

# MANDALAY RESOURCES LIVING OUR VALUES

Corporate Responsibility September 2015



MANDALAY RESOURCES' MISSION IS TO BUILD A LONG-LIVED, VALUES-BASED AND VALUE-FOCUSED ORGANIZATION THAT IS FOUNDED ON SAFE AND EFFICIENT WORK PRACTICES, CONTINUOUS IMPROVEMENT, FISCAL RESPONSIBILITY, AND EFFECTIVE COMMUNITY RELATIONSHIPS. MANDALAY BELIEVES IN *LIVING OUR VALUES* AND BALANCING OUTCOMES AND PROCESSES.

**SAFETY:** Safety is paramount in all our decisions and actions, we proactively protect people and property.

**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

**WE ARE SUCCESSFUL WHEN:** Our employees live and work safely and experience the personal satisfaction that comes with high performance and recognition • The communities in which we operate value our presence. • Our environmental impact is minimized and causes no permanent harm. • We have a large, diversified set of customers who are delighted with and compete for our products. • Our shareholders realize a superior total return on their investment and support our corporate values. • Our values are visibly demonstrated by strong local management, at the point of impact with our stakeholders, and coordinated across the Company for maximum effect.

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#### OUR CORPORATE SOCIAL RESPONSIBILITY PROCESS CONSISTS OF SIX MAIN ASPECTS:

- 1) Identify facts and issues prior to decision-making
- 2) Focus on data collection and external support
- 3) Assess issues, gap analysis and prioritization; take corrective action if necessary
- 4) Predictable, disclosed, and transparent implementation
- 5) Ongoing monitoring and measurement of identified success factors
- 6) Communicate to all stakeholders our process and outcomes

#### OUR COMMITMENTS:

The safe operation of all of our mines without causing any harmful environmental issues. If an issue arises that is potentially harmful, we will immediately investigate it and if harm is proven, take steps to correct it.

Open and honest communication with community members and stakeholders, and listening to all community members' concerns while being responsive to both positive and negative feedback.

#### BUILDING A FRAMEWORK TO ENSURE CONTINUED SUCCESS: A VALUES-BASED APPROACH

Now in its fifth full year of production, Mandalay Resources has transformed itself from a Chile-focused copper-silver exploration company in 2009 to a global miner producing gold, silver and antimony from three mines on three different continents, generating over US\$184 million in revenue in 2014.

Our values are being communicated across all our sites and we measure our success through *Living our Values*. In 2015, this effort has been rolled into the Company's risk management initiative. Year over year, Mandalay has made progress in this area. In 2014 we conducted a comprehensive review of our community, environment and engagement processes across all sites and determined which gaps we needed to fill. These efforts have resulted in a new employee engagement initiative and guidelines for Community Action Plans ("CAP") that will align and standardize our approaches across all our sites, while still ensuring local decision making and leadership. These activities are communicated to the Board of Directors' Safety, Health and Environment Committee ("SHEC").

One of the major actions for Mandalay in 2015 was the development and communication of CAP guidelines for each mine. Each CAP should be commensurate with that mine or project's stage of development and will be benchmarked against 20 Mandalay guidelines. We believe that CAPs create a proactive and planned approach to our engagement with community, government and NGO members, ensuring that communications are ongoing and proactive.

The ultimate goal of establishing a CAP is to ensure we meet our vision of operating safely, in an environmentally responsible manner, while developing a high level of community and employee engagement.

#### OBJECTIVES OF CAPs AT MANDALAY

- All mine sites to develop common elements in community relations programming & meet an overall governance standard for *Living our Values*; and
- Ensure readiness for possible conflicts and crisis management by those interfacing with external stakeholders; and
- Provide a means to share practices and lessons learned among sites

#### COMMUNITY ENGAGEMENT CYCLE

Mandalay repeats the following steps every year to ensure the relevance and effectiveness of its programs:

- Relationship identification and management
- Incorporation of CAP into strategic planning & budgeting
- Implementation through risk management system
- Management of issues and activities and external communications

#### MONITORING EFFECTIVENESS

Both Community and Employee Engagement processes are incorporated into the risk management system, which will be monitored through third party independent internal auditors.

