



TWO DIAMOND DRILL RIGS TARGET HIGH-GRADE BORNITE ZONES AT KHARMAGTAI

2 March 2021

Xanadu Mines Ltd (**ASX: XAM, TSX: XAM**) (“Xanadu” or “the Company”) is pleased to update the market as it accelerates drilling to target the high-grade, gold-rich bornite mineralisation at Stockwork Hill, located on the Company’s Kharmagtai porphyry copper and gold project in the South Gobi region of Mongolia (**Figures 1 and 2**).

Highlights

- Two diamond drill rigs have commenced targeting high-grade bornite mineralisation at the Stockwork Hill deposit, following Xanadu’s most recent drilling which encountered the richest mineralisation to date (see ASX/TSX announcement dated February 15, 2021)
- Drilling is now underway to extend and test the structure, depth and scale of the high-grade bornite mineralisation
- The drill program is based on models of the high-grade Hugo Dummett deposit at Oyu Tolgoi and the Ridgeway deposit at Cadia
- Results of these holes will further inform Phase 2 of the Kharmagtai exploration program, targeting high-grade extensions and new discovery

Xanadu’s Chief Executive Officer, Dr Andrew Stewart, said “*We have moved decisively to follow-up the exciting results from drill hole KHDDH559B, which encountered the highest grade mineralisation seen at Kharmagtai to date. These two drill holes underway have potential to expand the zone of high density bornite mineralisation at Kharmagtai, which would confirm that Kharmagtai has not only globally significant scale but also the large zones of high-grade characteristic of a Tier 1 copper-gold porphyry*

deposit. These holes will also help guide our Phase 2 program which will target additional high-grade extensions and new discoveries at depth.”

Drivers to Follow-Up KHDDH559B

KHDDH559B (see ASX/TSX announcement dated 15 February, 2021, and **Figure 1**) intersected the largest zone of bornite mineralisation drilled to date at Kharmagtai.

In porphyry systems, mineralisation is typically zoned from chalcopyrite on the outside of the system to bornite in the higher-grade core of the system. This is significant as bornite carries more copper and gold than chalcopyrite, and this recent hole demonstrates the potential for the Kharmagtai mineralised system to contain zones of significantly higher grades than previously seen.

The bornite mineralisation encountered in hole KHDDH559B has motivated the Company to focus on high priority targets at Stockwork Hill along the two kilometres of strike extension towards Zaraa.

The style of bornite mineralisation encountered is similar to the main zone of high-grade copper-gold mineralisation within the Hugo Dummett deposit at the Oyu Tolgoi project, 120km to the south of Kharmagtai.

It should be noted that hole KHDDH559B is deep relative to other drilling at Kharmagtai, with mineralisation encountered at around 500m depth, but relatively shallow in comparison to the bornite mineralisation at Hugo Dummett. In comparison, the high-grade zones at Hugo Dummett which are much deeper, starting around 700m and extending to >1,500m depth. This highlights that significant, high grade potential at Kharmagtai remains at greater depth the current drilling.

Drill Holes KHDDH563 and KHDDH564

In response to the high-grade, gold-rich bornite intercept at KHDDH559B, two diamond drill rigs have commenced follow-up drilling. Two drill holes are currently underway, KHDDH563 and KHDDH564, designed to test above and below hole KHDDH559B, clarify the offsets and fault structures, and further define the vertical extent of high-grade mineralisation. The results will tell us whether the bornite mineralisation extends up dip and south of the intercept in KHDDH559B and across the fault as shown in **Figure 1**. Results from these holes are expected mid-April 2021.

Drill hole KHDDH563 is designed as a scissor hole to KHDDH559B, drilling from the south to the north and targeting the up-dip and southern extensions to the high-grade bornite zone. This hole aims to expand the current zone of mineralisation and confirm the true width.

Drill hole KHDDH564 is designed as a larger step back from KHDDH563, and to test for a repeat of the high-grade bornite zone, below and south of Stockwork Hill. This hole will also pass through the interpreted

along-strike extension of White Hill and has the potential to link these two zones of mineralisation. Should KHDDH564 be successful, this will represent a step change to the Kharmagtai project.

