Exploration Underway at Red Mountain JV Project

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TORONTO, May 13, 2020 - Xanadu Mines Ltd. (ASX: XAM, TSX: XAM) (“Xanadu” or “the Company”) is pleased to report that on-ground exploration activities have commenced at the highly prospective Red Mountain Joint Venture (JV) with the Japan Oil, Gas and Metals National Corporation (JOGMEC).

HIGHLIGHTS

- On-ground exploration activities have commenced at Red Mountain
- On-ground program is designed to collect baseline data over the large district to prepare drill targets
- Red Mountain JV with JOGMEC is focused on discovery of a Tier-1 copper-gold porphyry deposit
- Red Mountain JV builds upon Xanadu’s other active exploration program at Kharmagtai in the South Gobi

ABOUT RED MOUNTIAN

The Red Mountain JV project located within the Dornogovi Province of southern Mongolia, approximately 420 kilometres southeast of Ulaanbaatar (Figure 1), is a joint venture between Xanadu and JOGMEC. The project covers approximately 57 square kilometres in a frontier terrane with significant mineral endowment and has a granted 30-year mining licence. Red Mountain comprises a cluster of outcropping mineralising porphyry intrusions which display features typically found in the shallower parts of porphyry systems where narrow dykes and patchy mineralisation branch out above a mineralised stock. This underexplored porphyry district includes multiple porphyry copper-gold centres, mineralised tourmaline breccia pipes copper-gold/base metal skarns and high-grade epithermal gold veins.

JOINT VENTURE WITH JOGMEC

JOGMEC may earn up to 51% beneficial interest in the project by sole funding up to $US7.2 million in exploration expenditure over the next 4 years. Exploration objectives of the earn-in deal are to discover Mongolia’s next world-class copper-porphyry deposit.

Xanadu’s Chief Executive Officer, Dr Andrew Stewart, said “*We are thrilled to have exploration underway again at our Red Mountain JV with JOGEMC, less than one month after signing the earn-in agreement. The fact that we can commence operational activities now, during the global COVID-19 crisis, is testament to the proactive and effective approach by the Government of Mongolia in managing the pandemic.*

Red Mountain offers a rare opportunity to access a large, under-explored porphyry district. In the coming months, we will deploy a systematic exploration program, including deep penetrating geophysics, that we expect will provide a new perspective on the mineral potential at Red Mountain district. A steady stream of new geological information will help advance and refine several large-scale drill targets ready for testing in Q3 in 2020.”

FIGURE 1 is available at
https://www.globenewswire.com/NewsRoom/AttachmentNg/29ab4cd1-a90b-4856-b26c-d2a23079449f

EXPLORATION PROGRAM

A staged exploration program has been designed to test the numerous porphyry centres, help drilling phases

to mesh and reach clear decision points.

The first phase of the exploration program is designed to gather the remaining background data for targeting large-scale copper-gold porphyry deposits. The program will primarily focus on providing an even coverage of each data type across the entire mining lease (geophysical, geochemical & geological); followed by detailed conceptual 3D modelling and integrating data at all levels into a common environment for interrogation and drill hole targeting. Approximately 2,100 metres of diamond drilling has been designed in first phase to test the highest priority drill ready targets.

The second phase of exploration focusses on testing the best targets developed out of the 3D models generated from combining the complete geological, geochemical and geophysical dataset. The process will be iterative, as each drill hole will be analysed with its data combined with the models and the targeting refined.

HIGH PRORITY TARGETS

Several drill ready targets exist across the lease, where previous work is sufficient to provide robust drill targeting. Diorite, Stockwork, Oyut Ovoo, Stairy and Target 10 (Figure 2) all provide compelling drill targets with substantial scale and historical drill holes intersecting high-grade copper and gold and mineralisation open at depth and along strike.

