



**ESG AND  
LIVING OUR  
VALUES  
FRAMEWORK**

**MANDALAY  
RESOURCES**

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## **ABOUT US**

Mandalay Resources is a Canadian-based natural resource corporation with producing assets in Australia and Sweden, and care and maintenance and development projects in Chile and Canada. Mandalay Resources is focused on growing production, expanding mineral resources and reducing costs at its gold-antimony operation in Australia, and its gold mine in Sweden to generate near-term sustainable positive cashflow.

Mandalay Resources' mission is to create shareholder value through the profitable operation of its mines. Currently, the Company's main objective is to accelerate the mining of the high-grade Youle vein at Costerfield, which is critical to the Company's long-term goal of increasing production. At Björkdal, the Company aims to optimize ore source feed and increase production from the Aurora zone in the upcoming years to maximize profit margins.

Mandalay Resources is committed to operating safely and in an environmentally responsible manner, while developing a high level of community and employee engagement. The Company is focused on commodities in which our Board and Management have extensive experience in such as: gold, silver, antimony, and other base metals. The Company operates and has interests in countries that have a long-standing tradition in mining, low political risk and clear legal frameworks for tenure and taxation. Today, these jurisdictions include Australia, Sweden and Chile.

All amounts in this document are in United States dollars unless otherwise stated.

## **LIVING OUR VALUES**

We have been implanting initiatives to support these values since 2015, including adopting guidelines to establish sustainable and meaningful engagement with the communities in which the Company operates, a community issue resolution process, open and transparent communications with our employees and community members on our plans and strategy including open houses, and surveys to see how the Company is doing.

The information in this report complements the community engagement initiatives accomplished at both sites and detailed on our website.

The Company's values are:

### **SAFETY**

Safety is paramount in all our decisions and actions; we proactively protect people and property.

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## **INTEGRITY**

We are our word; we honor our commitments, we abide by applicable laws and live by high ethical standards.

## **RESPONSIBILITY**

We are responsible for our actions and their consequences; we operate with social and environmental responsibility and promote sustainable development.

## **EXCELLENT PERFORMANCE & INNOVATION**

We encourage excellence in everything we do, we create an environment where ideas and innovative methods to improve our processes and results are encouraged.

## **VALUE CREATION**

We aim to seek and seize every opportunity to create more value with our resources.

## **AGILITY**

We continuously seek out new opportunities and rapidly respond to new challenges.

Our values are visibly demonstrated by strong local management at the point of impact, and our efforts are coordinated across the Company for maximum effect. Today, meaningful engagement with our communities is at the core of our Living our Values program.

## **ESG AND SASB STANDARDS**

Mandalay recognizes that Environment, Social and Governance (“ESG”) risks are critical issues for our industry and these are most effectively addressed in a comprehensive risk management system. To establish a reporting framework, in 2020 the Company disclosed its performance on key material issues in line with SASB (Sustainability Standards Accounting Board) disclosure for mining and metals companies. The SASB standards focus on financially material issues to help businesses around the world report on the sustainability topics that matter most to their investors.

*SASB “identifies financially material issues, which are the issues that are reasonably likely to impact the financial condition or operating performance of a company and therefore are most important to investors.” (www.sasb.org).*

The Company’s goal with respect to improving the overall sustainability of its operations and meeting standards of disclosure for ESG is to establish a baseline understanding of current operations respecting the SASB and internal Living our Values



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metrics. Targeted goals toward each topic below will be considered from 2020 going forward.

Where goals have been established for the Company, these are indicated below.

In addition to the metrics defined by SASB, Mandalay tracks a number of other ESG related information such as number of community resolution processes in the year, in-country payroll and funds for community initiatives, in-country taxes and royalties paid and detailed safety statistics.

## **GREENHOUSE GAS EMISSIONS**

The Company recognizes the global importance of achieving energy efficiency through the reduction of greenhouse gas emissions (“GHG”) emissions. While we do not currently have a formal GHG emissions reduction plan in place and none of our operations are currently subject to emissions limiting regulations, we do track GHG emissions at the operating site level using continuous emissions monitoring systems. At least on an annual basis we will review applicable GHG legislation as well as potential investments into energy efficient investments at the site level.

### **BJÖRKDAL**

At Björkdal, GHG emissions are primarily a result of diesel consumption and heating. With no smelting activities currently in place, the primary emissions-causing activities include diesel consumption related to cars, machines, equipment and engines on site. Due to a pause in open pit mining, the Company saw a significant reduction of 45% in emissions starting in July 2019, demonstrating the ability of underground mines to achieve better energy efficiency than mature open pit mines. The site is investigating GHG emissions reductions at every level of the operation.

