



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 (**Statement**) is made under the *Modern Slavery Act 2018 (Cth)* (**Act**). It sets out the actions taken by Mandalay Resources Costerfield Operations Pty Limited ACN 006 711 119 ("**Costerfield**", "**us**", "**we**" or "**our**"), to assess and address modern slavery risks in our operations and supply chain during our financial year ending 31 December 2021.

Costerfield is committed to protecting and respecting our employees, customers, shareholders, supply chain workers and the local community. Central to our commitment is the adherence to ethical standards and integrity.

Structure, operations and supply chains

Structure

Costerfield is wholly owned by Mandalay Resources Australia Pty Limited ACN 005 482 815 (**MRA**). MRA is wholly owned by Mandalay Resources Corporation which is listed on the Toronto Stock Exchange (**TSX**). Costerfield is a reporting entity for the purposes of the Act. Costerfield does not own or control any other entities and this Statement is submitted on behalf of Costerfield as the only reporting entity. Costerfield's registered office is located at McNicols Lane, Costerfield, Australia, 3523.

Operations

Costerfield is a narrow vein mining company producing 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 employs approximately 237 full-time employees and processes around 150,000 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. In 2021, the Shepherd ore body was discovered which is positioned close to the Youle deposit. Mining of this body will commence in 2022.

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 engages with an expansive amount of suppliers making a concerted effort to acquire goods from local suppliers (Regional Victorians) or where it is not possible to acquire from local suppliers, from a broader range of Australian suppliers. Over 98% of Costerfield's supplies are sourced from Australia and a large portion of these suppliers are suppliers which Costerfield has been working with for many years.

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

Country	Number of Suppliers
United Kingdom	1
New Zealand	1
China	1
Canada	1
Peru	1
Australia	538
Total	543

We recognise that modern slavery risks can occur in both Australian and overseas operations. Where an overseas supplier is used for the provision of goods or services, Costerfield aims to arrange face-to-face visits with that supplier to reduce the risks of modern slavery and have a clear oversight throughout the supply chain.

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. Costerfield's operations are heavily reliant on their workforce. To minimise the risk of modern slavery, Costerfield ensures lawful working conditions and fair salaries are provided. The few workers hired on VISA's 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. We have assessed our hiring practices as low-risk due to these listed measures being in place.

Our Suppliers

Costerfield's direct suppliers are mainly based in Australia and the risk of modern slavery within this supply chain is low. Costerfield is committed to protecting human rights throughout our entire supply chain, including indirect suppliers (i.e. the suppliers of its direct suppliers, and the source of components that form equipment and goods that we procure). Throughout the future financial years, Costerfield plans to implement more stringent compliance processes to ensure all new on-boarded suppliers commit to addressing and minimising modern slavery risk in their operations and 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 as it is difficult to have complete transparency throughout a multi-tiered supply chain.
- Costerfield has identified the few suppliers which have a higher level of vulnerability. We have used the Global Slavery Index to classify them below:

Country	Number of Suppliers	Level of Vulnerability ¹¹
United Kingdom	1	11.13/100
Peru	1	44.28/100
China	1	50.65/100
Total	3	

- 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.
- Costerfield acquires goods from one supplier in both China and Peru which have higher levels of vulnerability. Costerfield continues to work to ensure it reviews the risks of modern slavery in its operations and supply chain each new reporting period to provide the most up-to-date assessments of risk as far as possible when publishing future modern slavery statements.
- Costerfield has identified that majority of our goods are acquired from countries considered to have a low level of vulnerability. We have used the Global Slavery Index to classify them below:

Country	Number of Suppliers	Level of Vulnerability ¹
New Zealand	1	1.91/100
Canada	1	10.20/100
Australia	538	4.27/100
Total	540	

Internal Equipment

- 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.

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

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 and we have made plans to focus on overseas visits to our international suppliers now that it is possible to travel (post COVID-19 restrictions);
- 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 provided a staff education program to increase employee awareness and engagement regarding modern slavery. In addition to raising awareness, the education program covers the fundamental governance principles which require adherence across all of our business operations and grievance procedures available to our employees. Each of our employees were required to participate in the training;
- we targeted an education program to our suppliers in relation to modern slavery. This was distributed to our suppliers in written format who then passed this information onto their senior management. We also engaged in one on one discussion with the suppliers to maintain a focus on their modern slavery practices;
- we have continued to enhance our contractual clauses in our supplier contracts to specifically cover modern slavery risks. This has involved reviewing our contractual relationships and including modern slavery clauses in our new contracts. These specific clauses used to target modern slavery risks within our supply chain assist in safeguarding the human rights of workers;
- our online program for procurement has been updated to include acknowledgement of the Act and its requirements. Our prequalification questionnaire is designed to determine certain levels of risk prior to us engaging with a new supplier which now includes addressing risks related to modern slavery; and
- we updated our purchase order terms and conditions to include a modern slavery provision. The supplier is now required to educate themselves and their employees (including sub-contractors) of requirements under the modern slavery legislation and comply with these obligations. The supplier is also required to promptly inform us of any modern slavery suspicions in their supply chain. This practice aims to hold the supplier accountable and raise awareness.

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

- Continue to implement and improve staff education programs centred around modern

slavery risks, ethical conduct and communication lines within the organisation if any concerns regarding modern slavery arise;

- Continue with our 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 China and Peru;
- Continue our suppliers in open dialogue about the risks of modern slavery in their supply chains;
- Review and update platforms and processes where necessary, 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.

