

Chairman's Address & CEO's Operations Update - EGM

23 December 2020

ASX Markets Announcement Office
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20 Bridge Street
Sydney NSW 2000

BY ELECTRONIC LODGEMENT

CHAIRMAN'S ADDRESS AND CEO'S OPERATIONS UPDATE EXTRAORDINARY GENERAL MEETING

Please find attached for release to the market, the *Chairman's Address* and *CEO's Operations Update* and related slides, to be presented this morning to Xanadu Mining Ltd's Virtual Extraordinary General Meeting, commencing at 10:00am AEDT.

-ENDS-

For further information, please contact:

Andrew Stewart
Chief Executive Officer

Spencer Cole
Chief Financial Officer

M: +61 409 819 922

M: +61 434 047 987

E: Andrew.stewart@xanadumines.com

E: spencer.cole@xanadumines.com

W: www.xanadumines.com

This Announcement was authorised for release by Xanadu's Board of Directors.

AUSTRALIA

c/o Company Matters Pty Limited
Level 12, 680 George Street
Sydney NSW 2000
T: +612 8280 7497

MONGOLIA

Suite 23, Building 9B
Olympic St, Sukhbaatar District
Ulaanbaatar, Mongolia
T: +967 7012 0211

Xanadu Mines Ltd ACN 114 249 026

www.xanadumines.com

CHAIRMAN'S ADDRESS

Good morning everyone. My name is Colin Moorhead, Chairman of Xanadu Mines Ltd, and I will be the Chairman of the Meeting for today's Extraordinary General Meeting.

I am very pleased to welcome all shareholders participating online today through Xanadu Mines' first virtual meeting platform, provided by our share registrar, Computershare Investor Services Pty Limited and their technology partner, Lumi.

The Company recently undertook an extensive review of, and implemented an updated Board, Executive and Employee Remuneration Policy. The purpose of that policy is to establish clear and guiding principles for decisions by the Company around employee, executive and director remuneration and to ensure fair, competitive and appropriate pay for the markets in which the Company operates.

The Company's goal is to implement a mix and balance of remuneration that is appropriate to attract, motivate and retain high calibre directors, senior executives and key management personnel, guided by a policy that supports the Company's business strategy and contemporary corporate governance standards.

At the Annual General Meeting held on 30 July 2020, Xanadu Shareholders approved a proposed grant of 12,750,000 Options to Dr Stewart and 8,500,000 Options to Mr Lkhagvasuren. However, following feedback from a number of shareholders subsequent to the AGM, those Options have not yet been issued.

After further review and consultation, the Directors resolved to again refer to Shareholders for approval, with amended terms and conditions, the proposed grant of 12,750,000 Options to Dr Stewart and 8,500,000 Options to Mr Lkhagvasuren, as set in the Explanatory Memorandum which forms part of the Notice of Meeting for today's meeting.

I will now hand over to Andy to provide an Operations Update.

CEO'S OPERATIONS UPDATE

Thank you, Colin,

Good morning everyone. My name is Andrew Stewart, CEO of Xanadu Mines Ltd, and I will provide an update on exploration programs at our flagship Kharmagtai project and at the Red Mountain JOGMEC JV project.

Slide 8: Copper-Gold Mineralisation Expands at Kharmagtai

We are pleased with the progress of our drilling program at Kharmagtai, which has now completed over 17,000 metres out of a planned 23,000 metres in Phase 1.

The Phase 1 program focus was to a) test extensions of the known mineralised envelope; b) find new, internal high grade zones within that envelope; and c) test other known copper-gold mineralisation and geophysical and geochemical anomalies within the Kharmagtai Mining license. Phase 2 will use those outcomes to execute a more surgical drill program that better defines the higher grade zones.

There are 9,800 metres of assays still pending from Phase 1 drilling, however results so far have more than doubled the size of our Zaraa Prospect, and they have identified a potential structural repeat of mineralisation at Stockwork Hill, below the current Mineral Resource. Discovery drilling at Pechko, to the east, also identified a large, potentially mineralised system.

We expect to be able to share significantly more drilling data with you in January.

Slide 9: Priority Targets Looking North

This long section of Kharmagtai gives a good feel for drilling to date across the mining license and our priority target zones.