Porphyry mineralisation at Diorite, Stockwork, Stairy and Target 10 is hosted within narrow stockwork zones that have been focused around several narrow structurally controlled monzonite porphyry dykes. Emplacement of mineralisation appears to be controlled by intersection of northeast and north-northwest trending structures. The quartz-chalcopyrite-bornite stockwork mineralisation is associated with strong reddening albite-sericite-biotite-magnetite (potassic) alteration assemblage in the host lithology. The thin nature of the mineralising dykes, their irregular intrusion geometry, and the patchy distribution of stockwork mineralisation are all features typically found in the shallower parts of porphyry systems, where narrow dykes and patchy mineralisation branch out above a mineralised stock. Similar orebody geometries are found in the shallower parts of the North Parkes porphyry copper-gold (Cu-Au) deposits in NSW, where porphyry mineralisation has also been tightly focused along a controlling structure adjacent to a felsic pluton. Like North Parkes, there is the potential for further mineralisation along the main structures at Diorite Hill and Stockwork Hill, and the likelihood that mineralisation extends (and could amalgamate) at depth.

Historically significant drill results from Diorite include:

- OUDDH087 intersected 185.4m @ 0.51% Cu and 0.84g/t Au from surface including 108m @ 0.70% Cu and 1.26g/t Au from 38m
- OUDDH003 intersected 134m @ 0.46% Cu and 0.90g/t Au from surface including 106m @ 0.53% Cu and 1.05g/t Au from surface and 44m @ 0.74% Cu and 1.59g/t Au from 8m
- OUDDH005 intersected 188.6m @ 0.34% Cu and 0.55g/t Au from surface including 104.65m @ 0.48% Cu and 0.82g/t Au from 7.35m and 8.1m @ 0.60% Cu and 1.43g/t Au from 27.9m

FIGURE 2 is available at
https://www.globenewswire.com/NewsRoom/AttachmentNg/8864aeb9-6d6a-4524-9d02-682aeb3e7af6

The tourmaline breccia complex at Oyut Ovoo has similarities to the very strongly mineralised tourmaline breccia dyke complex at Kharmagtai, in that it appears to be a large (several km long), variably mineralised breccia complex. Drill testing is required to determine whether it is indeed a single, continuous breccia complex, or a series of isolated breccia pipes and dikes localised along a favourable structural corridor. The large areas of tourmaline breccia that crop out throughout the Oyut Ovoo area, are yet to be drill‐tested and if they are mineralised at depth, then a significant increase in the resource potential of the district is predicted.

Historically significant drill results include:

- OUDDH036 intersected 92m @ 1.50% Cu and 0.02g/t Au from surface including 65m @ 2.09% Cu and 0.03g/t Au from surface

- OUDDH088 intersected 84m @ 1.49% Cu and 0.01g/t Au from surface including 58m @ 2.00% Cu and 0.01g/t Au from 8m

ABOUT XANADU MINES

Xanadu is an ASX and TSX listed exploration company that seeks to discover and define globally significant porphyry copper-gold assets in Mongolia. We give investors exposure to large scale copper-gold discoveries, and we create liquidity events for our shareholders at peak value points in the mining life cycle. Xanadu delivers this through a low cost of discovery, inventory growth, and by progressing projects from Discovery towards Pre-Feasibility.

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.

COMPETENT-QUALIFIED 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, Quality Assurance/Quality Control (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 (CuEq) calculation represents the total metal value for each metal, multiplied by the conversion factor, summed, and expressed in equivalent copper percentage. Grades have been adjusted for

metallurgical recoveries based off previous metallurgical work performed on the mineralisation in question. The copper/gold equivalent grades are of an exploration nature only and intended for summarising grade. The copper/gold equivalent calculation is intended as an indicative value only. The following copper equivalent conversion factors and long-term price assumptions have been adopted:

Copper Equivalent Formula eCu or CuEq = Cu + Au * 0.62097 * 0.8235.

Gold Equivalent Formula eAu = Au + Cu / (0.62097 * 0.8235).

Where:

Cu - copper grade (%)

Au - gold grade (g/t)

0.62097- conversion factor (gold to copper)

0.8235 - relative recovery of gold to copper (82.35%)

The copper/gold equivalent formula was based on the following parameters (prices are in USD):

Copper price - 3.1 $/lb (or 6834 $/t)

Gold price - 1320 $/oz

Copper recovery - 85%

Gold recovery - 70%

Relative recovery of gold to copper = 70% / 85% = 82.35%.

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

APPENDIX 1: RED MOUNTIAN TABLE 1 (JORC 2012)
Set out below is Section 1 and Section 2 of Table 1 under the JORC Code, 2012 Edition for the Red Mountain project. Data provided by Xanadu. This Table 1 updates the JORC Table 1 disclosure dated 18 September 2017.

