QUARTERLY ACTIVITIES REPORT

ACTIVITIES FOR THE QUARTER ENDING 31 MARCH 2017

HIGHLIGHTS

Deep drilling at Kharmagtai highlights depth potential of Altan Tolgoi

- Deep drilling at Altan Tolgoi has confirmed significant continuous high-grade mineralisation at depth:
  - Drill hole KHDDH394 intersected 646m @ 0.51% Cu & 0.87g/t Au (1.06% CuEq) from 16m, including 64m @ 1.06% Cu & 3.15g/t Au (3.08% CuEq) from 18m;
  - Drill hole KHDDH394A intersected 385m @ 0.52% Cu and 0.60g/t Au (0.9% CuEq) from 351m;
- The mineralisation identified within the resource shell is better than, or similar, to the current resource estimate;
- The high-grade breccia hosted copper-gold mineralisation, as identified by the current drilling results, remains open at depth;
- Planning underway for deeper drilling at Kharmagtai to extend the recently reported high-grade tourmaline breccia mineralisation.

Undercover initiative continues to define porphyry's under shallow cover

- Widespread near-surface copper and gold mineralisation has been intersected in the bedrock drilling;
- Six potential porphyry clusters have been identified, containing 19 individual porphyry and epithermal targets;
- Additional and substantial broad zones of near-surface gold-rich porphyry mineralisation was intersected at Altan Burged:
  - Drill hole KHDDH401 intersected 20m @ 1.73g/t Au & 0.18% Cu from 39m**.**

Multiple new porphyry and epithermal gold targets identified at Oyut Ulaan

- Exploration drilling underway at Oyut Ulaan;
- Drilling to test several near-surface high-priority copper-gold and gold targets;
- Reporting of drill results will commence by late May;
- New geophysical modelling highlights footprint of several large porphyry systems.

Corporate activities

- Drilling activities are fully funded from existing cash reserves of $6.2 million.

ASX XAM

ABN 92 114 249 026

CONTACT DETAILS
Registered Office
Level 12
680 George Street
Sydney, NSW 2000
Australia
www.xanadumines.com
info@xanadumines.com
T: +61 2 9547 4300

Ulaanbaatar Office
Olympic Street, Khoroo 1
Suite 23, Building 23B
Sukhbaatar District
Ulaanbaatar 14240, Mongolia
T: +976 7013 0211

Xanadu Mines Ltd (**ASX: XAM – "Xanadu**" or "Company") is pleased to provide shareholders with an update of exploration results from the first quarter of 2017. The current exploration programs, among the largest to be undertaken by a junior ASX-listed exploration company in the coming year, will target the discovery of additional porphyry copper-gold and shallow high-grade epithermal gold mineralisation on the Company's South Gobi projects at Kharmagtai and Oyut Ulaan (Figure 1).

At Kharmagtai our focus is to discover additional near-surface high-grade copper-gold mineralisation to add to the existing resource and move the project into economic viability. This can be achieved by discovery of a shallow fourth porphyry centre or adding mineralisation at depth under existing resources. The company has made good progress in these areas.

At Oyut Ulaan, our aim is to find the source or engine-room to widespread mineralisation that has been discovered to-date at various locations across the project. Excellent progress has been made here and planned drilling programs are underway to test highest priority targets.

EXPLORATION ACTIVITIES

The company continues to take a systematic approach throughout 2017 to assess the multiple copper-gold targets we have identified as being the most prospective. Across the projects 3,202.4m of PCD drilling and 3,849.2m diamond drilling has been completed during the reporting period.

Kharmagtai Copper-Gold Project

The Kharmagtai copper-gold project is located within the South Gobi porphyry copper province of Mongolia, approximately 420km south-southwest of Ulaanbaatar (Figure 1). Exploration drilling at the Kharmagtai project continues to test a combination of targets which includes high-level gold-rich porphyry mineralisation and deeper high-grade tourmaline breccia mineralisation within the highly prospective 25 km² area of interest which has delivered outstanding results to date.

Xanadu has already defined over 1.5 Mlb copper and over 2 million ounces of gold resource at its flagship Kharmagtai copper-gold project (see Xanadu's ASX announcement – 19 March 2015), which means it is one of the most promising copper-gold projects globally. Xanadu's exploration is continuing to plan and the company believes there remains excellent potential for more large-scale discoveries within the Kharmagtai porphyry district that has already yielded three porphyry discoveries.

Activity in the first quarter of 2017 focused on extending high-grade copper-gold mineralisation at Altan Tolgoi and targeting additional porphyry centres under shallow cover. This work has highlighted multiple new porphyry and tourmaline breccia targets validated by robust geochemistry and geology (Figure 2).