<b>Björkdal</b>	<b>Unit</b>	<b>2018</b>	<b>2019</b>
GHG emissions	Metric t of CO <sub>2</sub>	14,204	7,789

### **COSTERFIELD**

At Costerfield, GHG emissions are calculated in accordance with guidelines from Australia’s National Greenhouse Emissions Reporting scheme (the “NGER”) using calculation tools from direct data recording of diesel consumption on site for heavy equipment and light vehicles using combustion calculations for both underground and surface usage and combustion of fuels to power machines and equipment. Year over year, GHG emissions have remained relatively stable. Long term reduction of emissions is expected once the Brunswick portal is open for underground ore transport, which will serve to reduce diesel use for both underground haulage as well as surface

haulage. We are considering electric vehicles as an alternate at Costerfield to replace select underground vehicles.

<b>Costerfield</b>	<b>Unit</b>	<b>2018</b>	<b>2019</b>
GHG emissions	Metric t of CO <sub>2</sub>	26,077	27,448

## **AIR QUALITY**

The Company maintains strict compliance protocols with respect to air quality emissions. Technological or process improvements to reduce hazardous air pollutants are considered an essential aspect of a site's environmental management plan and to ensure compliance with mining permits. Both sites must disclose relevant and material air pollutants emitted.

At both sites, apart from GHG emissions, the other main emissions relate to nitrogen gas emitted as a result of explosive gases, and these emissions are considered negligible. Björkdal does not track emissions outside of carbon dioxide (CO<sub>2</sub>) or oxides of nitrogen ("NO<sub>x</sub>"). Costerfield tracks all air pollutants within the scope of NGER reporting using both fuel combustion calculations for GHG emissions and direct monitoring of CO<sub>2</sub>, NO<sub>x</sub> and significant (antimony) metal emissions from annual stack testing of vent rises during underground firing conditions. Test results performed by consultants demonstrate these results as being negligible. NO<sub>x</sub> levels are directly related to the amount of explosives used on site.

### **BJÖRKDAL**

At Björkdal, NO<sub>x</sub> levels decreased as a result of less explosive use due to the pause in open pit mining, which occurred mid-2019.

<b>Björkdal</b>	<b>Unit</b>	<b>2018</b>	<b>2019</b>
NO <sub>x</sub>	Metric t of NO <sub>x</sub>	197,008 kg/year	107,631 kg/year

### **COSTERFIELD**

<b>Costerfield</b>	<b>Unit</b>	<b>2018</b>	<b>2019</b>
Nox	Metric t of NO <sub>x</sub>	45.793	57.635
Sulphur Oxides ("SO <sub>x</sub> ")	Metric t of SO <sub>x</sub>	0.026	0.003
Mercury	Metric t of Mercury	0	0
Lead	Metric T of Lead	0.002	0.004
Volatile Organic Compounds ("VOCs")	Metric T of VOCs	3.144	3.965
Particulate matter	Metric T of Particulate matter	47.106	53.646



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## ENERGY MANAGEMENT

The Company tracks its electricity usage at the operating site level but does not currently have a stated plan or policy in place to use renewable sources of energy. However, the electrical supplier to the Björkdal operations generated 87% of their energy in 2019 through renewable sources.

### BJÖRKDAL

At Björkdal, electricity consumption is monitored and controlled within the scope of the Skellefteå Kraft reporting framework. 2018 and 2019 includes both diesel and heating. All energy consumed is on grid.

Björkdal is also obliged to map its energy consumption and continuously work with energy saving measures according to law. The latest energy mapping project was undertaken in 2017 and the next one is to be done in 2021.

The reduction in energy consumed by approximately 64% between 2019 and 2018 is mainly attributed to the pausing of open pit operations during 2019.

Skellefteå Kraft is the supplier of energy to Björkdal. During 2019, the energy supplied from Skellefteå Kraft was 87% renewable.

<b>Björkdal</b>	<b>Unit</b>	<b>2018</b>	<b>2019</b>
Energy consumed	Gigajoules	349,840 (100% of all energy consumed)	124,733 (100% of all energy consumed)

### COSTERFIELD

At Costerfield, electricity consumption is monitored and controlled in the NGER framework. Costerfield is a certified user of renewable energy having obtained solar energy credits, Victorian energy efficiency certificates, and large-scale generation certificates. Costerfield consumed 14% of energy off grid in 2018 and 2019. Diesel combustion is the majority of consumption due to the reverse osmosis plant with a negligible percent of solar generation used from a couple of pumps/monitors on site.

<b>Costerfield</b>	<b>Unit</b>	<b>2018</b>	<b>2019</b>
Energy consumed	Gigajoules	143,782 (86% of all energy consumed)	161,009 (86% of all energy consumed)

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## WATER MANAGEMENT

The Company tracks its use and discharge rates for water at the operating site level and is currently in compliance with all local permits. The Company has made significant investments at Costerfield to ensure innovative technology could be used for the water discharge at the mine site with its reverse osmosis water treatment plant, enabling water to be both recycled and discharged into the environment or provided to the local community for stock or agriculture use. Significant trials and testing have been conducted on aquifer recharge to recycle mine water back to the aquifer in a low cost, low energy and low risk process that is both innovative and inaugural for the state and has recently been approved by government regulators for an initial two-year term.

