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# MESSAGE TO SHAREHOLDERS



**FRAZER BOURCHIER**  
PRESIDENT, CEO AND DIRECTOR  
MANDALAY RESOURCES

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## CREATING A PLATFORM TO BUILD A MID-TIER PRODUCER

Mandalay demonstrated resilience and the effectiveness of various strategic initiatives by largely overcoming numerous production challenges encountered in the first half of 2023. Both Costerfield and Björkdal showed stronger performance in the second half of the year, finishing on a high note and enabling the Company to meet its revised 2023 production guidance with a total of 89,809 gold equivalent ounces.

Continual operational improvements throughout the year, paired with an impressive safety record maintaining incident rates below industry averages, helped Mandalay get back on track. The Company will continue to focus on monitoring key operational metrics to better manage mine site challenges and risks.

Our Vision remains to become a mid-tier gold producer in an industry ripe for consolidation. We are a diversified producer of gold and antimony, operating in top-tier global jurisdictions, with a proven ability to cost-effectively replace our Mineral Resources. Building on the stable operating platform of our two cash-generating assets, we aim to pursue organic growth and promising external opportunities, making 2024 a potentially exciting year for Mandalay. This growth strategy is supported by strong cash flows, having already generated \$16 million in free cash flow in Q1 2024, and a robust balance sheet with \$47 million in cash at the end of Q1 2024.

## ESTABLISHING A SUSTAINABLE TRACK RECORD OF OPERATIONAL RESULTS

Reflecting on our key production achievements, Costerfield saw significant improvements throughout the year, culminating in a remarkable Q4 with 15,383 ounces of gold equivalent

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production. This strong quarterly result contributed to an annual total of 47,661 gold equivalent ounces produced.

The incremental improvements in our quarterly production can be attributed to elevated gold grades and increased mined tonnes. These gains in mined grade were achieved by overcoming previous delays and focusing on higher grade stopes in central Youle rather than the periphery of the orebody. Additionally, we addressed in part the challenges that led to a reduction in milled tonnes due to processing transitional ore from Youle to Shepherd. Looking ahead to 2024, both the Youle and Shepherd deposits will continue to play crucial roles in shaping our production profile, with predominant tonnage from stoping in Youle and development in Shepherd.

Björkdal also showcased improvements over three consecutive quarters, with 11,558 gold ounces produced in Q4 – achieving its highest quarterly output since Q1 2022. Over the year, Björkdal yielded 42,148 ounces, reflecting a modest improvement over the full-year results of 2022. This increase is mainly credited to improved grades from the Eastern Extension zone in the second half of the year and the steady production from the mine after the first quarter. For 2024, the emphasis remains on prioritizing the extraction of gold from higher-grade areas within the mine and ramping up processing to an annualized rate of 1.45 million tonnes through our mill conversion project.

We believe the work done throughout 2023, sets the foundation for improved operations in 2024 and beyond. On a consolidated basis, we are anticipating a lift in production while continuing to exercise our disciplined cost controls to achieve our 2024 operational guidance of 90,000 – 100,000 gold equivalent ounces at an expected cash costs of \$1,050 – \$1,170 and an all-in sustaining cost of \$1,450 – \$1,580 per gold ounce equivalent produced.

## **MINE LIFE EXTENSION**

One of our corporate objectives is to replace mine depletion at both sites and extend the mine life at Costerfield. We see opportunities over the next few years for expansion in existing mineralized areas and the discovery of new near-mine deposits at both locations.

In 2023, drilling efforts at Costerfield confirmed high gold grades in a network of sheeted quartz veins with complex interactions. While defining Shepherd increased mining confidence, Mineral Reserves saw a reduction roughly in line with depletion. The current mine life at Costerfield is now 3.5 years, returning to historic norms for the site. For 2024, our exploration focus at Costerfield will be two-fold: continuing to grow near-mine high-grade Mineral Resources at depth in Youle, testing for Youle-like environments under the Cuffley, Augusta, and Brunswick deposits, and advancing regional exploration in the promising western and eastern corridors. We plan to spend \$9 – \$11 million on exploration in 2024 to support these initiatives.

