



Strategic partnership with Zijin Mining Group

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19 April 2022

Xanadu Mines Ltd (**ASX: XAM, TSX:XAM**) (**Xanadu** or the **Company**) is pleased to announce a strategic partnership (**Agreement**) with Zijin Mining Group Co., Ltd (**Zijin**) to progress the Company's flagship Kharmagtai Copper-Gold Project (**Kharmagtai**) through its next phase of project evaluation and decision on future development.

Under the Agreement, Zijin will invest in both the Xanadu corporate level and the Kharmagtai project level through a series of transactions commencing with the subscription of 139 million fully paid ordinary shares in Xanadu (**New Shares**) to provide Zijin with a 9.9% shareholding in the Company (**Phase 1 Placement**). The Phase 1 Placement will be conducted at an issue price of A\$0.04 per share, representing approximately a 38% premium to Xanadu's last traded price of A\$0.029, and will raise approximately A\$5.56 million.

Two subsequent phases are then proposed (subject to formal documentation) including a second placement of ordinary shares at A\$0.04 per share to increase Zijin's total shareholding in the Company to 19.99% (**Phase 2 Placement**) and the creation of a 50/50 Joint Venture in Khuiten Metals Pte. Ltd., the entity currently 100% owned by Xanadu that holds a 76.5% effective interest in Kharmagtai (**Phase 3 JV**)¹, for a cash payment of US\$35 million.

Executive Chairman & Managing Director, Colin Moorhead, said, "We are delighted to have attracted Zijin, a global top 10 copper producer and highly capable mine developer as our partner, and we look forward to finalising negotiations to move Kharmagtai forward and realise its potential on an accelerated path. This partnership is a good outcome for our shareholders, for Mongolia and for a world looking to fill a global copper supply gap."

Highlights

- **Partnership with Zijin Mining Group, a global mining company and top 10 copper producer.**
- **Staged investment by Zijin to inject up to approximately A\$11 million¹ into Xanadu and up to a further US\$35 million^{1,2} into the Kharmagtai project.**

¹ The Phase 1 Placement Agreement provides that the parties will negotiate in good faith formal documentation for the Phase 2 Placement and Phase 3 JV. These further transactions are subject to regulatory and shareholder approvals and the parties agreeing formal documentation.

² Assuming AUD/USD exchange rate of \$0.74.

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- **Phase 1 and Phase 2 Placements to be priced at A\$0.04 per share, approximately a 38% premium to Xanadu's last traded share price of A\$0.029.**
- **Phase 1 Placement expected to settle by no later than Wednesday, 27 April 2022 with a four-month exclusivity period to negotiate and finalise terms for the two remaining phases, subject to Australian Foreign Investment Review Board (FIRB) approval, People's Republic of China (PRC) regulatory approvals, Xanadu shareholder and other regulatory approvals.**
- **Following completion of all phases¹, Kharmagtai will be well funded for its next phase of development, leading to a decision to construct.**

About Zijin Mining Group

Zijin is a multinational mining group dedicated to exploration and development of gold, copper, zinc and other mineral resources globally, as well as associated refining, processing, trading and other businesses. Its operations include projects and operations in 14 provinces in the People's Republic of China (PRC) as well as 13 overseas countries across Europe, Central Asia, Africa, Oceania and South America. It is one of the largest Chinese mining companies distinguished by its significant domestic and international copper and gold resource, reserves and production.

Zijin's Mining Operations in China



Zijin's Offshore Mining Operations



Phase 1 Placement Details

New Shares issued to Zijin (by way of Jinping (Singapore) Mining Pte. Ltd., a wholly owned indirect subsidiary of Zijin) under the Phase 1 Placement will be issued pursuant to the Company's existing placement capacity under ASX Listing Rule 7.1 and will rank pari-passu with the existing fully paid ordinary shares currently on issue. Zijin will subscribe for a total of 139 million fully paid ordinary shares at an issue price of A\$0.04 per New Share.