Initiatives to recycle water on property as much as possible are encouraged to increase efficiency of water consumption at both sites, who recycle a significant amount of water. Environmental performance is monitored at the corporate level at Mandalay, and management is incentivised to ensure environmental compliance is maintained.

### BJÖRKDAL

At Björkdal, the baseline water stress is deemed low as it withdraws less than 10% of its resources. The operation fulfills permit conditions relating to water use. Total fresh water withdrawn increased in 2019 due to the need to improve water quality used in the mill in order to improve recoveries in the milling process. This process enables the dilution of water in the tailings in order to improve water quality. The total water discharged decreased during 2019 as better controls were implemented to measure the outflow, precipitation was also lower in 2019 and water was saved in the tailings during November and December.

The operation currently recycles 57-58% of water.

<b>Björkdal</b>	<b>Unit</b>	<b>2018</b>	<b>2019</b>
Total water withdrawn	Thousand m <sup>3</sup>	694	751
Total water discharge	Thousand m <sup>3</sup>	1876	756
Total fresh water consumed	Thousand m <sup>3</sup>	694	751
Total water recycled	Thousand m <sup>3</sup>	959	985
% recycled (total water recycled/ total water consumed and recycled)	%	58	57
% in regions with high water baseline stress	%	0	0
Number of non-compliance events with water quality	Number of events	0	0

permits, standards and regulations			
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## **COSTERFIELD**

At Costerfield, dewatering of the new Youle mining area caused an increase in water withdrawn at the operations in 2019. The permitted water discharge to the nearby creek complies with the Environmental Protection Agency ("EPA") licence and remains consistent year over year. Some of the water discharged is consumed on site and delivered to the community, to maximize efficiency of the reverse osmosis plant.

Water recycled was 16.6% in 2018 and 10.0% in 2019. Brine water is reused in the processing cycle on site.

Incidences of non-compliance relate to the Annual Performance Statement for EPA licence 109992. This relates to creek discharge as part of licence conditions and there was non-compliance with discharge water quality: pH values below limits due to faults in the manual chemical dosing, one incident of arsenic over the licence limit, and one incident of iron over licence limit due to elevations in feed water quality from historic Costerfield mine dewatering. With new systems, including automation of chemical dosing on the reverse osmosis plant pre-treatment and improved feed water quality, non-compliance incidents are not expected to be repeated.

<b>Costerfield</b>	<b>Unit</b>	<b>2018</b>	<b>2019</b>
Total water withdrawn	Thousand m <sup>3</sup>	672,421	779,796
Total water discharge	Thousand m <sup>3</sup>	89.371	89.340
Total fresh water consumed	Thousand m <sup>3</sup>	3.836	5.436
Total water recycled	Thousand m <sup>3</sup>	362.9	323.5
% recycled (total water recycled/ total water consumed and recycled)	%	16.6	10.0
% in regions with high water baseline stress	%	0	0
Number of non-compliance events with water quality permits, standards and regulations	Number of events	2	7

## WASTE AND HAZARDOUS MATERIALS MANAGEMENT

The storage and containment of hazardous wastes produced at a mine site, such as tailings, is monitored and regulated at the site level, with oversight from Mandalay's board of directors which receives third party audits of tailings containment facilities. The most recent third party audits were completed in 2018 for Björkdal and 2019 for Costerfield. Risks of these facilities are reduced by ensuring continuous monitoring of tailings, the impoundment structure of the facility and third-party engineering studies for tailings expansions and lifts. Both sites generate waste rock. Björkdal, as a consequence of pausing open pit operations, is expected to generate significantly lower waste rock volume in 2020. Neither site reprocesses tailings material at this time.

### BJÖRKDAL

At Björkdal, processing wastes include enriched sand, scrap metal, used oil and solid wastes. Björkdal has five tailings impoundment areas including the perimeter dams of West Barrier Dam ("VSD"), Klarningsmagasinet ("K2"). Secondary dams include Eastern Barrier dam ("OSD"), Eastern dam ("OD"), and dam K1. The tailings facility hazard potential is deemed significant, which is defined as failure would result in no probable loss of life but would disrupt important utilities or cause significant economic loss or significant environmental damage (SASB Metals and Mining standard document, page 20). Tailings waste and processing waste has remained relatively consistent between 2018 and 2019 and is expected to continue on this trend as production increases from the underground. Total waste rock decreased since the operations in the open pit was paused.

<b>Björkdal</b>	<b>Unit</b>	<b>2018</b>	<b>2019</b>
Total weight of waste rock	T	5,244,541	1,490,747
Total weight of tailings waste	T	1,244,292	1,284,849
Total weight of tailings waste recycled	%	0	0
Total weight of processing waste	T	1,244,625	1,285,161
Total weight of processing waste recycled	%	0	0
Number of tailing impoundments	%	5	5
Breakdown of tailings impoundments by hazard potential	Comment	Significant hazard	Significant hazard

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## **COSTERFIELD**

At Costerfield, total waste rock increased from 2018 to 2019 as a result of additional tunnelling to access the Youle deposit adding 155,666 t of rock. Costerfield has two tailings impoundments, Brunswick and Bombay. The tailings facility hazard potential is deemed significant (as defined above).