*We are focused on implementing our vision as a team and maintaining a values-based approach in every decision we make. We rely on knowledgeable, collaborative and productive individuals working in teams within this shared context to establish high performing, profitable mining operations. We achieve this by maintaining a keen emphasis on generating value for all of our stakeholders.*

In 2016, the Company's objective is to achieve full implementation of the CAP guidelines across all sites, provide a comprehensive table of metrics and statistics to show how we are doing relative to measuring our success in *Living our Values*, and develop proactive employee engagement activities across all sites with the implementation of our Employee Orientation Handbook. This brochure documents local initiatives that demonstrate our engagement with our communities, and how to operate so that our presence is valued.

For an electronic version of this brochure, or to see project fact centres, case studies, and site-specific stats, please follow this link: "<http://www.mandalayresources.com/living-our-values/>"





# CERRO BAYO, CHILE

THE CERRO BAYO SILVER-GOLD MINE IS LOCATED IN AYSÉN, CHILE, REGION XI. THE MINE IS 100% OWNED BY MANDALAY AND COMPRISES 23,106 HECTARES (“HA”) OF EXPLOITATION CONCESSIONS AND 4,700 HA OF EXPLORATION CONCESSIONS. THE OPERATION CONSISTS OF THREE UNDERGROUND MINES ACCESSING FIVE VEINS, ALL FEEDING A SINGLE PROCESSING PLANT.

THE OPERATION EMPLOYS 429 INDIVIDUALS AND 120 CONTRACTORS AND GENERATES ALL ITS OWN POWER. THE OPERATION IS 12 KM WEST OF THE TOWN OF CHILE CHICO, WHICH HAS A POPULATION OF 4,627 (2012), AND 130 KM FROM COYHAIQUE, THE CAPITAL OF AYSÉN PROVINCE. THE MINE IS THE BIGGEST EMPLOYER IN AYSÉN AND ALSO THE BIGGEST EXPORTER USING ROAD AND FERRY TO TRANSPORT ITS PRODUCT TO THE PORT OF CHACABUCO. THE COMPANY EMPLOYS AN ALL-LATIN WORKFORCE.

## SUPPORTING LOCAL ARTISANS IN CHILE CHICO

Mandalay Resources takes great pride in contributing to the lives of women in Chile Chico. Since 2013, Mandalay has supported an initiative to host an Artisan’s Fair in Chile Chico. This initiative originated when a group of women artisans in Chile Chico asked Mandalay for a physical place to create and sell their products, generating an income for their families.

During 2014, with the support of Mandalay Resources, 19 artisans formed the “Association of Women Artisans”, and the Company constructed a new building for the artisans to sell their products, and hold the Artisans’ Fair. This project gave the Association of Women Artisans the opportunity to generate a working organization which

continues to benefit themselves, their families and the wider community, helping strengthen local commerce, tourism, and the empowerment of women in Chile Chico.

Currently, the workshop is open every day of the year, selling its available leather crafts, decoupage, textiles, vegetables, flowers, etc. for local people and visitors who come to Chile Chico. Mandalay looks to continue to create value for the community and strengthen its commitment to the people of Chile Chico.

## CERRO BAYO WIND FARM: HYBRID ENERGY AT CERRO BAYO

To reduce its reliance on high cost diesel fuel and transport costs, Mandalay Resources is implementing a hybrid wind/diesel power generation facility at Cerro Bayo in partnership with a third party provider, Rame Energy. The wind farm is currently under construction and is expected to be finished in October 2015. It is expected to greatly reduce Mandalay’s operating costs over the life of mine and provide an innovative energy solution that also reduces CO<sub>2</sub> emissions.

The hybrid wind/diesel facility would reduce petroleum consumption that would result in the mine reducing its CO<sub>2</sub> output by over 2,000 tonnes per year. It is estimated that Cerro Bayo will consume over 1 million liters less of diesel annually with the hybrid system. Reducing our consumption of 2,000 tonnes of CO<sub>2</sub> a year is the same as: Taking 535 cars off the road each year, a 747 flying for 3.59 days non-stop each year, or the energy needs of 1 average urban home being met for 210 years.\*

\*[www.yousustain.com](http://www.yousustain.com)

For full details on project facts and progress, please visit: <http://www.mandalayresources.com/living-our-values/>