The issue price of A\$0.04 per share represents:

- a 37.9% premium to Xanadu's last close on 14 April 2022 of A\$0.029 per share.
- a 37.9% premium to the 7-day VWAP of A\$0.029 per share; and
- a premium of 33.3% to the 30-day VWAP of A\$0.030 per share.

The proceeds of the Phase 1 Placement, together with the Company's existing cash resources, will be applied towards working capital during the exclusive negotiation period prior to commencement of the Pre-Feasibility

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Study (**PFS**) at the Kharmagtai copper-gold project. Remaining cash at that point will be used to fund Xanadu's share of the Kharmagtai PFS.

The Placement is scheduled to settle on Wednesday, 27 April 2022 with trading to occur on Thursday, 28 April 2022.

Following completion of the Phase 1 Placement, the Company has granted Zijin the right to a reasonable opportunity to participate in future capital raisings of the Company, subject to a number of limitations and conditions (**Limited and Conditional Participation Right**).³ Under the Limited and Conditional Participation Right, the Company will notify Zijin on a strictly confidential basis of its intention to undertake a capital raising and Zijin will then have a very short period in which to indicate whether it wishes to participate in that capital raising (subject to receipt of any relevant FIRB, PRC or other required regulatory approvals). The Limited and Conditional Participation Right is subject to compliance with the ASX Listing Rules and ceases where Zijin disposes of its interests in the Company to a position below 5% and remains below that threshold for a period of more than 20 consecutive trading days.

Xanadu and Zijin have also entered into a four-month period of exclusivity to negotiate the second and third phases of the strategic partnership. The relevant exclusivity deed contains terms and conditions considered standard for an arrangement of this nature, including no-talk, no due diligence and notification provisions (each of which is subject to a fiduciary carve-out), together with a break fee A\$340,000 that may be payable to Zijin in the event of the completion of a competing proposal or where Xanadu commits a material breach of the exclusivity deed.

Phase 2 Placement and Phase 3 JV

The Phase 2 Placement will involve Zijin subscribing for an additional tranche of ordinary shares in Xanadu to increase its total shareholding in Xanadu to approx. 19.99%. The Phase 2 Placement will also be made at an issue price of A\$0.04 per share and will be accompanied with a right for Zijin to appoint one Director to the Board of Xanadu Mines Ltd (subject to Zijin maintaining at least 10% of Xanadu (other than a result of the dilution of Zijin by Xanadu)). The Phase 2 Placement will be subject to FIRB approval, PRC regulatory approval, Xanadu shareholder approval as well as other required regulatory approvals.

The third and final stage of the partnership (**Phase 3 JV**) will involve Zijin and Xanadu establishing a 50-50 JV in Khuiten Metals Pte. Ltd. (**Khuiten**), the entity which effectively owns 76.5% of the Kharmagtai project, along with 13.5% minority holder Ganbayar Lkhagvasuren (an Executive Director at Xanadu), and 10.0% minority holder QGX Ltd. Under the non-binding terms agreed with Zijin, Zijin will subscribe for shares equal to 50% of Khuiten by way of share placement for a cash payment of US\$35 million, with Xanadu remaining the operator of the JV until a decision to construct is made. At the point of a future construction decision, Zijin will then become the operator of the Khuiten JV and take leadership of the development of the mine.

The Phase 1 Placement Agreement provides that the parties will negotiate in good faith formal documentation for the Phase 2 Placement and Phase 3 JV. These further transactions are subject to regulatory and shareholder approval and the parties agreeing formal documentation. Xanadu cautions investors to not place undue reliance upon the successful completion of Phase 2 and Phase 3, as there can be no guarantee that formal transaction documents will be agreed or ultimately consummated.

Xanadu has appointed Jefferies as its financial adviser and HopgoodGanim as its legal adviser for this process.

³ The Limited and Conditional Participation Right only applies where ASX Listing Rule 10.11 does not apply (or ceases to apply) to the issue of securities to Zijin or the Company is required to seek shareholder approval in respect of the relevant capital raising (in which case, the participation by Zijin will also be put to shareholders for consideration).