<b>Costerfield</b>	<b>Unit</b>	<b>2018</b>	<b>2019</b>
Total weight of waste rock	t	171,064	229,257
Total weight of tailings waste	t	149,238	134,655
Total weight of tailings waste recycled	%	0	0
Total weight of processing waste	t	0	0
Total weight of processing waste recycled	%	0	0
Number of tailing impoundments	Number	2	2
Breakdown of tailings impoundments by hazard potential	Comment	Significant hazard	Significant hazard

## **BIODIVERSITY IMPACTS**

An effective environmental monitoring system is a key aspect to managing risks associated with biodiversity, species at risk or endangered and the unique ecosystem in which the mines operate. The Company has a Safety, Health and Environmental Committee Charter which is monitored by its Safety, Health and Environment Committee, and reviewed annually. The Company complies with local environmental management plans and permits. Continuous community engagement is part of the culture of the Company, where biodiversity impacts or concerns are reviewed and discussed at the site level.

Neither site has acid rock drainage ("ARD") risks or mitigation activities, and neither site has reserves in or near sites with protected conservation status or endangered species. Due to the benign nature of the rock at both sites it is unlikely that ARD would occur, however in the event of an occurrence the closure plans would ensure appropriate and sustainable treatment.

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## **BJÖRKDAL**

At Björkdal, several plans mitigate the biodiversity impact of mining activity, such as the new mine permit M 771-17 process, the exploration plan, diesel consumption and control plans, emergency and evacuation policies and the restoration plan. Also relevant are internal regulations, routines and instructions for employees about safe, healthy and environmentally friendly work areas.

Practices include: Building a bond with community and residents living in the vicinity of the mine; reducing amount of hazardous waste, recovering and reusing waste or disposing of them in an environmentally sound manner, and assisting and collaborating with authorities, institutions and the government.

We believe the impact of the mine on the environment is small, and where mine expansion is in process, these areas have no importance to the local community for leisure, agricultural or other cultural reasons.

<b>Björkdal</b>	<b>Unit</b>	<b>2018</b>	<b>2019</b>
% of mine sites where acid rock drainage is predicted to occur, being mitigated, and under treatment	%	0	0
% of P&P reserves in or near sites with protected conservation status or endangered species	%	0	0

## **COSTERFIELD**

At Costerfield, the operation follows the Environmental Management Systems Manual which was drafted in July 2016 and updated in February 2019. This manual incorporates all required impact management related to biodiversity and environmental monitoring. Waste products are recycled where possible with recovery of metals, wood and paper waste to be transported and recycled offsite. Employees are trained and encouraged to support safe, healthy and environmentally friendly work areas.



<b>Costerfield</b>	<b>Unit</b>	<b>2018</b>	<b>2019</b>
% of mine sites where acid rock drainage is predicted to occur, being mitigated, and under treatment	%	0	0
% of P&P reserves in or near sites with protected conservation status or endangered species	%	0	0

## **SECURITY, HUMAN RIGHTS AND RIGHTS OF INDIGENOUS PEOPLE**

The Company's areas of operation do not have security issues and both operations comply with all laws and regulations related to mining operations in their jurisdictions. The operations do not have any issues regarding human rights, and both jurisdictions are considered attractive and mining friendly jurisdictions according to the Frasier Institute. The Company respects existing instruments in place in the local jurisdiction on free, prior and informed consent of indigenous peoples for decisions affecting them and measures are taken to ensure fair and proactive consultation processes. Neither site has reserves in or near areas of conflict.

### **BJÖRKDAL**

At Björkdal, the mine is located in Svaipa's Sami winter grazing fields. However, the mine is free of dangerous and polluting substances. The mine and the Sami village have an agreement that gives the Sami village compensation for grazing loss in the contract area. The agreement also includes compensation for other disturbances due to the mining operation. This agreement was signed in 2017 and has no end date.

<b>Björkdal</b>	<b>Unit</b>	<b>2018</b>	<b>2019</b>
% of P&P reserves in or near areas of conflict	%	0	0
% of P&P reserves in or near areas of indigenous land	%	0	0

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## **COSTERFIELD**

At Costerfield, the mine is in a rural small scale agricultural area and there are no areas of conflict near the mine. The Registered Aboriginal Party (Taungurung) that has claims over the land containing the mine and exploration licences is awaiting final recognition from government under the traditional owner settlement act. Costerfield has not commenced negotiations with the traditional owners but has completed a voluntary cultural heritage assessment to begin a relationship with the traditional owners.

<b>Costerfield</b>	<b>Unit</b>	<b>2018</b>	<b>2019</b>
% of P&P reserves in or near areas of conflict	%	0	0
% of P&P reserves in or near areas of indigenous land	%	0	0

## **COMMUNITY RELATIONS**

Ensuring an active engaged community relations effort at our sites is a key Company value . In 2015, the Company developed a Community Action Plan to outline the key actions necessary for a sustained community engagement effort at our sites. Currently, both operating sites have a community action plan in place to ensure that communications with local residents and stakeholders are proactive, monitored and documented. Community engagement requires open conversations on activities and stakeholder concerns and this is managed with a dedicated community relations employee at both sites. In addition, the Company has clear issue resolution processes in place, and all community members can utilize the whistleblower hotline available as a link on the Company's website. To review success in our community engagement processes, community surveys are conducted periodically. Both sites completed an employee survey in 2019.