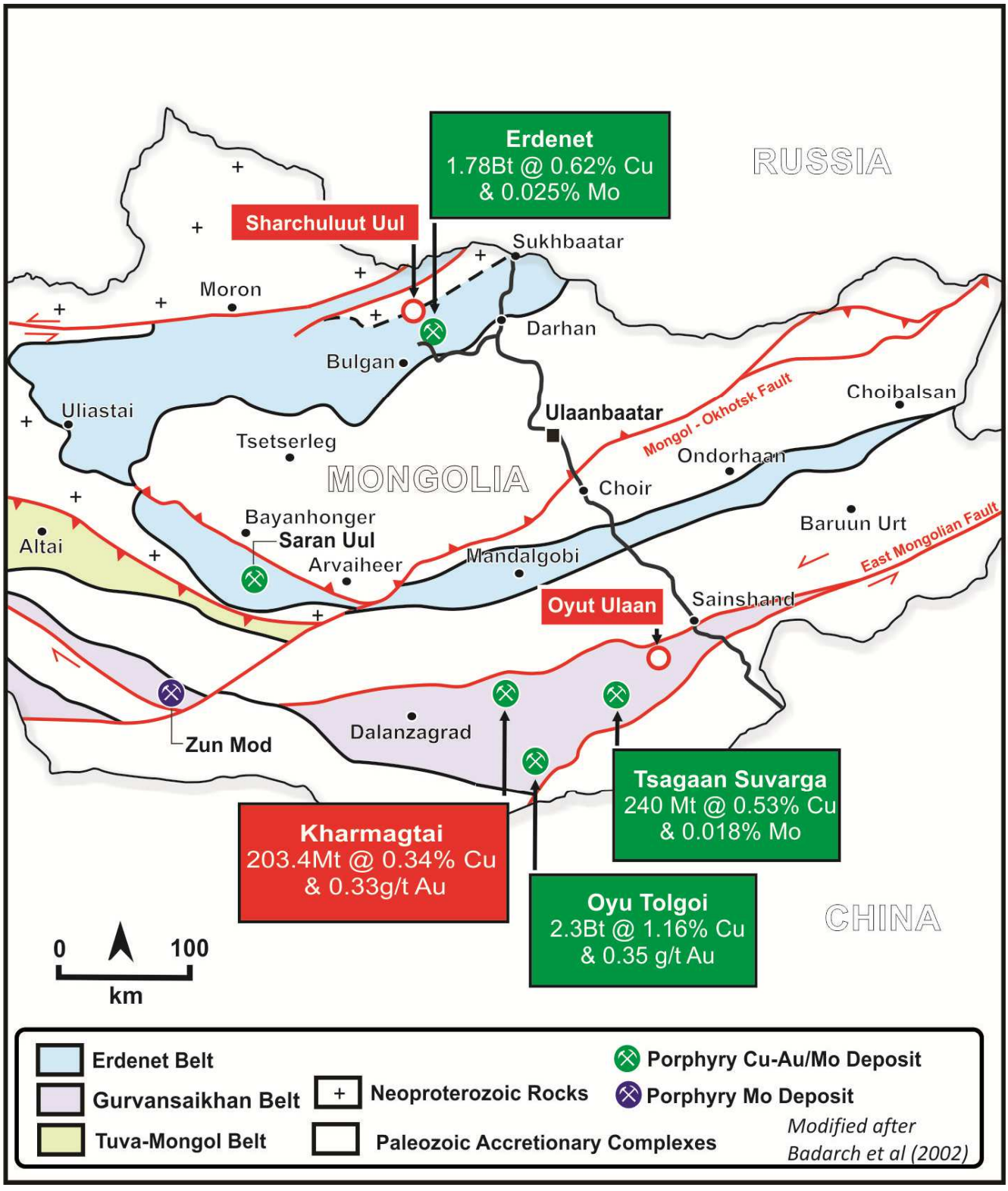

FIGURE 1: Location of Xanadu's copper-gold projects, within Mongolia's South Gobi Copper Belt (Gurvansaikhan Belt).