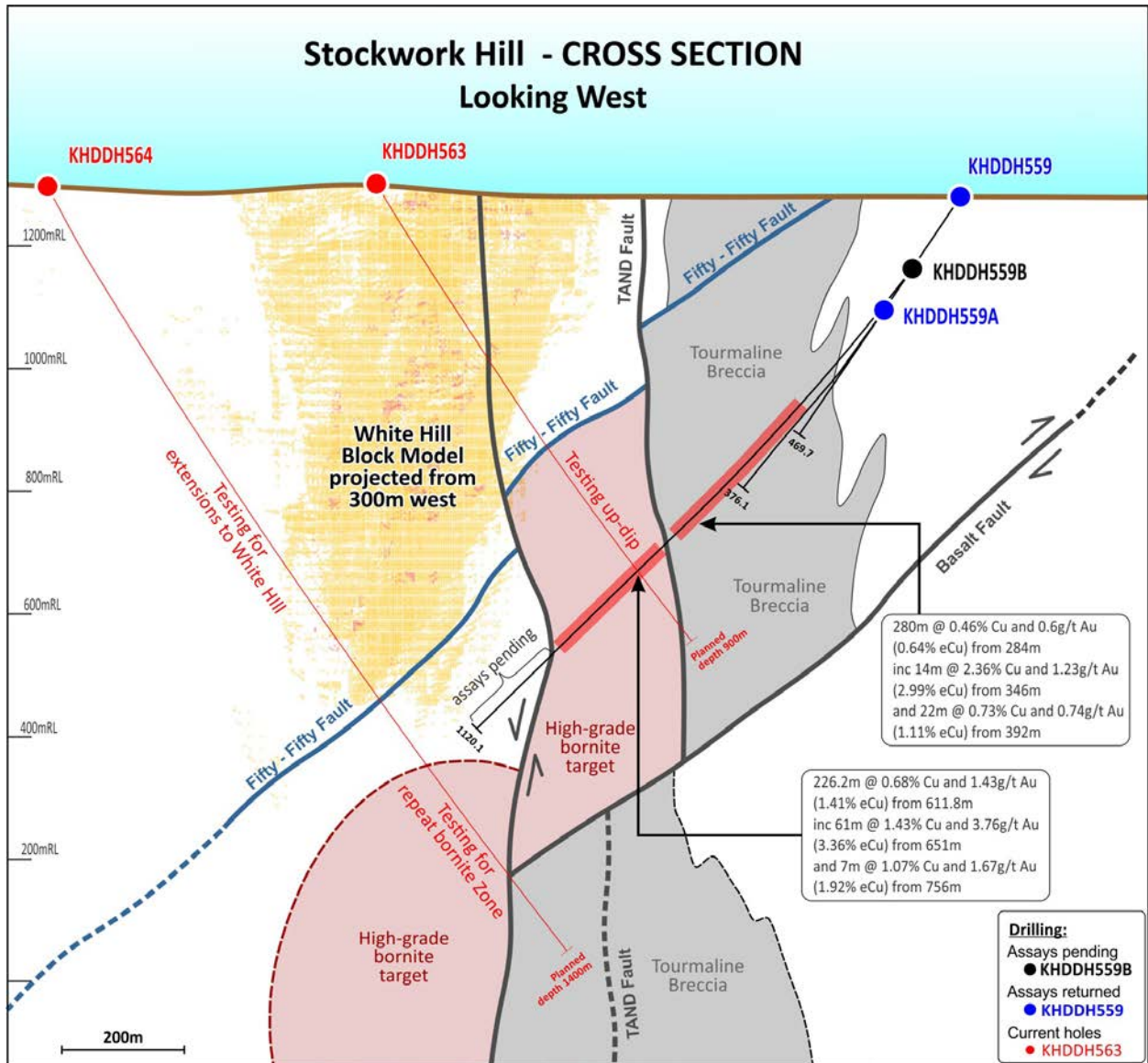


Figure 1. Stockwork Hill cross section, showing intercepts, interpreted geology and in-progress drill holes KHDDH563 and KHDDH564

While KHDDH563 and KHDDH564 are focused on Stockwork Hill (Figure 2), they will also inform the Phase 2 search for further high-grade extensions at depth under Copper Hill, White Hill, Golden Eagle and Zarea.

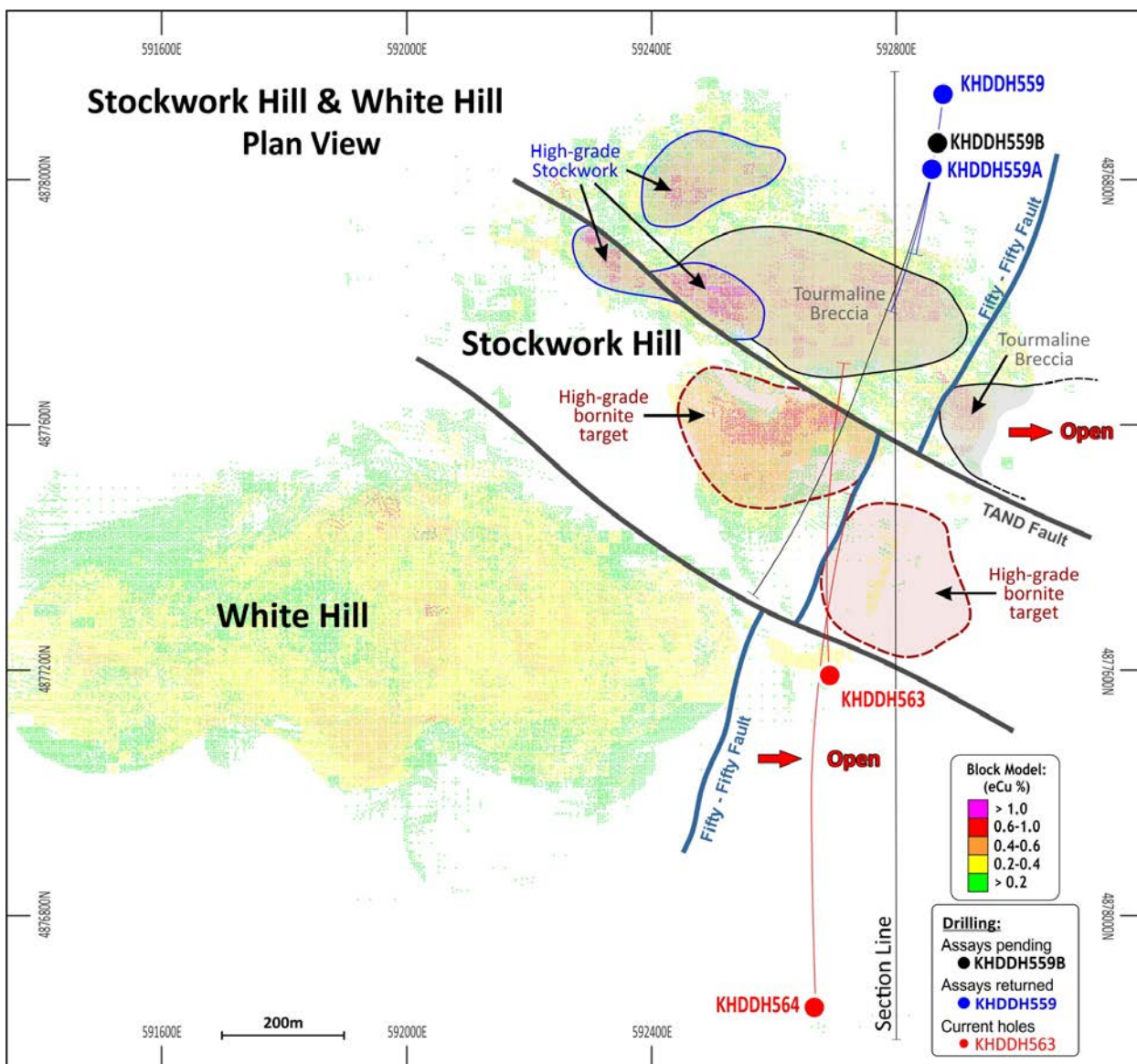


Figure 2. Location of KHDDH563 and KHDDH564 relative to interpreted targets and the White Hill and Stockwork Hill 2018 Resource Block Model (see ASX/TSX Announcement dated 31 October 2018)

Red Mountain

Drilling continues at Red Mountain with two diamond drill rigs executing a 4,300m drill program to target large scale copper gold porphyry mineralisation. Xanadu's farm-in partner, JOGMEC, is funding the Red Mountain exploration program.

Next Steps

Holes KHDDH563 and KHDDH564 represent the first drilling in the Kharmagtai Phase 2 drilling program, which is being designed to surgically target and define higher grade zones. Phase 2 which will be described in detail in future releases.

The Company plans to provide the following near term updates for both its flagship Kharmagtai project and the Red Mountain Project.