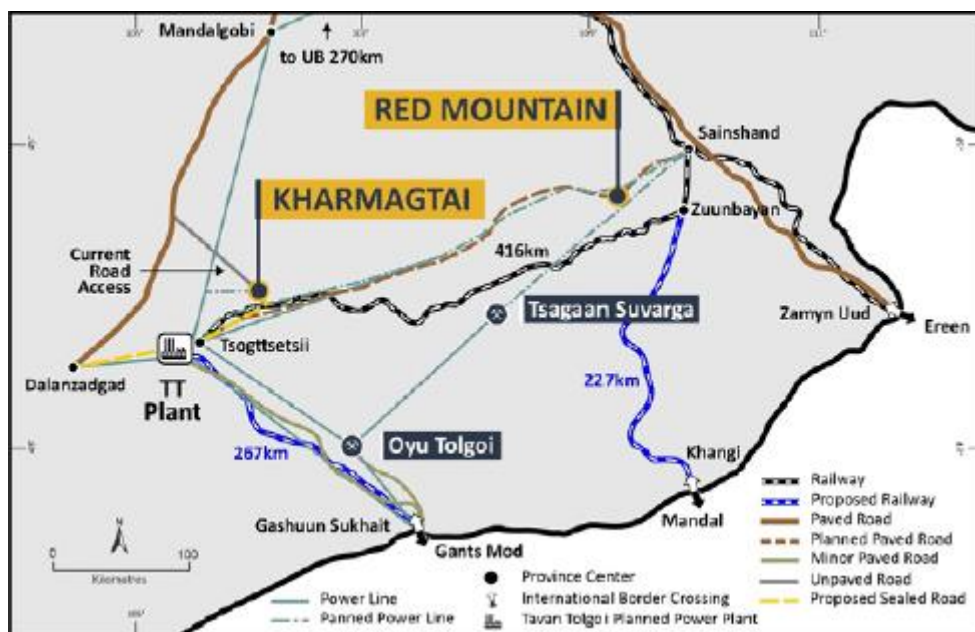
Further updates on the finalisation of the Phase 2 Placement and Phase 3 JV transactions will be announced over coming periods in accordance with the Company's continuous disclosure obligations.

Update on Kharmagtai Copper-Gold Project

Kharmagtai is Xanadu's flagship project, located in the South Gobi region of Mongolia and has a Mineral Resource Estimate⁴ of 1.1 billion tonnes, containing 3 million tonnes of copper and 8 million ounces of gold. Xanadu recently released its Kharmagtai Scoping Study⁵, using a conventional and low risk open pit mine and sulphide process plant, which demonstrated a US\$630 million net present value (NPV), 20% investment rate of return (IRR) project, with a 4-year payback, operating as a first quartile costs producer for its first five years of operation. Multiple upside opportunities were reported for evaluation during Pre-Feasibility Study (PFS). Gating to PFS stage was approved by the Board pending funding.

The next step of development at Kharmagtai will complete a PFS and a JORC Compliant Ore Reserve, which is anticipated to require 18 months and cost US\$20 million to complete.

Once the second and third stages of investment by Zijin are agreed and committed, Xanadu will be well funded for its share of the Kharmagtai PFS. Xanadu will also be funded to progress exploration at its second project, Red Mountain, also located in the South Gobi Desert of Mongolia.



⁴ ASX/TSX Announcement Kharmagtai Resource Grows to 1.1 billion Tonnes - 8 December 2021. Xanadu is not aware of any new information or data that materially affects the information included in the relevant market announcement and, that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

⁵ ASX/TSX Announcement Scoping Study Kharmagtai Copper-Gold Project - 6 April 2022. Xanadu is not aware of any new information or data that materially affects the information included in the relevant market announcement and, that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

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

All dollar amounts are in Australian dollars unless otherwise indicated.

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