## **BJÖRKDAL**

At Björkdal, there is an annual community open house. In addition, information meetings with the community occur on an annual basis to discuss permitting activities. Supporting local sports, local organizations and other initiatives in the community are part of the annual community plan and budget. In 2019, Björkdal registered 1 community issue in its community issue resolution process that has been resolved. Other community issues reported via community surveys were primarily related to speeding in nearby villages and appropriate mitigation measures have been initiated.

<b>Björkdal</b>	<b>Unit</b>	<b>2018</b>	<b>2019</b>
Number of non-technical operational delays as a result of community issues	Number	0	0
All forms of royalties, licence fees, taxes paid to national governments	\$	6,415,960	5,974,921
All forms of royalties, licence fees, taxes paid to local governments	\$	36,698	36,223
All monetary donations to in-country causes	\$	23,166	31,186
In-country payroll	\$	11,309,496	12,523,102
In-country payroll as % of operating net revenue	%	19	17
Number of community issues deal with in the year	Number	2	1

## **COSTERFIELD**

At Costerfield, community relations include frequent contact with neighbours and other community stakeholders. The community department employees receive training in engagement practices and promote community involvement with the mine's decision-making processes on future projects and expansions. The operation reviews goals and objectives annually to ensure it is appropriately considering the community impact of its operations given that the mine is in an urban, agricultural environment and thus all operating and exploration activities are visible. A major community issue is dust generation on local roads which is expected to be eliminated in 2020 with the opening of Brunswick portal which will eliminate haulage on public roads and significantly reduce dust emissions and diesel usage. The site increased its expenditures for in-country community causes by 50% as a result of increased charitable donations to patient transport services for the local hospital and assistance to local primary school for IT equipment. Payroll represents more than one third of operating net revenues at the site at 31% and 38%, for 2018 and 2019 respectively. In terms of community resolution processes, the site registered 714 community contacts in 2018 and 777 in 2019, with 3 complaints registered in 2018 and 5 registered in 2019. In all cases these complaints were documented and resolved.

<b>Costerfield</b>	<b>Unit</b>	<b>2018</b>	<b>2019</b>
Number of non-technical operational delays as a result of community issues	Number	0	0
All forms of royalties, licence fees, taxes paid to national governments	AUD	NA	NA
All forms of royalties, licence fees, taxes paid to local governments	AUD	2,507,665	2,474,064
All monetary donations to in-country causes	AUD	42,581	59,820
In-country payroll	AUD	19,693,323	18,566,920
In-country payroll as % of operating net revenue	%	31	38
Number of community issues deal with in the year	Number	3	5

## LABOUR ISSUES

The Company has unions at both operating sites. There have not been any strikes in the Company in the last two years.

### BJÖRKDAL

At Björkdal, effectively all employees are covered by a form of collective agreement, with a total of five different unions.

<b>Björkdal</b>	<b>Unit</b>	<b>2018</b>	<b>2019</b>
Active workforce covered under collective agreements	%	100	100
Number and duration of strikes and lockouts	Number of days	0	0

### COSTERFIELD

Costerfield has one union with active membership among its workforce. There have not been any delays or strikes from collective action.

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<b>Costerfield</b>	<b>Unit</b>	<b>2018</b>	<b>2019</b>
Active workforce covered under collective agreements	%	90	90
Number and duration of strikes and lockouts	Number of days	0	0

## **WORKPLACE HEALTH AND SAFETY**

The Company's safety-first culture is deeply embedded in all areas of operations. Our priority is the health and safety of our employees, contractors and the communities in which we operate. Both sites conduct regular training in health, safety, well-being, and emergency response. Sites are also highly focused on mental health and ensuring employees have resources available to discuss mental health. Further, all management compensation systems include safety performance. Neither site had a fatality 2018 or 2019.

### **COVID-19**

All sites continue to operate with COVID-19 safety measures in place. The Company first released its [statement on COVID-19 on March 20, 2020](#):

Mandalay management teams have taken comprehensive measures to reinforce safe work procedures. Business continuity plans are in place with site-specific contingency plans if they are needed for extended absenteeism or production shutdown.

Mandalay monitors information from local and national governments and international health organizations, to ensure safe operations for all our employees. The following protocols are in place across the Company and for specific initiatives at each site please view the presentation on the website.