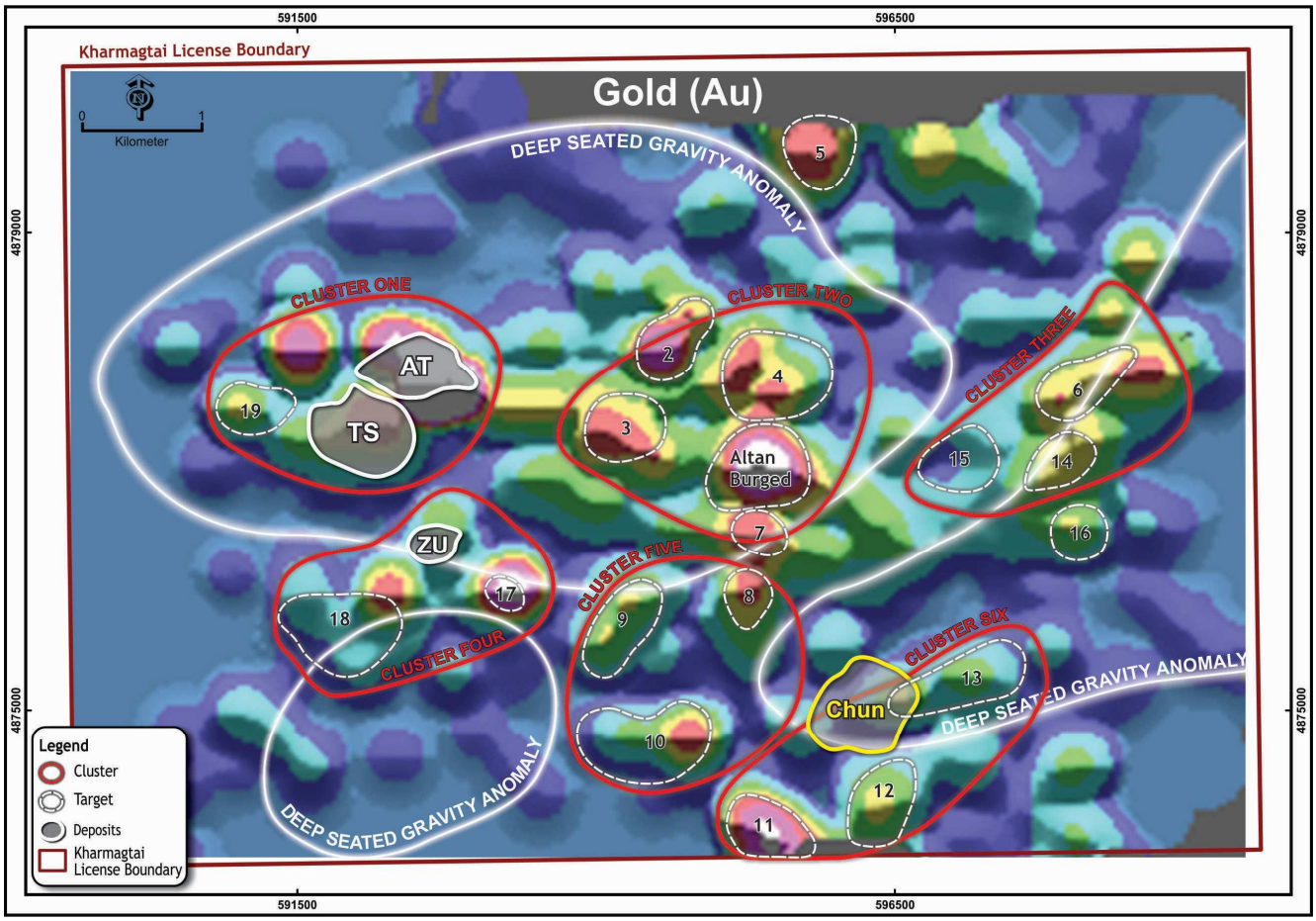

FIGURE 2: The Kharmagtai Mining Licence showing gold anomalism, known porphyry deposits, porphyry clusters and targets. This data has been generated from the extensive 2016 bedrock drilling program.

Tourmaline breccia mineralisation

Multiple drill holes confirm the significant depth extension of the Altan Tolgoi copper-gold deposit at Kharmagtai. Drill hole KHDDH394 successfully identified a mineralised intersection of 646m grading 0.51% Cu & 0.87g/t Au (1.06% CuEq) from 16m, including 64m @ 1.06% Cu & 3.15g/t Au (3.08% CuEq) from 18m (Figure 3), which confirms mineralisation extends from surface to almost 625 metres vertically. This represents the best intersection so far drilled at the Kharmagtai project. The hole crossed through the Altan Tolgoi Fault and out of high-grade tourmaline breccia mineralisation at 752m (Figure 3). Drill hole KHDDH394A was a wedge from KHDDH394 at a depth 351m and intersected 385m @ 0.52% Cu and 0.60g/t Au (0.9% CuEq) from 351m. The hole remained in strong alteration and weak mineralisation to a depth of approximately 1,200 metres.

Mineralisation consistent with or better than the resource estimate was intersected in the two new drill holes (Table 1 and 2; Figure 3 and Figure 4). These results add further confidence to the geological interpretation, mineralisation controls, and resource classification.

