

Xanadu Mines Ltd Scoping Study - Kharmagtai Copper-Gold Project

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TORONTO, April 06, 2022 - [Xanadu Mines Ltd.](#) (ASX: XAM, TSX: XAM) (Xanadu, XAM or the Company) is pleased to announce the release of the Scoping Study (Study) for its flagship Kharmagtai Copper-Gold Project, based on an updated 2021 Mineral Resource Estimate, located in the South Gobi region of Mongolia. The Xanadu Board has endorsed this Study, and subject to funding, has approved progression to the Pre-Feasibility (PFS) Stage.

This Study confirms the potential of Kharmagtai as a globally significant, long life, low cost, low risk future copper-gold mine. It is based on conventional, low risk open pit mining and sulphide flotation, with low environmental, social and governance (ESG) risk, and supported by nearby rail, road and power links providing the potential for rapid development. Kharmagtai is well positioned to help fill the looming copper global supply gap driven by growing demand for an increasingly electrified economy.

Highlights

Presented in 100% Terms (Xanadu share 76.5%)

- Confirms Kharmagtai as a potential world class, low cost, long life mine
- Estimated 20% IRR (range 16-25%), US\$630 million NPV @ 8% (range US\$ 405-850 million) and 4 year payback (range 4-7 years) over 30 year mine life
- Projected production ranges from 30-50ktpa copper and 5-110kozpa gold production during the first five years
- First quartile all-in sustaining (C1) costs of US\$1.02/lb Cu for first five years, net of by-product credits
- Conventional, low technical complexity open pit and process plant with low 0.9:1 strip ratio for first five years
- Located in sparsely populated, flat terrain, with nearby established rail, power and water links
- Pre-Feasibility Study expected to commence in Q3 CY2022 and complete in Q4 of CY2023
- Robust study outcomes, led by high quality advisory team

Xanadu's Executive Chairman and Managing Director, Mr Colin Moorhead, said *"This Scoping Study is the result of years of hard work by the Xanadu team lead by Andrew Stewart, and confirms Kharmagtai as a world class copper asset, located in a region of the South Gobi which hosts several significant deposits, including those at Rio Tinto's Oyu Tolgoi mine. The future development of Kharmagtai into a long life, low cost, mine will provide significant value to our shareholders and multi-generation employment and economic opportunity for our stakeholders in Mongolia. The plain truth is that as the global economy decarbonises, the supply of copper cannot meet forecast demand. Development of large scale porphyry copper deposits will be urgently required, and with its competitive time to production and relatively low ESG risk, Kharmagtai is well positioned to move forward quickly. We are proud to demonstrate such a strong Project at Kharmagtai and are excited to move forward with its next stage of development."*

Scoping Study

The Scoping Study has been filed on SEDAR.

Cautionary Statement

The Study attached to this Announcement has been undertaken to assess viability of developing the Kharmagtai Copper-Gold Project by constructing an open cut mine and processing facility to produce copper concentrate for export. It is a preliminary technical and economic study of the potential viability of the

Kharmagtai Project. It is based on low level technical and economic assessments that are not sufficient to support the estimation of ore reserves. Further exploration and evaluation work and appropriate studies are required before Xanadu will be in a position to estimate any ore reserves or to provide any assurance of an economic development case.

The Study is based on the material assumptions set out in the attached Scoping Study. These include assumptions about the availability of funding. While Xanadu considers all of the material assumptions to be based on reasonable grounds, there is no certainty that they will prove to be correct or that the range of outcomes indicated by the Study will be achieved.

To achieve the range of outcomes indicated in the Study, funding of in the order of US\$700 million will likely be required. Investors should note that there is no certainty that Xanadu will be able to raise that amount of funding when needed. It is also possible that such funding may only be available on terms that may be dilutive to or otherwise affect the value of Xanadu's existing shares. It is also possible that Xanadu could pursue other 'value realisation' strategies such as a sale, partial sale or joint venture of the Project. If it does, this could materially reduce Xanadu's proportionate ownership of the Project.

Given the uncertainties involved, investors should not make any investment decisions based solely on the results of the Study.

There is a low level of geological confidence associated with inferred mineral resources and there is no certainty that further exploration work will result in the determination of indicated mineral resources or that the production target itself will be realised.

The Study attached to this Announcement is based on the December 2021 Mineral Resource Estimate¹, is based on low-level technical and economic assessments, and is insufficient to support estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the Study will be realised.

The Study has been completed to a level of accuracy of +/-35% in line with industry standard accuracy for this stage of development.

The Company has reasonable grounds for disclosing a Production Target, given that in the first seven years of production, 100% of the mill feed is scheduled from the Indicated Resource category, which exceeds the economic payback period for the Project by three years. Approximately 58% of the Life of Mine Production Target is in the Indicated Mineral Resource category, and 42% is in the Inferred Mineral Resource category. There is a lower level of geological confidence associated with Inferred Mineral Resources, and while the Company considers all the material assumptions in this Study to be based on reasonable grounds, there is no certainty that they will prove to be correct or that the range of outcomes indicated will be achieved.

The Mineral Resources underpinning the production target in the Study have been prepared by a Competent Person in accordance with the requirements of *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves* (JORC Code (2012)). The Competent Person's Statement is found in the Geology and Resources section of the Study. For full details of the Mineral Resource Estimate, please refer to Xanadu's ASX/TSX Announcement dated 25 February 2022. Xanadu confirms that it is not aware of any new information or data that materially affects the information included in that release. All material assumptions and technical parameters underpinning the estimates in that Announcement continue to apply and have not materially changed.

Note that unless otherwise stated, all currency in this Announcement is US dollars.

¹ ASX/TSX Announcement 28 February 2022 - Kharmagtai Technical Report

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 a guarantee of future performance and accordingly investors are cautioned not to put undue reliance on 'forward-looking statements' due to the inherent uncertainty therein.

Xanadu has concluded that it has a reasonable basis for providing these forward-looking statements and the forecast financial information included in this Announcement.

To achieve the range of Kharmagtai Copper-Gold Project outcomes indicated in the 2022 Study, funding of in the order of an approximately US\$700 million will likely be required by the Company.

Based on current market conditions and the results of studies undertaken, there are reasonable grounds to believe the Project can be financed via a combination of equity and debt, as has been done for numerous comparable projects in Mongolia and other jurisdictions in Asia in recent years. Debt may be secured from several sources including Australian banks, international banks, the high yield bond market, resource credit funds, and in conjunction with product sales of offtake agreements. It is also possible the Company may pursue alternative funding options, including undertaking a corporate transaction, seeking a joint venture partner or partial asset sale. There is, however, no certainty that Xanadu will be able to source funding as and when required.

Whilst no formal funding discussions have concluded, the Company has engaged with several potential financiers of the Kharmagtai Copper-Gold Project and these financial institutions and corporations have expressed an interest in being involved in funding of the Project.

This ASX Announcement has been prepared in compliance with the current JORC Code (2012) and the ASX Listing Rules. All material assumptions, including sufficient progression of all JORC modifying factors, on which the production target and forecast financial information are based have been included in this ASX Announcement.

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 a globally significant 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.

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