- Company-wide restriction on international travel. Only essential domestic travel permitted and with specific protocols in place;
- Workforce to identify high-risk employees so that accommodations can be made;
- Established clear policies for any workers displaying signs of illness. Employees or contractors cannot come to work if displaying any symptoms;

- Where possible, work from home protocols in place, and flexible work arrangements to reduce contact between persons and maintain social distancing guidelines with strict meeting protocols in place;
- Sites have reviewed hygiene and sanitization protocols and increased frequency in cleaning of common and high-traffic zones. Additional hand washing stations installed and personal sanitization is available;
- Implementing processes for crew shift changes to ensure social distancing protocols (i.e. staggered shift start times); and
- Only essential visitors permitted on site.

### **BJÖRKDAL**

At Björkdal, the Lost Time Injury Frequency Rate (“LTIFR”) increased from 2018 to 2019. It included multiple LTI’s with contractors, which has a disproportionate impact on the LTI statistics. The near miss rate decreased between 2018 and 2019 (calculated as high potential incidents\*200000/total hours worked). Björkdal measures health and safety training in terms of average hours; and average hours spent annually on health, safety and emergency response training for Full-Time Employees (“FTEs”) increased between 2018 and 2019, doubling from 3.4 to 7.7. The last inspection from the Work Environment Authority was in 2018.

The last inspection from the Work Environment Authority was 2017.

\*Calculation for LTIFR:  $1000000 / (\text{total hours worked} * \text{LTI})$

<b>Björkdal</b>	<b>Unit</b>	<b>2018</b>	<b>2019</b>
Total hours worked	Number	546,803	495,229
Rolling 12 month LTIFR (Loss Time Injury Frequency Rate)	Number	7.32	12.11
Fatality rate	Number	0	0
Near miss rate	Number	17.6	14.5
Total lost time injuries	Number	4	6
Permanently disabling injury/ illness	%	0	0
Average HOURS on health, safety and emergency response training for FTEs	Number	3.43 hours spent	7.7 hours spent



Average spending on health, safety and emergency response training for contract employees	\$	250	150
Number of safety notices from regulatory inspections	Number	0	0

## COSTERFIELD

The reduction in spending for FTEs on health, safety and emergency response training is due to less reliance on external contractors for training. The safety notices related to improvements in explosives management, improving personnel training in regard to light vehicle pre-starts, mobile fleet rollover and mobile fleet coming into contact with overhead powerlines.

<b>Costerfield</b>	<b>Unit</b>	<b>2018</b>	<b>2019</b>
Total hours worked	Number	495,819	495,130
Rolling 12 month LTIFR	Number	17.4	12.1
Fatality rate	Number	0	0
Near miss rate	Number	NA	NA
Total lost time injuries	Number	8	6
Permanently disabling injury/illness	%	0	0
Average spending on health, safety and emergency response training for FTEs	AUD	44,821	26,294
Average spending on health, safety and emergency response training for contract employees	AUD	NA	NA
Number of safety notices from regulatory inspections	Number	4	5

## GOVERNANCE & INTEGRITY

The Company believes effective corporate governance is crucial to the long-term success of Mandalay. Our Board of Directors (the "Board") supports evolving practices in the field of governance and has implemented recommended policies and procedures

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to demonstrate its commitment to good corporate governance as well as to continuous improvement from the self-evaluation surveys completed by the directors on an annual basis.

### **MAJORITY VOTING POLICY**

Reflecting required practice for TSX-listed issuers, Mandalay has had a majority voting policy in place since 2013. This policy entitles each shareholder to vote for each nominee on an individual basis. Each director must be elected by the vote of a majority of the common shares represented in person or proxy at the Meeting that are voted in respect of that director. If any nominee for election as director receives, from the common shares voted at the Meeting in person or by proxy, a greater number of votes “withheld” than votes “for” his or her election, the director will be expected to immediately tender his or her offer to resign to the Chair of the Board following the meeting.

### **INDEPENDENCE**

Our Board is currently comprised of seven directors with a majority of independent directors. The basis for this determination is that, since the beginning of 2015, none of the independent directors have worked for the Company, received remuneration from the Company (other than in their capacity as directors) or had material contracts with or material interests in the Company which could interfere with their ability to act with a view to the best interests of the Company. The Chair of the Board, Bradford Mills, is not an independent director. Accordingly, the Board appointed Abraham Jonker as lead independent director (the “Lead Director”). The role of the Lead Director includes, among other things, (i) organizing and presiding over in camera or other meetings of the independent directors and taking the lead in establishing the agenda for such meetings, and (ii) serving as the principal liaison between the independent directors and the Chair on matters where the Chair may be conflicted. The Lead Director meets with all the non-executive directors of the Company for “in-camera” sessions scheduled after every meeting of the Board. The executive directors and members of management are not in attendance for these in-camera sessions.

### **DIVERSITY**

Mandalay recognizes the importance of diversity and the potential for diversity in the composition of the Board to advance Mandalay’s best interests. As a result, we have adopted a Board diversity policy that sets forth our approach to achieving and

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maintaining diversity within the Board, with a specific emphasis on gender diversity. Diversity encompasses a variety of dimensions (including, but not exclusive to diversity in business and other professional expertise and experience, gender, age, ability, sexual orientation, geographic background, race and ethnicity), with their relative importance changing periodically. Mandalay currently has one female director and seeks to attain a board composition in which women comprise at least 25% by 2021. This would entail the addition of a new female director.

## **RISK MANAGEMENT**

Risk is a combination of external and internal factors that constantly change and evolve. The Company's current risk management approach is designed to create visibility on the key material risks at the sites that could adversely impact Mandalay and prevent it from achieving its key operational and strategic priorities.

The General Manager of each property is responsible for identification and mitigation of their risks and have identified team leaders to manage and update risks on a quarterly basis. The CEO, CDO and CFO are responsible for corporate risk identification and mitigation and to ensure all site level risks are identified and managed and communicated to the Board, with quarterly updates to the risk register. The Board is responsible for risk oversight and requiring that the CEO and senior executives prioritize risk management so that management policies and procedures around risk are consistent with the Company's strategy and risk appetite. The Company has recently re-considered all the material risks in the Company with a bottom up and top down approach. Several risks pertaining to the ongoing Covid-19 pandemic have been identified, and mitigating actions are in place.

## **BUSINESS ETHICS AND TRANSPARENCY**

Mandalay has a code of business conduct in place that, among other things, prohibits Mandalay employees from engaging in corruption and bribery and requires the Company to deal only with supplier's whose conduct is consistent with the code. The code of conduct is available [here](#).

This code is reviewed by management and the board annually. All employees review and sign off on the code on an annual basis. Companies are actively reminded of the need to report any corruption or bribery to management, or, using the Company's Whistleblower hotline which is broadly available and disseminated at all sites.

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The Company's employee survey that was completed in 2019 asks employees if they are aware of any actions on site pertaining to corruption or bribery and actions are taken on site to actively investigate the responses to the survey questions (which are anonymous).

At both sites, employee induction processes include a discussion of the whistleblower process and company values and policies.

### **ESTMA**

The Company supports efforts to increase transparency and accountability in the mining and oil and gas industries. Please refer to Mandalay's enrollment with Extractive Sector Transparency Measures Act ("ESTMA") on the page: <https://www.mandalayresources.com/reports/mandalay-financials-2019/>

### **MINE CLOSURE**

The Company's reclamation obligations are fully funded at Björkdal, Costerfield, and Lupin Mines Inc. (Canada).

### **LUPIN**

In January 2020, Lupin Mines Inc. concluded its Public Hearing process for the Final Closure and Reclamation Plan ("FCRP") and this FCRP was subsequently approved by the Minister of Crown Indigenous Relations and Northern Affairs Canada ("CIRNAC") on February 28, 2020. The Company is currently undergoing full closure of the Lupin site, with the closure expenses funded by the reclamation security currently held. The Lupin Mine Closure Plan presentation is available [here](#).

### **CERRO BAYO**

At Cerro Bayo, the operation is currently in care and maintenance and closure obligations are approved by the Chilean mining authorities and will be bonded according to the approved schedule.

### **BJÖRKDAL**

	<b>Unit</b>	<b>2018</b>	<b>2019</b>
Number of comprehensive closure plans in place	Number	1	1
Total reclamation security in place	SEK	16M	43M
Reclamation security in place as % of comprehensive closure plan	%	100	100

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## COSTERFIELDG

	Unit	2018	2019
Number of comprehensive closure plans in place	Number	2	2
Total reclamation security in place	AUD	4,079,000	4,079,000
Reclamation security in place as % of comprehensive closure plan	%	100	100

## SOCIAL CONTRIBUTIONS

### BJÖRKDAL

#### Support during Pandemic

The global effects of COVID-19 are rapidly evolving and cannot be predicted. Dealing with unforeseen challenges caused by the COVID-19 pandemic has taken a significant toll on people across the world.

To show our appreciation for the work done by first responders, Björkdal donated lunches to three different departments at Skellefteå hospital that worked with people who were affected by COVID-19. The lunches were delivered with the help of Eve's restaurant in Sandfors, Skellefteå, Sweden. Thanks to this initiative, the Björkdal team had the opportunity to support a local restaurant which had a challenging period with fewer visitors than usual, because of the Swedish government's restrictions due to Covid-19. The Björkdal team also donated gloves and masks that hospital staff could use to reduce the risk of getting infected by the virus at work.



The adjacent photo shows one of the lunch deliveries to the hospital in Skellefteå during the COVID-19 outbreak.

#### Support for Educational Initiatives

The Company believes that education is an important component of a community's infrastructure. The Company seeks to help where it can to support educational

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institutions, to both support mining and geological knowledge, but to also improve the educational experience where necessary.



### **Collaboration with Baldergymnasiet**

In 2019, Björkdal teams started supporting a vocational program that specializes in electricity at a high school, Baldergymnasiet, Skellefteå, Sweden. This is a three-year program where, aside from informing students about the mining industry and Björkdal as a company, there

are educational opportunities for the students in the electrician profession. In addition, electrical materials are donated for educational purposes and this adds another dimension for both the teachers and the students. During the final year of the program, students are invited to a site visit of the Björkdal mine. Students are welcomed for internships at Björkdal and the Company provides scholarships to two students who have shown the greatest development during their three years of study.