Four diamond drill holes were drilled at Stockwork Hill totalling 4,100m. Three drill holes targeted along strike of the higher grade bornite zone and encountered several low angle structures that have offset mineralisation. This identified the potential offset to the northern Stockwork Zone at depth and suggests the higher-grade zone has been shifted to beneath White Hill. Geological models are being updated to incorporate these results. Assays for two holes have been returned (Tables 2 and 3) and assays for the remaining holes are awaited. Once these results are returned final models will be developed and additional drill planned.

Slide 10: Priority Targets Looking West

This long section of looking west further highlights those key fault lines under Stockwork Hill and the resulting priority targets.

Slide 11: Drilling and Priority Targets at Zaraa

The program at Zaraa was designed to test the dimensions and extensions to the large, mineralised envelope as well as any internal high-grade zones. This mineralised zone is not currently included in the Kharmagtai Mineral Resource Estimate and has the potential to add significant value to the project.

Recent drilling has made significant progress in these objectives, with five holes completed, and Zaraa mineralisation expanded 200m to the south, 200m to the north and 150m to the west. New modelling of these results show that Zaraa is now 700m long, 300m wide and 650m deep and remains open along strike and at depth. Assays are pending for the remaining holes.

Detailed structural observations made during this program have provided a structural framework which indicates additional extensions may be found. When this structural framework is layered with the existing 3D IP data, a clear offset target is identified. The current drilling identified two large structures. The offset on these structures can be clearly seen in the geology and geochemistry and when the 3D Induced Polarization data is shown, a significant target to expand Zaraa is observed.

Additional drilling is planned for Zaraa and will target the offset IP chargeability anomaly, aiming to confirm the location of the large offset zone of interpreted mineralisation.

Slide 12: Active Drilling

Xanadu currently has two active drill holes at Stockwork Hill and Zaraa, working to complete our 23,000 metre Phase 1 program. We aim to report KHDDH559 and KHDDH557 in January, along with the 9,800 metres of pending assay results mentioned previously.

Slide 13: Mongolia COVID Update

I'd like to finish with a discussion of COVID-19 and how this is impacting Mongolia as a country and Xanadu operations. As we've said before, Mongolia maintained a very conservative approach to the pandemic and closed its borders early, which allowed the Mongolian economy to remain largely open for the past 9 months.

Mongolia experienced its first community transmission in November, and in response, they locked down the country for an initial 4 weeks. Since that time, Mongolia recorded 961 cases and no fatalities. A more targeted lockdown remains in effect for Ulaanbaatar until January 6th, while some other provinces have lesser restrictions.

Importantly - mining and exploration has been able to continue during this period, albeit with temporarily reduced assay lab capacity in country.

At Xanadu's operations in the South Gobi, we continue to operate 2 diamond drill rigs at Kharmagtai, and our team is working closely and cooperating with the Government of Mongolia to ensure safe operations can continue. Red Mountain is on track to commence its exploration plan in the January quarter.

Slide 14: Upcoming News Flow

Looking forward to 2021, we expect the following news flow.

- Drilling Program Phase 1 Results (Q1 CY21)
- Exploration Target Review and Mining Concepts Study (Q1 CY21)
- Resource Update (H1 CY21)
- Drilling Program Phase 2 Results (Q1 to Q3 CY21)
- Updated Concept Study and Gating Decision (Q4 CY21 to Q1 CY22)

I will now hand back to the Chairman.