# CHALLACOLLO, CHILE

THE COMPANY'S WHOLLY-OWNED CHALLACOLLO SILVER-GOLD PROJECT IS LOCATED IN REGION I OF CHILE, APPROXIMATELY 130 KM SOUTHEAST OF IQUIQUE. THE PROJECT IS LOCATED WITHIN THE MUNICIPALITY OF POZO ALMONTE. THE NEAREST MAJOR TOWN IS PICA, WHICH HAS A POPULATION OF 6,200 PEOPLE AND IS A TOURISM AND AGRICULTURAL CENTRE. LOCATED NEARBY ARE THE MAJOR COPPER PORPHYRY MINES OF CERRO COLORADO, COLLAHUASI, AND QUEBRADA BLANCA. THE PROJECT WAS ACQUIRED IN FEBRUARY 2014.

CHALLACOLLO EMPLOYS SIX PEOPLE AND THE COMPANY IS MOVING FORWARD WITH OPTIMIZING ITS PROJECT AND CONTINUING ITS COLLECTION OF CRITICAL BASELINE DATA TO IDENTIFY AND UNDERSTAND THE PROJECT'S IMMEDIATE AREA AND ITS SURROUNDINGS, ENVIRONMENTAL, HERITAGE, CULTURAL AND OTHER BASELINE COMPONENTS IMPORTANT TO THE POTENTIAL DEVELOPMENT OF A MINE. A CRITICAL ASPECT OF THIS PROCESS IS TO DISCUSS AND ENGAGE WITH THE LOCAL COMMUNITIES SO THEY UNDERSTAND THE PROJECT SCOPE AND IMPACTS.

## STAKEHOLDER ENGAGEMENT AND COMMUNICATION IN A DEVELOPMENT PROJECT

In its consultation framework, the Mandalay team identified six community stakeholder groups, including the local municipality (Pozo Almonte) and a neighbouring one (Pica).

Mandalay held a series of internal workshops and developed an initial stakeholder engagement and communication strategy which was aligned with Mandalay's mission and values. The objective of this strategy was to establish effective relationships with our neighbours

during the evaluation, exploration, development and eventual operation of a mining project. Structured engagement and communication with the communities started in 2015, through meetings held with leaders and members from each group. In alignment with our CAP guidelines, the meetings aim to be inclusive in a manner which is culturally relevant to the stakeholder communities.

Free and open discussion was encouraged, and included personal introductions by participants, a presentation of Mandalay Resources, and an overview of Challacollo, including its location, history and activities undertaken since the acquisition. Comprehensive information regarding the project's development options was also presented, including; mining and processing methods, the location of project infrastructure, and the schedule of activities. All of these elements are being considered in our planning process.

Participants expressed their opinions regarding potential impacts of the project and their perspectives on the Company's current communication initiatives. The principal issues of stakeholder interest in Challacollo relate to: employment and commercial opportunities for local residents, water usage, location of operations relative to sites of archaeological significance and indigenous heritage.

To further help our neighbours understand the Company's plans, we have invited community members to participate in guided site tours. To date, nine such tours have been conducted and 33 people, from four of the six community groups, have participated. Feedback has shown that participants are effectively informed about the project and that their opinions are being considered in the planning and development of Challacollo.

To follow the Company's progress at Challacollo, please visit:  
[www.mandalayresources.com/properties/challacollo/](http://www.mandalayresources.com/properties/challacollo/)

For full details on project facts, please visit:  
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# BJÖRKDAL, SWEDEN

MANDALAY RESOURCES OWNS 100% OF THE BJÖRKDAL GOLD MINE, LOCATED IN NORTHERN SWEDEN. MANDALAY ACQUIRED THE OPERATION IN SEPTEMBER 2014 WHEN IT PURCHASED 100% OF ELGIN MINING. THE BJÖRKDAL MINE PRODUCES GOLD FROM OPEN PIT AND UNDERGROUND MINES. BJÖRKDAL IS LOCATED 28 KM NORTHWEST OF THE TOWN OF SKELLEFTEÅ (POPULATION 72,000), NEAR THE BOLIDEN MINING DISTRICT WHICH HAS BEEN MINED FOR OVER A CENTURY.

