	1,531

Where possible, Costerfield engages local (regional Victorians) or Australian suppliers. Where an overseas supplier is used for the provision of goods or services, that supplier is deemed by Costerfield to be high risk, and thus Costerfield tries to arrange a face-to-face visit with that supplier to reduce, and address, risks of modern slavery.

Costerfield mainly procures goods required for mining including explosives, ground support materials, petrol, reagents, grinding material and components for equipment (i.e. truck and loader parts). Costerfield mainly procures services for mine related activities, including drilling, earth works, dust suppression and providing energy, and this is sourced locally.

Our modern slavery risks

Our People

Staff and contractors are engaged by Costerfield human resource representatives (i.e. this function is maintained in-house) and all legal requirements are met in respect of the engagement of workers. Given a large part of what Costerfield does relates to its significant workforce, Costerfield believes that this practice assists to minimise the risk of modern slavery. Very few workers are on VISA's and they are hired in specialist areas and subject to employment contracts that comply with all Australian laws. All Visa applications are overseen in house with the assistance of an immigration lawyer.

Our Suppliers

Costerfield's direct suppliers are mainly based in Australia. This Modern Slavery Statement primarily focuses on Costerfield's direct suppliers, however in future, Costerfield is committed to examining its indirect suppliers (i.e. the suppliers of its direct suppliers, and the source of components that form equipment and goods that it procures) to minimise risks in its supply chain.

Costerfield has identified the following risks of modern slavery practices in its operations and supply chains.

- Where Costerfield is unable to source goods or services from Australian suppliers, Costerfield seeks to obtain those goods or services from overseas. This inherently involves some risk.
- Costerfield currently has suppliers in countries with a higher level of vulnerability to modern slavery as set out below:

Country	Number of Suppliers	Level of Vulnerability ¹
United States of America	1	15.88/100
United Kingdom	3	11.13/100
Singapore	1	13.41/100

¹ <https://www.globallslaveryindex.org/2018/data/maps/#prevalence>

Country	Number of Suppliers	Level of Vulnerability ¹
Peru	1	44.28/100
New Zealand	1	1.91/100
Mexico	1	57.31/100
China	3	50.65/100
Canada	2	10.20/100
Australia	1,518	4.27/100
Total	1,531	

Where Costerfield engages suppliers from a jurisdiction with a higher level of vulnerability, Costerfield is seeking to undertake additional due diligence on those suppliers. Costerfield also attempts to travel to meet any international suppliers when they are on-boarded. This mitigation strategy has also been impacted by COVID-19.

Costerfield acknowledges it provides electronics (including computers, laptops and mobile phones) to its employees. Costerfield is reviewing its suppliers, and their supply chains to ensure any risks of modern slavery are mitigated, as Costerfield understands that there may be a higher risk of modern slavery in respect of such products.

Costerfield procures drilling and other equipment from an overseas supplier as this specialised equipment cannot be readily procured in Australia. Costerfield is conducting further due diligence enquiries in respect of this supplier in particular.

Actions taken to assess and address risk

During the 12 month reporting period we have taken initial steps to review our processes and assess and address risks in our supply chain. We now actively looking to reduce the impact of modern slavery, or any risk of modern slavery, in our operations and supply chain. Costerfield is committed to putting into place actions to address any identified risks.

The actions we took during this reporting period were:

- we undertook site visits when on-boarding major suppliers (including international suppliers, where possible);
- with the assistance of an external consultant, we undertook an initial risk assessment of our operations and supply chain and discussed ways to address those risks. We also set targets for more detailed risk analysis to be conducted in the near future;
- we have an existing set of policies and procedures that articulate our expectations of our team and suppliers that are reviewed regularly. This policy framework ensures that our team members and suppliers clearly understand our expectations;

We are also planning to implement the following processes going forward:

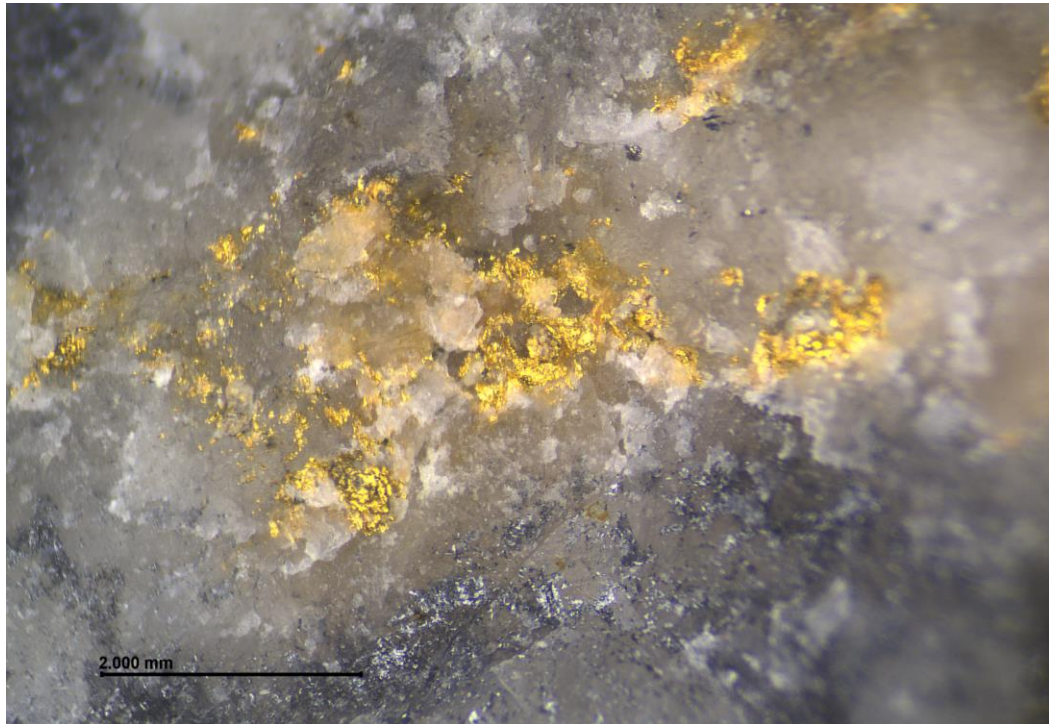
- Introduce staff education programs centred around modern slavery risks, ethical conduct and communication lines within the organisation if any concerns regarding modern slavery arise;
- Introduce supplier education programs;
- Continue to undertake site visits of local and Australian suppliers, and international suppliers, where possible;
- A targeted focus on high risk suppliers, for example suppliers in jurisdictions with a higher risk profile including in Peru and Mexico;
- Engage our suppliers in open dialogue about the risks of modern slavery in their supply chains;
- Review and update platforms and processes including:
 - reviewing and updating all contracts to include requirements for suppliers to comply with policies and procedures designed to address risks of modern slavery;
 - updating contractor management systems;
 - update our process for adding a new supplier;
 - updating and reviewing site induction processes; and
 - updating and reviewing training processes;
- Create a more comprehensive due diligence process (including due diligence checks) in relation to new as well as existing suppliers, especially in relation to high risk suppliers (being suppliers from origin countries identified as being at risk of modern slavery); and
- Review and improvement of existing policies and procedures, including the Costerfield supplier code of conduct, sourcing policies and grievance mechanisms. Costerfield will ensure it communicates changes to staff and suppliers and makes regular updates as the understanding of modern slavery risks evolves.

Remediation processes

Costerfield also has remediation processes in place through its existing whistle-blower hotline.

The next steps that Costerfield plans to take include:

- Costerfield is reviewing its internal processes to improve how employees may raise any concerns about modern slavery in addition to the whistle-blower hotline.
- Costerfield is considering implementing a Modern Slavery committee to address any staff concerns and proactively, and continually, make changes internally to prevent and address risks of modern slavery.



Assessing the effectiveness of our actions

Costerfield is determined to improve its response to modern slavery and wishes to identify, in a meaningful and measurable way, whether the actions it is taking have been effective.

COVID-19 had a significant impact on the progress of these matters, but a renewed focus on this assessment piece is now a priority.

Going forward, we intend to implement a number of measurable activities to determine the effectiveness of our actions. Our effectiveness will be reviewed through the following processes:

Activity	Measurement
Board oversight	Discussed at each board meeting
Contracts to address risks of modern slavery	All new or revised contracts will have provisions inserted with consideration to modern slavery
Policy Review	Complete policy review for all supplier related policies
Team Member Training	All Managers will be trained on the implications of Modern Slavery
Engagement with our high-risk suppliers	Create an education communication for our suppliers
	Drafting a supplier self-assessment questionnaire
	Continue to undertake supplier visits

Stop using suppliers with non-conformance

This statement was approved by the Board of Mandalay Resources Costerfield Operations Pty Ltd.

Signed,

A handwritten signature in blue ink, appearing to be 'Ryan Austerberry', written in a cursive style.

Ryan Austerberry

Director, Mandalay Resources Costerfield Operations Pty Ltd.

Dated: