

MESSAGE TO SHAREHOLDERS 2023



DOMINIC DUFFY
DIRECTOR
MANDALAY RESOURCES

OVERVIEW

Mandalay Resources demonstrated sustained operational growth and financial success over the past four years. In 2022, we made significant financial progress by once again strengthening the balance sheet and increasing our net cash position. This provides significant flexibility and optionality for Mandalay's future growth.

We produced 105,906 saleable gold equivalent ounces in 2022, marking our second highest annual production since 2017. The combination of strong production and tight cost controls led to a remarkable \$45 million in annual free cash flow¹, our highest ever and approximately \$27 million and \$20 million more than what we achieved in 2020 and 2021, respectively. Truly impressive results for a company with our production scale and market capitalization.

I am pleased with these financial achievements. I am also very happy to report that the results were accomplished with a Lost Time Injury Frequency Rate of 3.1 per one million hours worked; an improvement as compared to the 3.8 rate in 2021. At Mandalay we strive to create a safe work environment for our employees by instilling a [Living Our Values](#) work culture.

STRENGTHENED BALANCE SHEET: REDUCING DEBT

In December 2022, we refinanced our senior secured term debt with a new \$35 million revolving credit facility provided by Scotiabank. The new facility has no hedging requirements and a lower interest rate than the credit facility that it replaced. The new facility provides us with a lower cost of capital and greater financial flexibility with the ability to draw on funds when

required. It also removes the need to make the \$29 million “bullet” payment in March 2023 that would have been required under the previous credit facility.

At the end of 2022, Mandalay had \$38.4 million in cash on hand and \$24.0 million in total interest-bearing debt outstanding, leaving us in a net cash position of \$14.4 million. This is a \$33.5 million improvement over our net debt position of \$19.1 million at the end of 2021. By reducing our debt and improving our balance sheet, we have greater flexibility in pursuing internal growth opportunities through exploration as well as the ability to seekout potential accretive M&A opportunities.

In January 2023, we announced a normal course issuer bid under which we have the ability to repurchase some of our shares, which we believe are undervalued, as an additional means of returning value to our shareholders.

EXPLORATION

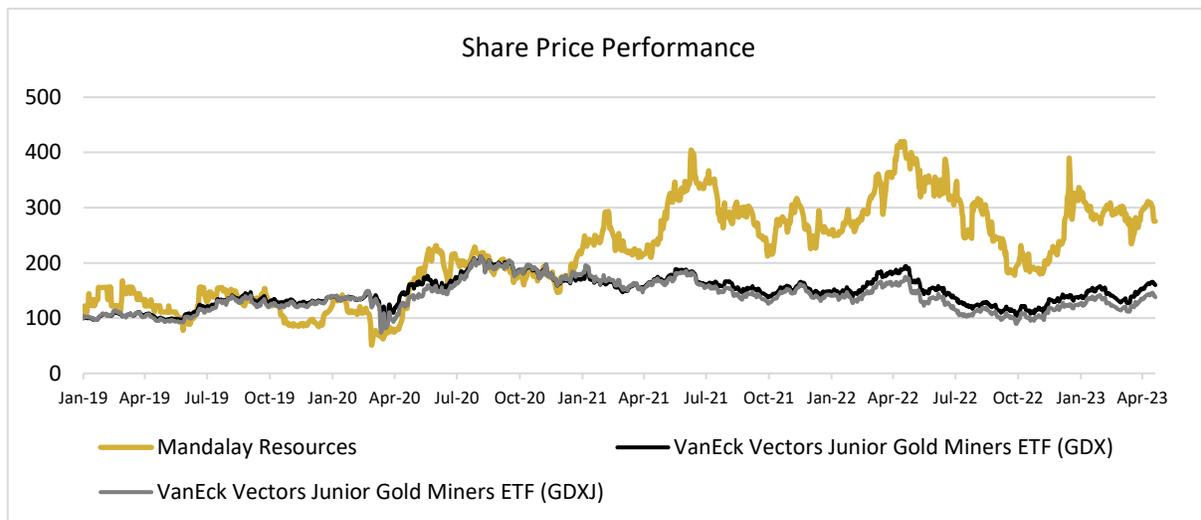
During 2022, we invested more than \$10 million into exploration at both sites. This level of commitment continues into 2023 as we anticipate another increase to \$12 million in planned drilling expenditures.

At Björkdal, our near-mine exploration goals were centred around bringing higher-gold grade areas into the near and medium-term mining plans. This led to the combined grades in Björkdal’s updated 2022 Mineral Resource and Mineral Reserves grades increasing by 10% and 11% respectively, as compared to the grades at the end of 2021. These grade increases were predominantly due to the exploration of our high-grade Eastern Plunge extension program. Overall, Mineral Reserves increased by 32,000 oz net of yearly depletion, with grades increasing to 1.54 g/t while Mineral Measured and Indicated Resources increased by 72,000 oz net of yearly depletion with grades increasing to 2.27 g/t. These additional Mineral Reserves were added at a cost-effective US\$31 per ounce of gold.

We did not update Costerfield’s Mineral Resources and Reserves estimate in 2022 given the 24% growth in Mineral Reserves in 2021, which saw Costerfield’s life of mine extended by an additional two years to a total of five. The next update is expected at the end of 2023. That said, during 2022 approximately 40 km of exploration drilling was completed. Half of this drilling focused on the testing and conversion of mineralization at the Youle deposit and Shepherd zone while the remaining drilling focused on prospects further afield such as True Blue, Margaret and the ongoing testing of the Robinsons prospect.

STRONG SHAREHOLDER RETURNS

Since we began repositioning the Company’s operations, Mandalay has delivered strong returns to our shareholders. From the start of 2019, Mandalay is up 176% as of April 20, 2023. All the more remarkable when compared to a 38% return for the VanEck Vectors Junior Gold Miners ETF (TSX: GDXJ) and 60% for VanEck Vectors Gold Miners EFT (TSX:GDX), during the same period.



2023 AND BEYOND

For 2023, we are anticipating another year of strong positive free cash flow generation, which is reflected in the improved guidance for 2023 over 2022. At Björkdal, we will continue mining areas of higher confidence with improved grades in the lower levels of Aurora and initiate the development of the Eastern Central zone in several higher-grade areas. We have made significant progress towards obtaining the mining permit extension for this area and expect to have it in hand by the end of the year. With the drilling results that we are seeing at depth to the east, I am very excited about the future of Björkdal and look forward to seeing how this develops over 2023 and beyond.

At Costerfield, we expect margins to remain strong as we continue mining the high-grade Youle deposit while working towards bringing online the deeper Shepherd veins, both of which will continue to supply high-grade ore to the processing plant.

As previously announced, effective April 3, 2023, I stepped down as President and CEO of Mandalay, but remain on the Board of Directors in a non-executive capacity.

I'm proud of what we have accomplished at Mandalay and of the talented and committed team I worked with every day. Together, we were able to put the Company on a better path, making it stronger and positioning it for a brighter future. It was a privilege to have worked for Mandalay over the past 12 years, with the opportunity of leading the Company over the past four.

However, I believe the time is right to step away and devote more of my energy to my passions outside of the workplace.

I would like to thank our Board of Directors for their guidance, as well as our shareholders for their continued support. I would especially like to thank all our employees and contractors for their resilience, commitment and dedication in driving this Company forward.

I would like to take this opportunity and welcome Mandalay's new President, CEO and Director Frazer Bouchier. Mr. Bouchier comes to Mandalay with over 30 years of domestic and international mining experience. His breadth of knowledge will be invaluable for Mandalay as it takes its next steps in growth and direction. I will remain committed in helping Mr. Bouchier to ensure a smooth transition in leadership allowing us to keep our positive momentum on track.

Lastly, on behalf of the Board of Directors and Management of Mandalay, I would like to invite you to attend our Annual General Meeting of shareholders to be held on Wednesday, May 24, 2023, at 9:00 AM (Eastern Time). The Company will hold the Annual General Meeting in a virtual-only format, details of which will be provided in the Company's Management Information Circular.

A handwritten signature in black ink, appearing to read 'Duffy', written over a light blue dotted grid background.

DOMINIC DUFFY
DIRECTOR
MANDALAY RESOURCES

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION: This letter contains "forward-looking statements" within the meaning of applicable securities laws, including statements relating to life of mine production plans, exploration plans and the growth and strategy of Mandalay. Actual results and developments may differ materially from those contemplated by these statements depending on, among other things: exploration results or production results not meeting management's expectations; capital, production and operating cost results not meeting current plans; and changes in commodity prices and general market and economic conditions. The factors identified above are not intended to represent a complete list of the factors that could affect Mandalay. A description of additional risks that could result in actual results and developments differing from those contemplated by forward looking statements in this presentation can be found under the heading "Risk Factors" in Mandalay's annual information form dated March 31, 2023, a copy of which is available under Mandalay's profile at www.sedar.com. Although Mandalay has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

1. Adjusted EBITDA, adjusted net income, free cash flow and cash and all-in sustaining costs are not standardized financial measures under IFRS and might not be comparable to similar financial measures disclosed by other issuers. Refer to "Non-IFRS Measures" at the end of this press release for further information.

QUALITY CONTROL AND ASSURANCE

Quality control and assurance programs are implemented in line with the standards of National Instrument 43-101.

The exploration programs at Mandalay's properties are supervised by Chris Davis, Vice President of Operational Geology and Exploration at Mandalay Resources, is a Chartered Professional of the Australasian Institute of Mining and Metallurgy (MAusIMM CP(Geo)), and a Qualified Person as defined by NI 43-101. He has reviewed and approved the technical and scientific information provided in this letter. Mr. Davis regularly visits Mandalay's properties and supervises the collection and interpretation of scientific and technical information contained in this letter.