THE BJÖRKDAL MINE CONSISTS OF SIX MINING CONCESSIONS AND 15 EXPLORATION PERMITS, TOTALLING 6,862 HECTARES. THE BJÖRKDAL MINE EMPLOYS 145 EMPLOYEES AND 65 CONTRACTORS. THIS MINE IS FULLY PERMITTED FOR CURRENT OPERATIONS AND IN THE ORDINARY COURSE OF BUSINESS IT OPERATES SEVEN DAYS A WEEK ALL YEAR ROUND.

BJÖRKDAL IS IMPLEMENTING THE *LIVING OUR VALUES* INITIATIVES IN 2015 AND 2016.

## REVIVING A SCHOOL, REVITALIZING A COMMUNITY

The team at Björkdal has been active in rebuilding the old school in Sandfors village. Rather than be destroyed, the school was converted into a multipurpose, multi-use facility for the community. The school has been rebuilt into a contractor/employee hotel for the mine. The Björkdal team also refurbished the community-run kindergarten facility so that the facility could stay in the village instead of moving all the children elsewhere. Also, the kitchen was rebuilt to the modern specifications of

a restaurant and franchised to a contractor who started a restaurant that serves the kindergarten their daily meals and gives the mine employees/ local community access to the lunch menu.

The mine team at Björkdal also works closely with the local fishing conservation association to share information gained from environmental testwork conducted by the mine staff around the property.

The Björkdal team discusses the health and water quality of nearby streams and lakes and assists the local conservation authority in formulating methods for the best results to preserve not only the water quality, but the health of the nearby fish and aquatic invertebrates. The nearby streams contain both wild salmon and brown trout and are crucial spawning areas, so water quality is of key importance.

For full details on project facts and progress, please visit:  
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# COSTERFIELD, AUSTRALIA

MANDALAY RESOURCES' COSTERFIELD GOLD-ANTIMONY MINE IS LOCATED IN COSTERFIELD IN CENTRAL VICTORIA, AUSTRALIA, APPROXIMATELY 10 KM NORTHEAST OF HEATHCOTE (POP. APPROX. 2,700), 50 KM SOUTHEAST OF THE CITY OF BENDIGO (POP. 82,794 (2011)) AND 100 KM NORTHWEST OF MELBOURNE, VICTORIA.

THE COMPANY PURCHASED THE MINE FROM WESTERN CANADIAN COAL IN LATE 2009. THE COSTERFIELD MINE IS FULLY PERMITTED AND OPERATES YEAR-ROUND, EMPLOYING 163 WORKERS AND 64 CONTRACTORS. THE WORKFORCE IS ENTIRELY LOCAL.

## SAFEGUARDING THE HABITAT OF LOCAL FAUNA

Over the past year Mandalay Resources participated in a program to enhance the natural habitats of several species of animals in Heathcote, located approximately 10 km from the Company's Costerfield gold-antimony mine. Mandalay, through its donation to the Whroo Goldfields Conservation Management Network, helped build and install 33 new fauna nesting boxes in the One Eye Forest and Plantation Road areas of Heathcote.

These nesting boxes provide important nesting habitats for endangered forest creatures such as the brush-tailed phascogale, sugar gliders, and squirrel gliders. These artificial habitats are particularly important in forest areas where there is a scarcity of hollows associated with larger, old trees.

Of the 33 boxes installed as part of the program, 90% are occupied, a remarkable result according to Catchment Management Officials, who have been monitoring the boxes. The rapid uptake of the new homes ensure adults and offspring have the ability to thrive and boost the population in forested areas. Further, the rapid uptake of these habitats also indicates that the forest animals are using the nesting boxes in preference to what is naturally on offer, according to Catchment Management Officials.

## UPDATE ON ANTIMONY DUST TRACKING AND MONITORING

Costerfield has also enhanced and emphasized its community relations to ensure that dust monitoring is ongoing. A key aspect of the community relations program is to ensure the development of Mandalay's new water evaporation facility is understood by the community, and feedback taken into account in its construction.

A CAP has also been developed to support ongoing community engagement in this area, this has allowed the Company to continue to improve its outreach and communication process and be more accessible.

For full details on project facts and progress, please visit:  
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Living Our Values

To access Mandalay's charters and policies, please visit:

[WWW.MANDALAYRESOURCES.COM](http://WWW.MANDALAYRESOURCES.COM)

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