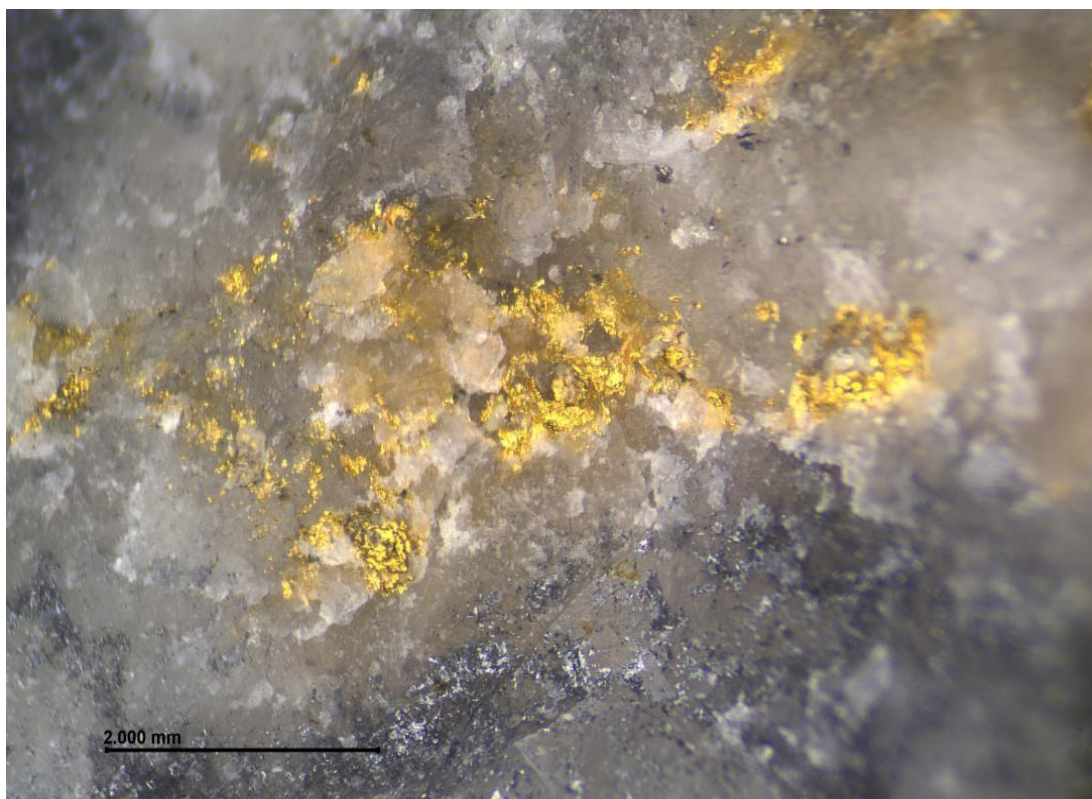
Remediation processes

Costerfield also has remediation processes in place through its existing whistle-blower hotline. This process demonstrates that we are dedicated to managing any potential ethical issues in a responsible manner consistent with our values.

The next steps that Costerfield plans to take include:

- Costerfield continues to review 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.

- Costerfield is committed to reviewing current supplier contracts. When a supplier is found to be in breach of modern slavery requirements or is non-compliant with our requests for transparency, Costerfield will consider suspending or terminating the contract with that supplier until the issues are addressed.



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. We take any breach involving a risk to human rights seriously and address it promptly to focus on the ultimate outcome being to reduce or remove the risk altogether.

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
	Discussed at each board meeting. The board intends to focus on the effectiveness

Board oversight	of actions taken in relation to our modern slavery initiatives.
Contracts to address risks of modern slavery	All new or revised contracts will have provisions inserted with consideration to modern slavery. This requirement ensured adequate due diligence is undertaken on new suppliers to determine their risk level and current control procedures in relation to ethical sourcing and modern slavery preventatives.
Policy Review	Complete policy review for all supplier related policies. This involves monitoring and reviewing the effectiveness of risk management measures relied upon by Costerfield.
Team Member Training	All managers will be trained on the implications of Modern Slavery. Costerfield maintains a continuous focus on training and collaboration to improve the awareness and knowledge amongst our team members.
Engagement with our high-risk suppliers	Create an education communication for our suppliers. This is an effective tool to ensure suppliers are also aware of ethical sourcing processes and adequate standards.
	Drafting a supplier self-assessment questionnaire. The questionnaire aims to identify the gaps in our suppliers' ethical business procedures and we will work with our suppliers to improve their management of the risk of modern slavery.
	Continue to undertake supplier visits to assess any prevalent risks of modern slavery in our supply chains and informally discuss modern slavery practices with our suppliers.
	Cease engagement with suppliers who demonstrate non-compliance with modern slavery requirements.

Consultation

There were numerous consultations throughout the reporting period to assist in the drafting of this statement. Costerfield made efforts to collaborate with personnel across the company to discuss

the activities within their operations and supply chain that are detailed throughout this statement.

As Costerfield did not own or control any other entities, it did not consult with any such entities.

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

Signed,



Ryan Austerberry

Director, Mandalay Resources Costerfield Operations Pty Ltd.

Dated: 16/06/2022