At Björkdal, an interim Mineral Reserves update was conducted considering the depletion for 2023. We also implemented an updated scheduling methodology, to better represent optimal mining practices needed to extract the complex veining at Björkdal. The 2024 exploration strategy remains on incremental Mineral Reserves and Resources additions by identifying and drilling more prospective areas with the potential for higher gold grade mineralization. Efforts will concentrate near mine within the Aurora and Eastern Extension zones, as well as building possible regional Mineral Resources within our northern, eastern, and southern prospects. A

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comprehensive Björkdal Mineral Reserves and Resources update is scheduled for release in Q1 2025.

## **NET CASH POSITIVE, A CLEAR PATH TOWARDS DEBT FREE**

In 2023, we implemented measures to stabilize our balance sheet. Subsequent to year-end, we further enhanced our financial flexibility by successfully renegotiating an extension to our Revolving Credit Facility with Scotiabank, now extended until 2027. As at the end of Q1 2024, our total interest-bearing debt stands at \$28 million which includes various equipment leases. With our improved cash generation, we anticipate our net cash position at end of Q1 2024 of \$19 million to gradually increase during the remaining FY2024. As our cash balance grows, we will evaluate the opportunity to repay the debt, aiming to achieve another significant milestone for the Company: becoming debt-free.

## **ENVIRONMENT, SOCIAL AND GOVERNANCE & SAFETY**

Our mine operations are heavily engaged in community engagement efforts and we are proud of the support we provide locally. As an example, we have been providing monthly funding for local food relief and undertaking volunteering at the Heathcote Community House to assist with preparing meals.

In 2023, the Company achieved its best safety record to date, with a Lost Time Injury Frequency Rate (LTIFR) of 2.0 per million hours worked. This steady decline in LTIFR, coupled with consistent production levels over recent years, is a testament to the effectiveness of our safety programs and reflects the care employees have for one another.

By the end of Q2 2024, the Company will publish its year-end 2023 sustainability report. This report will detail the Company's risks related to greenhouse gas emissions, air quality, energy and water management, waste and hazardous materials management, and other key areas such as safety programs, community engagement, and mine closures. This Environment, Social, and Governance risks report will comply with Sustainability Accounting Standards Board guidelines. Updated and historical reports can be found [here](#).

## **2024 AND BEYOND**

Mandalay entered 2024 in a strong position – both operationally and financially. Management has three core priorities that will position the Company for future growth and to deliver superior shareholder value. They are:

- **Maximize Cash Flow from Operations:** Take full advantage of the record-high gold price environment by continuing to grow our production profile at Costerfield and ramping-up higher-margin ounces from Björkdal underground.

- **Unlock Further Value and Extend Mine Life Through Exploration:** Grow the existing Mineral Resources to provide the Company additional years of cash generation from high-quality, low-cost production. We will also aim to unlock the tremendous potential at Costerfield by identifying new high-grade ore sources. At Björkdal, we will continue to focus on delineating and growing higher-gold grade ore from the Aurora and the Eastern Extension zones.
- **Mergers and Acquisitions:** Strengthen the business through strategic at market mergers and / or acquisitions aimed at enhancing the Company's production profile and expanding its Mineral Resource base. We will prioritize assets in tier 1 and 2 jurisdictions that contain precious metals or polymetallic deposits.

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 Tuesday, May 28, 2024, at 9:00 AM (Eastern Time). The Company will hold its Annual General Meeting in a virtual-only format, details of which will be provided in the Company's Management Information Circular.

I would like to thank our Board of Directors for their guidance, as well as our shareholders for their continued support. I especially express my appreciation to all our employees and contractors for their hard work, resourcefulness, aligning with our core values and their commitment to operational excellence. It's through the collective efforts of our talented people that we will continue to strive to reach new heights in 2024. I am excited for the days ahead and look forward to updating the market on our progress.



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**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 28, 2024, a copy of which is available under Mandalay's profile at [www.sedar.com](http://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.

Free cash flow, cash operating costs and all-in sustaining costs are non-standardized financial measures under IFRS and may not be comparable to similar financial measures disclosed by other issuers. For more details, refer to the "Non-IFRS Measures" section of the Management Discussion & Analysis for Q1 2024.

**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.