

Chairman's Address - 2020 Annual General Meeting

30 July 2020

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Exchange Centre
20 Bridge Street
Sydney NSW 2000

BY ELECTRONIC LODGEMENT

CHAIRMAN'S ADDRESS - 2020 ANNUAL GENERAL MEETING

Please find attached for release to the market, the *Chairman's Address* to be presented this morning to Xanadu Mining Ltd's Virtual Annual General Meeting, commencing at 10:00am AEST.

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

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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 Annual 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.

Before I proceed with the business of the Meeting, I'd like to share my thoughts both on Xanadu's journey since I started as Chairman 8 months ago and to talk about where we are today, our current strategy and what that means for our shareholders.

In the second half of 2019 we saw a weakening of our market position, despite some technical success at Kharmagtai. There were many possible contributing factors for this outcome not the least of which can be boiled down to the need for clarity of purpose and strategy. We have happily seen some recent strengthening with the current high copper prices and with the release of our refreshed strategy, which I will discuss shortly in more detail.

Since my appointment in late November, I've focused on understanding our company, its assets, and the operating environment in Mongolia. I have also been engaging with stakeholders, evaluating our projects and understanding options around capital management in these challenging times. This process included an early visit to Mongolia with a trip to our flagship project at Kharmagtai in the South Gobi, luckily before our current travel restrictions came into place.

Kharmagtai is a large and complex, gold-rich, porphyry copper system that bears all the hallmarks of a potential Tier 1 asset, with many similarities to giant deposits such as Oyu Tolgoi in Mongolia and Cadia Valley operations in New South Wales.

To be considered a true Tier 1 copper-gold deposit, Kharmagtai needs to grow in size and in grade. These outcomes are clearly possible with more drilling, as the mineralisation defined to date remains open in all directions, and importantly, there is clear evidence of higher-grade zones at Stockwork Hill and Copper Hill.

Coupled with this significant exploration upside, the recently completed Kharmagtai Scoping Study clearly demonstrates that the project is one of the leading copper-gold development projects in the world today, which positions Xanadu Mines as one of a few junior companies listed on the Australia Securities Exchange (ASX) or Toronto Stock Exchange (TSX) that controls a major gold rich porphyry copper system.

Kharmagtai also benefits from the relatively benign operating environment that the South Gobi offers flat topography, few fences, secure access to water, power and rail, and most crucially, proximity to the world's largest consumer of both copper and gold in China. Combined, these advantages should deliver shorter time to production and reduced capital intensity, if and when a decision to develop the project is made.

Oxide gold does exist at Kharmagtai, but unlike some porphyry systems that have an epithermal "gold cap", the gold at Kharmagtai identified to date is supergene in nature. This limits the potential size of the oxide gold deposits there, with only small occurrences identified to date. Notwithstanding this, a desktop study is underway to quantify what opportunities are possible at Kharmagtai.

Mongolia's nascent geological opportunity and potential, particularly for copper and gold, remains undiminished. If anything, we believe it has been enhanced with our continued exploration success at our flagship Kharmagtai copper-gold project, located within 1-hour drive north from the giant Oyu Tolgoi copper-gold deposit.

One of Xanadu Mines' other major projects in Mongolia is Red Mountain. We are pleased that our \$7.2M Joint Venture with the JOGMEC (Japan Oil, Gas and Metals National Corporation) is now operational and actively drilling. Like Kharmagtai, Red Mountain is another highly prospective, porphyry copper-gold district in Mongolia. The JOGMEC JV is funding a focused and accelerated exploration program at Red Mountain, thereby maximising the probability of success while minimising shareholder dilution. Previous drilling at the project has returned numerous high-grade copper-gold intercepts from a broad range of mineralisation styles. Deploying a suite of modern exploration technologies in calendar year 2020 will provide a whole new perspective on the mineral potential at Red Mountain. Both parties perceive the Red Mountain area to have high potential for discovery of a globally significant copper-gold deposit and look forward to demonstrating the value of this new relationship.

As you are all well aware, the world is still being disrupted on an unprecedented scale by the global COVID-19 pandemic. Your board and management have adapted to this uncertainty through clear and regular communication and using technology much like what we are using for this AGM. We see an opportunity in this to explore and position our assets to take advantage of the global economic recovery that will ultimately come as the world comes to terms with COVID-19.

The longer-term fundamentals for the global copper market remain sound, with the distinct lack of large, new projects forecast to give rise to a significant supply deficit over coming years. Xanadu remains ideally positioned on the doorstep of the world's largest copper consumer and stands to benefit from demand growth resulting from the "One Belt, One Road" initiative.

We come to you with a refreshed team and corporate strategy. With Andy now based in Australia, we've reconfigured management. Recognising Mugii's importance to the organisation, he's taken on the role of COO, responsible for safe and efficient delivery of our operations in Mongolia, and we brought in Spencer Cole as CFO to add bench strength and support Andy in Australia.

The corporate strategy is now clear, and if you haven't seen it yet, I invite you to view our June Corporate Update webcast which is available on our website.

Xanadu is an exploration company, focused in Mongolia, that seeks to discover, define and grow globally significant copper-gold porphyry deposits. Our primary focus is the to complete exploration of The Kharmagtai Intrusive Complex to demonstrate its Tier 1 potential, and our secondary focus is to progress the Red Mountain discovery stage exploration program.

Our focus is to discover, define, and move these big deposits up the value curve, and then drive value-creating transactions with large mining companies.

I would like to personally thank you for your support for Xanadu and recognise that many of you are long term investors. We look forward to unlocking real and lasting value from Kharmagtai and our other Mongolian exploration projects over the course of 2020.