### **Support adult education**

The Björkdal team supports adult education for mining machinery mechanics in Skellefteå, Sweden. There has been great demand for this profession but few people with the right skills. The education is based on 50% theory that is taught at the school and the other 50% is placed on companies where students are given the opportunity to practice what they learn in class. Björkdal has expressed interest to be involved in the practical knowledge that the students can gain by applying for internship with the company.

### **Support the local community life**

During 2020 and 2021, the Björkdal team has and will focus on promoting, mainly, the local sports and village associations that are in our geographical vicinity. One of the contributions was to equip the local ski slope, Siretorp with lighting to facilitate downhill skiing during the dark winter months at the Sandorfs village. The investment means that the children in Sandfors are encouraged to engage in physical activity and Sandfors as a village becomes more attractive for families with children to settle in. Furthermore, the Björkdal team supports two local soccer clubs, Storms SK's children's and youth sports and Kågedalen's AIF women's team that plays in Sweden's third



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highest division. The support goes primarily to training and match clothing for the team as well as other costs which entails major parts of all organized sports. As far as support for the local ice hockey associations is concerned, the Björkdal team has contributed material to Drängsmarks IF's ice hockey rink which is used by the local school as well as for the spontaneous sporting of the villagers. The Björkdal team has continued to support Skellefteå AIK, which on the men's side belongs to the absolute elite in Sweden and their women's team for the past two years have been qualifying to the Swedish highest division.

Below are photos of SK Storms youth team during practice at the soccer field in Sandfors.



*Below are photos of Skellefteå AIKs womens team during game/practice.*



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## **COSTERFIELD**

### **Support during Pandemic**

Costerfield also showed their appreciation for the work of first responders by providing lunch to the staff at Heathcote hospital. The Costerfield team donated to a local volunteer group that sews reusable cotton gowns for doctors. Fresh produce packages were provided to 38 of the nearest mine residents in Heathcote, Victoria, Australia.

### **Supporting growth of our employees**

The Costerfield team have supported the studies of an employee, in her journey to become a qualified town planner. The university degree, the Bachelor of Urban Rural and Environmental Planning is a four-year degree, but with the assistance of the Company, the employee completed the degree in two and a half years.

One of the requirements of the degree was to complete a Conservation Management Plan for a building of local significance. After consultation with the Costerfield community, it was determined that the Costerfield Hall was the building that held the most significance to the local community. Research was undertaken utilising oral histories from some of Costerfield's long-standing residents, historic maps, photographs, and the original minute book of Costerfield Hall, dated 1917.

### **Support the local community life**

*Royal Flying Doctor Service, Victoria, Australia*

RFDS Victoria has partnered with Heathcote Health to provide a community transport service for the Heathcote region. With the support of the Heathcote and District Community Bank and a team of volunteer drivers, the Community Transport service offers free transportation for eligible community members to access their health appointments and Planned Activity Groups. Costerfield has committed to an annual ongoing contribution of AUD 5,000 to assist with enabling this service to continue.

### **Support of the Information Memorandum production for a proposed Dementia village in Heathcote, Victoria, Australia**

Costerfield contributed AUD 10,000 towards compiling an Information Memorandum, which is a package of documents created to advance Heathcote for prospective buyers, government or private. The primary mandate of an Information Memorandum is to motivate potential investment into establishing the business. This allows us to build future potential for continued employment in the region.

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### **Artwork for the Community of Heathcote**

Costerfield produced a piece of art showing an air-leg miner and donated to the art garden at the Heathcote Community House. It was erected in late 2019. Below is a photo of the art piece. Costerfield has been a major sponsor of the O’Keefe Challenge’s Marathon since its inception in 2016.



### **Cultural Heritage Management Plan**

Costerfield sponsored a voluntary study and discovered three sites of varying significance that are protected under the Aboriginal Heritage Act. This study assists with our management plan to preserve those aboriginal sites that can comprise immense archaeological/ scientific or social significance for the Taungurung Clan.

### **Giving to Bunbunarik Children’s Hub Heathcote**

Costerfield provided funding for the establishment of the Bunbunarik Children’s Hub Heathcote. Bunbunarik will offer early childhood education and care, as well as children and family related health and well-being services to the wider Heathcote region. The focus is on improving early childhood development and wellbeing of children from birth to 12 years however this may also include children up to age 18 years should the need arise.

One of the rooms in the Hub was named after the operations in recognition of the contribution.



In addition, Costerfield team has committed to contributing AUD 5,000 a year for three years to supply children’s books to Bunbunarik’s Imagination Library that enables children to receive a book each month up to the age of 5. There is no cost to the families. The Imagination Library is an effective means of supporting children’s language and literacy development.

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### **Costerfield Community Shed Construction**

Costerfield team provides AUD 10,000 to the Costerfield community each year and they have used a portion of it this year to construct a storage shed at the Costerfield Hall as the previous shed is condemned.



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## **CONTACT US**

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