1.1 JORC TABLE 1 - SECTION 1 - SAMPLING TECHNIQUES AND DATA

Criteria	JORC Code explanation
Sampling techniques	● *Nature and quality of sampling (e.g. cut channels, random c* ● *Include reference to measures taken to ensure sample repre* ● *Aspects of the determination of mineralisation that are Mate* ● *In cases where ‘industry standard’ work has b*
Drilling techniques	● *Drill type (e.g. core, reverse circulation, open-hole hammer,*
Drill sample recovery	● *Method of recording and assessing core and chip sample re* ● *Measures taken to maximise sample recovery and ensure re* ● *Whether a relationship exists between sample recovery and*
Logging	● *Whether core and chip samples have been geologically and* ● *Whether logging is qualitative or quantitative in nature. Core* ● *The total length and percentage of the relevant intersections*
Sub-sampling techniques and sample preparation	● *If core, whether cut or sawn and whether quarter, half or all* ● *If non-core, whether riffled, tube sampled, rotary split, etc. a* ● *For all sample types, the nature, quality and appropriateness* ● *Quality control procedures adopted for all sub-sampling stag* ● *Measures taken to ensure that the sampling is representativ* ● *Whether sample sizes are appropriate to the grain size of th*
Quality of assay data and laboratory tests	● *The nature, quality and appropriateness of the assaying and* ● *For geophysical tools, spectrometers, handheld XRF instrum* ● *Nature of quality control procedures adopted (eg standards,*
Verification of sampling and assaying	● *The verification of significant intersections by either indepen* ● *The use of twinned holes.* ● *Documentation of primary data, data entry procedures, data* ● *Discuss any adjustment to assay data.*
Location of data points	● *Accuracy and quality of surveys used to locate drill holes (co* ● *Specification of the grid system used.* ● *Quality and adequacy of topographic control.*

Data spacing and distribution	● *Data spacing for reporting of Exploration Results.* ● *Whether the data spacing and distribution is sufficient to est* ● *Whether sample compositing has been applied.*
Orientation of data in relation to geological structure	● *Whether the orientation of sampling achieves unbiased sam* ● *If the relationship between the drilling orientation and the ori*
Sample security	● *The measures taken to ensure sample security.*
Audits or reviews	● *The results of any audits or reviews of sampling techniques*

1.2 JORC TABLE 1 - SECTION 2 - REPORTING OF EXPLORATION RESULTS

(Criteria in this section apply to all succeeding sections).

Criteria	JORC Code (Section 2) Explanation
Mineral tenement and land tenure status	● Type, reference name/number, location and ownership including agreement ● The security of the tenure held at the time of reporting along with any known
Exploration done by other parties	● Acknowledgment and appraisal of exploration by other parties.
Geology	● Deposit type, geological setting and style of mineralisation.
Drill hole Information	● A summary of all information material to the understanding of the exploratio ● easting and northing of the drill hole collar. ● elevation or RL Reduced Level – elevation above sea level in metres ● dip and azimuth of the hole ● down hole length and interception depth ● hole length. ● If the exclusion of this information is justified on the basis that the informatio

Data Aggregation methods	● In reporting Exploration Results, weighting averaging techniques, maximum ● Where aggregate intercepts incorporate short lengths of high grade results a ● The assumptions used for any reporting of metal equivalent values should b
Relationship between mineralisation on widths and intercept lengths	● These relationships are particularly important in the reporting of Exploration ● If the geometry of the mineralisation with respect to the drill hole angle is kn ● If it is not known and only the down hole lengths are reported, there should
Diagrams	● Appropriate maps and sections (with scales) and tabulations of intercepts sh
Balanced Reporting	● Where comprehensive reporting of all Exploration Results is not practicable
Other substantive exploration data	● Other exploration data, if meaningful and material, should be reported inclu
Further Work	● The nature and scale of planned further work (e.g. tests for lateral extension ● Diagrams clearly highlighting the areas of possible extensions, including the

1.3 JORC TABLE 1 - SECTION 3 ESTIMATION AND REPORTING OF MINERAL RESOURCES

Mineral Resources are not reported so this is not applicable to this report.

1.4 JORC TABLE 1 - SECTION 4 ESTIMATION AND REPORTING OF ORE RESERVES

Ore Reserves are not reported so this is not applicable to this report.

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