- Red Mountain exploration drilling results (March 2021)
- Exploration Target Update and Phase 2 Drilling Program Structure (March 2021)
- Kharmagtai Stockwork Hill Follow-Up Drill Results (April 2021)
- Mineral Resource Estimate Update (April 2021)
- Kharmagtai and Red Mountain exploration drilling results (April 2021)

About Xanadu Mines

Xanadu is an ASX and TSX listed Exploration company operating in Mongolia. We give investors exposure to globally significant, large scale copper-gold discoveries and low-cost inventory growth. Xanadu maintains a portfolio of exploration projects and remains one of the few junior explorers on the ASX or TSX who control an emerging Tier 1 copper-gold deposit in our flagship Kharmagtai project. For information on Xanadu visit: www.xanadumines.com.

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

Appendix 1: Statements and Disclaimers

Mineral Resources and Ore Reserves Reporting Requirements

The 2012 Edition of the *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves* (the **JORC Code 2012**) sets out minimum standards, recommendations and guidelines for Public Reporting in Australasia of Exploration Results, Mineral Resources and Ore Reserves. The Information contained in this Announcement has been presented in accordance with the JORC Code 2012.

Previous Results

Please refer to ASX/TSX Announcement “Gold-Rich High-Grade Zone extended at Kharmagtai”, dated 15 February 2021 for assay results included in this Announcement. There is no new information or data that materially affects the information included in this Announcement.

Competent Person Statement

The information in this announcement that relates to exploration results is based on information compiled by Dr Andrew Stewart, who is responsible for the exploration data, comments on exploration target sizes, QA/QC and geological interpretation and information. Dr Stewart, who is an employee of Xanadu and is a Member of the Australasian Institute of Geoscientists, has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as the “Competent Person” as defined in the 2012 Edition of the *Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves* and the *National Instrument 43-101*. Dr Stewart consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

Copper Equivalent Calculations

The copper equivalent (**eCu**) calculation represents the total metal value for each metal, multiplied by the conversion factor, summed and expressed in equivalent copper percentage with a metallurgical recovery factor applied. The copper equivalent calculation used is based off the eCu calculation defined by CSA in the 2018 Mineral Resource Upgrade.

Copper equivalent (**eCu**) grade values were calculated using the following formula:

$$eCu = Cu + Au * 0.62097 * 0.8235,$$

Where Cu = copper grade (%); Au = gold grade (gold per tonne (**g/t**)); 0.62097 = conversion factor (gold to copper); and 0.8235 = relative recovery of gold to copper (82.35%).

The copper equivalent formula was based on the following parameters (prices are in USD): Copper price = 3.1 \$/lb (or 6,834 \$ per tonne (**\$/t**)); Gold price = 1,320 \$ per ounce (**\$/oz**); Copper recovery = 85%; Gold recovery = 70%; and Relative recovery of gold to copper = 70% / 85% = 82.35%.

Forward-Looking Statements

Certain statements contained in this Announcement, including information as to the future financial or operating performance of Xanadu and its projects may also include statements which are 'forward-looking statements' that may include, amongst other things, statements regarding targets, estimates and assumptions in respect of mineral reserves and mineral resources and anticipated grades and recovery rates, production and prices, recovery costs and results, capital expenditures and are or may be based on assumptions and estimates related to future technical, economic, market, political, social and other conditions. These 'forward-looking statements' are necessarily based upon a number of estimates and assumptions that, while considered reasonable by Xanadu, are inherently subject to significant technical, business, economic, competitive, political and social uncertainties and contingencies and involve known and unknown risks and uncertainties that could cause actual events or results to differ materially from estimated or anticipated events or results reflected in such forward-looking statements.

Xanadu disclaims any intent or obligation to update publicly or release any revisions to any forward-looking statements, whether as a result of new information, future events, circumstances or results or otherwise after the date of this Announcement or to reflect the occurrence of unanticipated events, other than required by the *Corporations Act 2001 (Cth)* and the Listing Rules of the Australian Securities Exchange (**ASX**) and Toronto Stock Exchange (**TSX**). The words 'believe', 'expect', 'anticipate', 'indicate', 'contemplate', 'target', 'plan', 'intends', 'continue', 'budget', 'estimate', 'may', 'will', 'schedule' and similar expressions identify forward-looking statements.

All 'forward-looking statements' made in this Announcement are qualified by the foregoing cautionary statements. Investors are cautioned that 'forward-looking statements' are not guarantee of future performance and accordingly investors are cautioned not to put undue reliance on 'forward-looking statements' due to the inherent uncertainty therein.

For further information please visit the Xanadu Mines' Website at www.xanadumines.com.