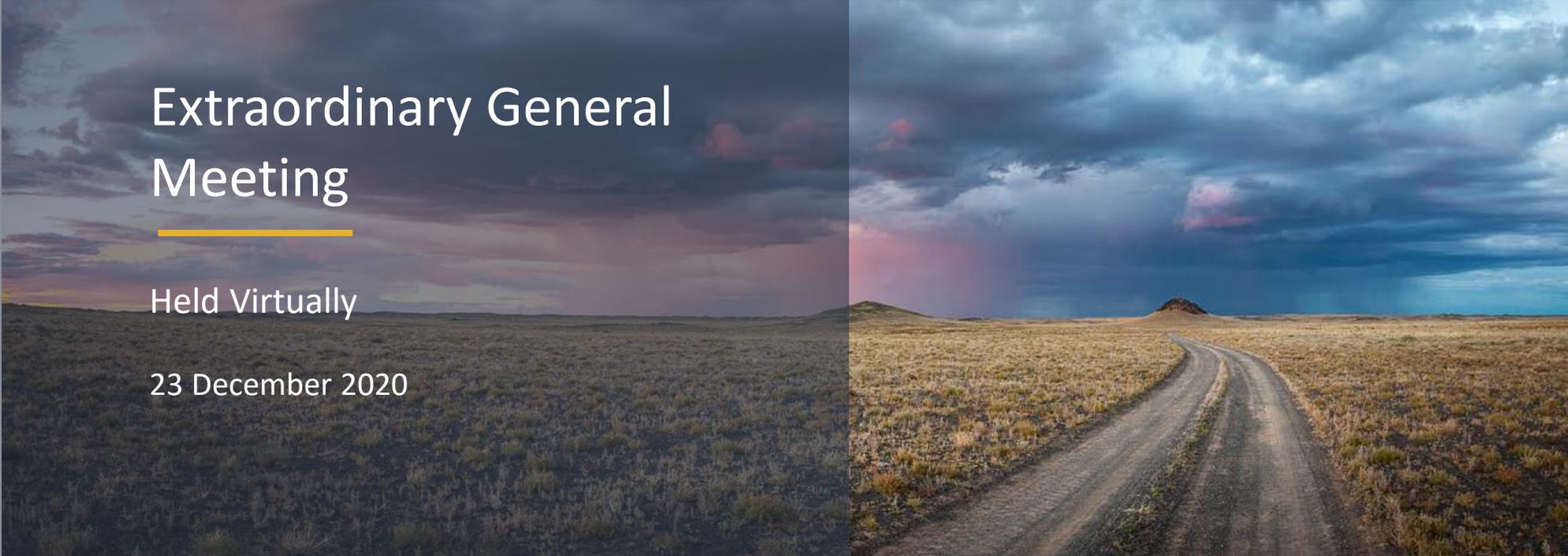
XANADU MINES



Extraordinary General Meeting

Held Virtually

23 December 2020



Welcome



Director Introductions



Non-Executive Chairman
Colin Moorhead



Non-Executive Director
Michele Muscillo



Executive Director & CEO
Andrew Stewart



Executive Director &
Country Manager
Ganbayar Lkhagvasuren

Meeting Open



Meeting Agenda

- Chairman's Address
- Operations Update
- Formal Business - 2 Resolutions

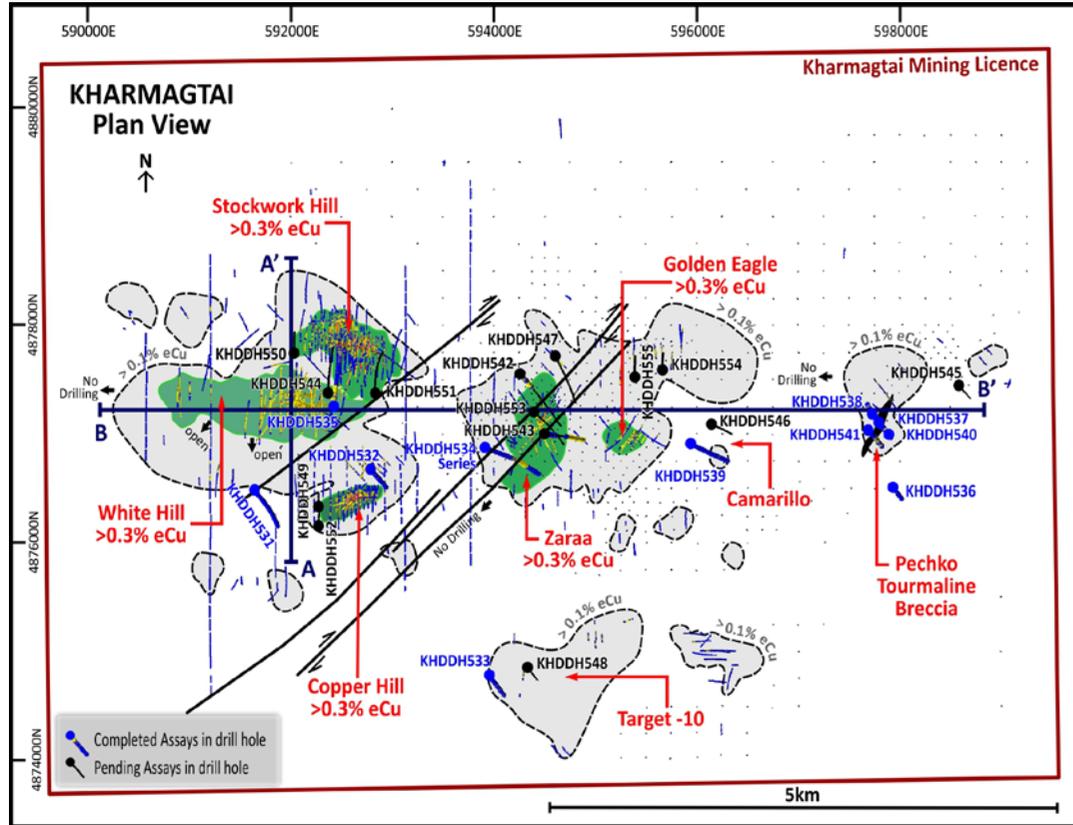
Chairman's Address



Operations Update

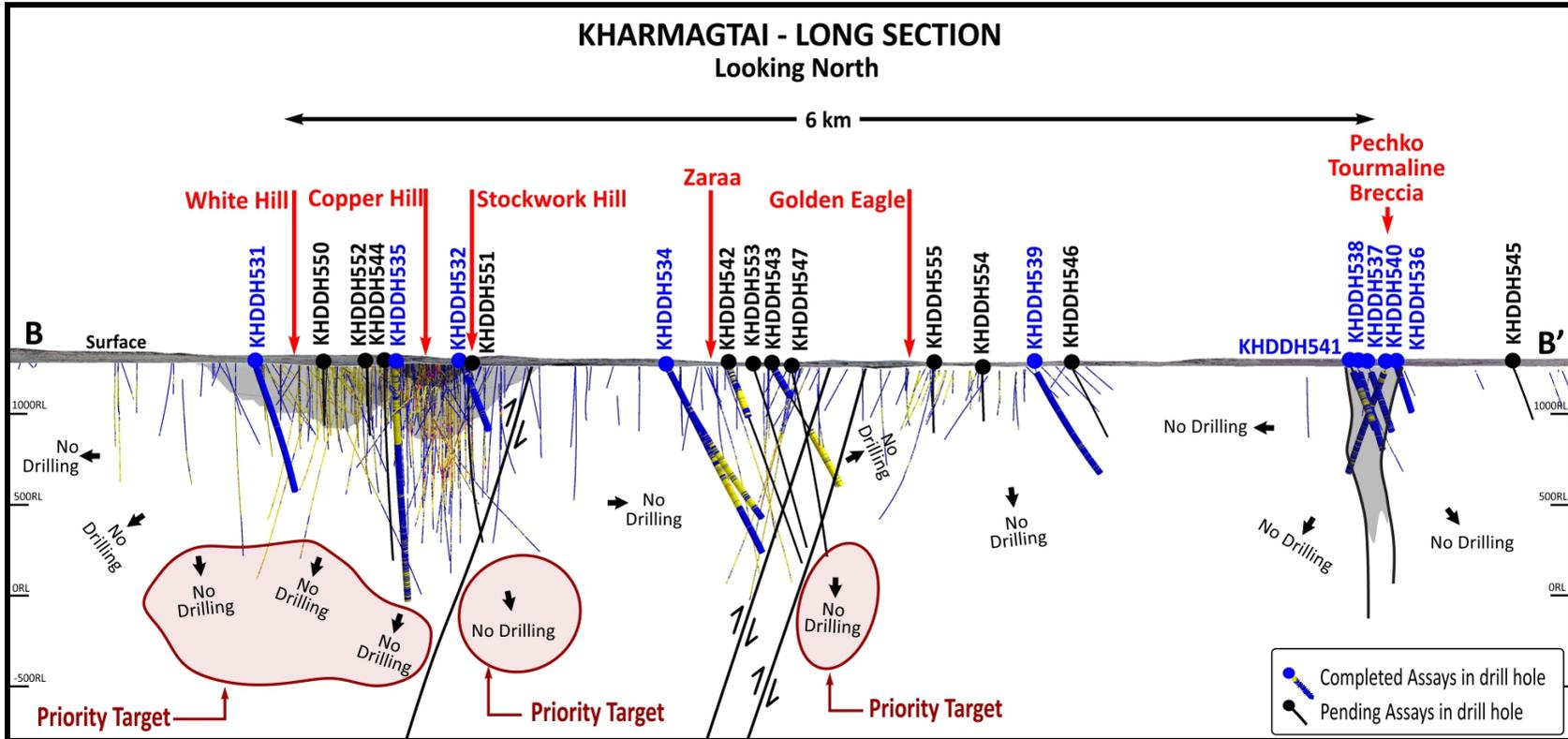


Copper-Gold Mineralisation Expands at Kharmagtai

