

26 February 2018

PRELIMINARY NON-OFFERING PROSPECTUS FOR TSX LISTING FILED

Xanadu Mines Ltd (**ASX: XAM** – “**Xanadu**” or “**Company**”) is pleased to announce that it has applied for the listing of its ordinary shares on the Toronto Stock Exchange (the “TSX”) to complement its ASX listing and has filed a preliminary non-offering prospectus (the “Preliminary Prospectus”) with the Ontario Securities Commission.

Xanadu’s MD & CEO, Dr Andrew Stewart, said “The TSX listing will constitute a significant milestone for Xanadu, and is driven by the strong and increasing levels of interest by Canadian and North American institutional investors, as the Company advances its large copper and gold projects in Mongolia. Xanadu’s flagship Kharmagtai copper-gold project continues to demonstrate potential as a globally significant copper-gold discovery. A dual listing will provide enhanced access to international equity capital and the benefits of being listed on two leading resource focussed exchanges to increase liquidity and opportunity”.

The preliminary prospectus is a non-offering prospectus, which contains important information relating to the Company’s business, operations and ordinary shares. It is still subject to completion or amendment and final receipt and acceptance by the Ontario Securities Commission. Copies of the preliminary prospectus are available under the Company’s profile on SEDAR at www.sedar.com. The Company will update investors once the prospectus has been accepted in final form by the Ontario Securities Commission and the other conditions to listing on the TSX have been satisfied.

The Company engaged Mining Associates Ltd to prepare a National Instrument 43-101 compliant technical report (the “Technical Report”) on the Company’s Kharmagtai and Red Mountain copper-gold projects in Mongolia.

The Company will remain listed on the Australian Stock Exchange.

ABOUT XANADU MINES

Xanadu Mines Ltd (ASX: XAM) is a copper and gold exploration company with several advanced exploration projects in Mongolia’s highly mineralised and vastly underexplored south Gobi region. Xanadu controls one of the most promising porphyry copper-gold projects in Asia with Kharmagtai and has an expanding portfolio of exploration projects including Red Mountain and Yellow Mountain. Exploration drilling at our flagship Kharmagtai copper-gold project, located about 1 hours’ drive north of the giant Oyu Tolgoi copper-gold deposit, continues to show potential to host a globally significant copper-gold discovery. Recent drilling has registered some of the best intercepts to date on the project with intervals of 650m or greater at +1% copper equivalent, which compares favourably to some significant copper-gold discoveries in recent history, including the neighbouring Oyu Tolgoi project.

For further information, please contact:

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CAUTIONARY STATEMENTS

Forward looking statements

Certain statements in the presentation are or may be “forward-looking statements” and represent the Company’s intentions, projections, expectations or beliefs concerning, among other things, future operating and exploration results or the Company’s future performance. These forward-looking statements speak, and the presentation generally speaks, only at the date hereof. The projections, estimates and beliefs contained in such forward looking statements necessarily involve known and unknown risks and uncertainties, and are necessarily based on assumptions, which may cause the Company’s actual performance and results in future periods to differ materially

from any express or implied estimates or projections. It is recognised that it is common practice for a company to comment on and discuss its exploration in terms of target size and type. All statements contained in this presentation by the Company which refer to the potential quantity and grade of the target is accompanied by a detailed explanation of the basis for the statement. The potential quantity and grade for the target is conceptual in nature and, there has been insufficient exploration to define a mineral resource and it is uncertain if further exploration will result in the determination of a mineral resource.

Technical Information

Kharmagtai Mineral Resource estimate: The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of Mineral Resources that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not materially changed from the original market announcement.

The information in this presentation that relates to Mineral Resources is based on information compiled by Mr. Andrew J. Vigar, who is a Fellow of The Australasian Institute of Mining and Metallurgy. Mr. Vigar is employed by Mining Associates Limited Hong Kong. Mr. Vigar has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a "Competent Person" as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Vigar consents to the inclusion in this presentation of the matters based on his information in the form and context in which it appears.

Exploration Results: The information in this presentation 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, which is incorporated in the database that was provided to Mining Associates for undertaking the Resource estimate. Dr. Stewart is an employee of Xanadu and is a Member of the Australasian Institute of Geoscientists. Dr. Stewart 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". Dr. Stewart consents to the inclusion in this presentation of the matters based on his information in the form and context in which it appears.

Copper equivalence: When used is calculated using the following formula: $CuEq = Cu (\%) + Au (g/t) \times 0.6378$, based on a copper price of \$2.60/lb, and a gold price of \$1300/oz, with assumed recoveries of 90% for copper and 70.85% for gold.

For the purpose of ASX Listing Rules 5.7.1, Xanadu refers to its Table 1 disclosure dated 31 January 2018 which continues to apply as at the date of this presentation. Xanadu is not aware of any new information or data that materially affects the information included in that announcement.