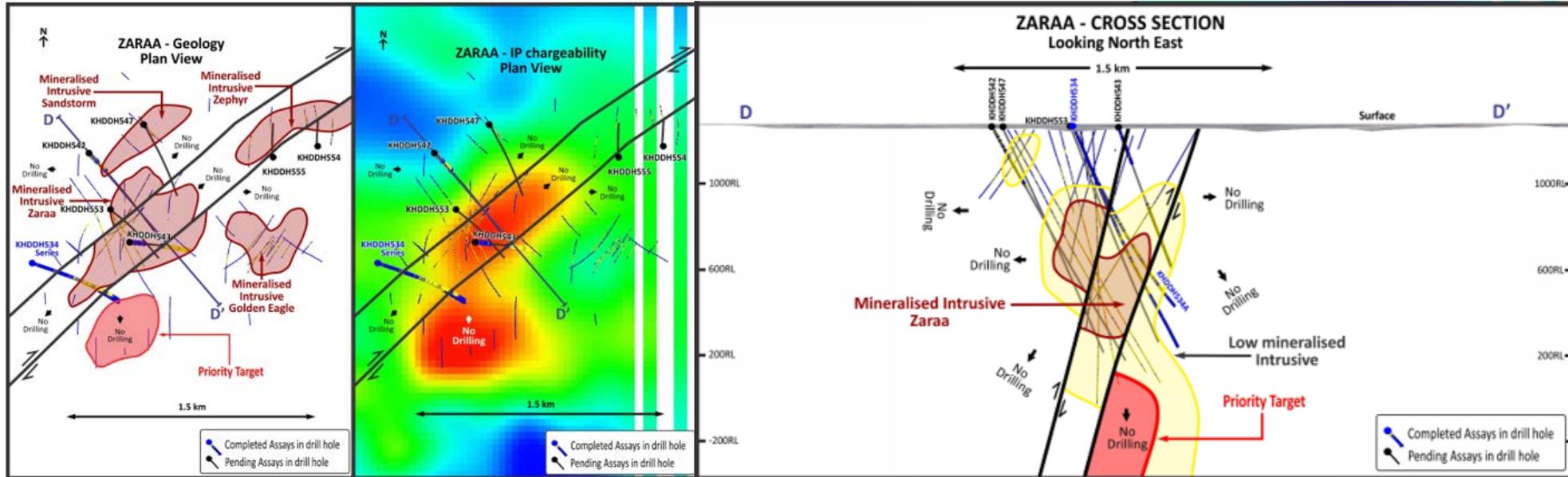


- 17,000 metres drilled in Phase 1 program (out of 23,000), with 9,800 metres of assays still pending
- More than doubled the size of the Zaraa Prospect
- Identified a potential structural repeat of mineralisation at Stockwork Hill, below current defined Mineral Resource
- Discovery drilling at Pechko identified a large, potentially mineralised system

Priority Targets - Looking North



Drilling and Priority Targets at Zараа



Mongolia COVID Update

- COVID in Mongolia
 - **Country wide** 961 cases to date, 509 recovered, no fatalities
 - **Ulaanbaatar** remains under lockdown until Jan 6
 - **Several Provinces** remain under lockdown until Jan 24
 - **Mining & exploration** has continued operation through this period
- Impact to Xanadu
 - **Kharmagtai** exploration continues, currently operating two diamond drill rigs
 - **Red Mountain** exploration anticipated to commence in the January quarter
 - **Assay Labs** operating at reduced capacity
 - **Xanadu** is working closely and cooperating with the Government of Mongolia and continues to prioritise the health and safety of our employees

Upcoming News Flow

- Drilling Program Phase 1 Results (Q1 CY21)
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