The Kharmagtai tourmaline breccia complex is zoned vertically, from barren or weakly mineralised tourmaline breccia near-surface to chalcopyrite and chalcopyrite-gold cemented breccia at increasing depths. Geological observations indicate high-grade part of the tourmaline breccia has been offset 50-

100m and KHDDH394A was drilled through the outer edge of the high-grade tourmaline breccia mineralisation, representing a near miss. Structural data from both these holes is currently being analysed and further drilling is being planned to locate the off-set mineralisation. Deeper drilling is planned below the zone of breccia hosted chalcopyrite-gold mineralisation to test whether a high grade bornite core is in the root zones of the breccia. High grade mineralisation may be manifested as bornite-gold-cemented breccia or as bornite-gold stock work mineralisation in the causative intrusive complex.

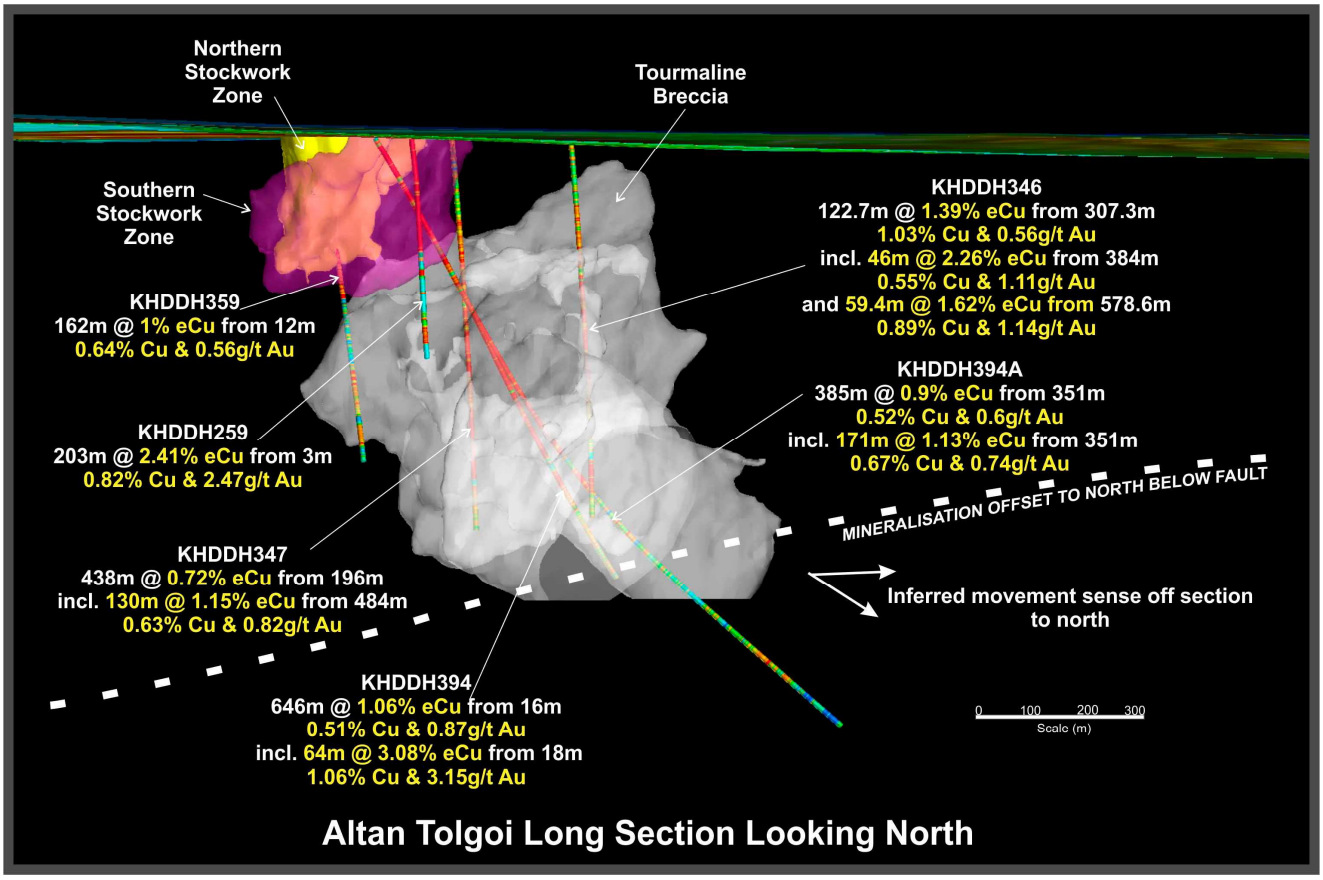

FIGURE 3: A long section through the Altan Tolgoi deposit showing the location of KHDDH394 and 394A including selected other intercepts.

The large areas of barren tourmaline breccia that crop out to the east of Altan Tolgoi are yet to be drill-tested. If they are mineralised at depth, then a significant increase in the resource potential of the district is predicted.

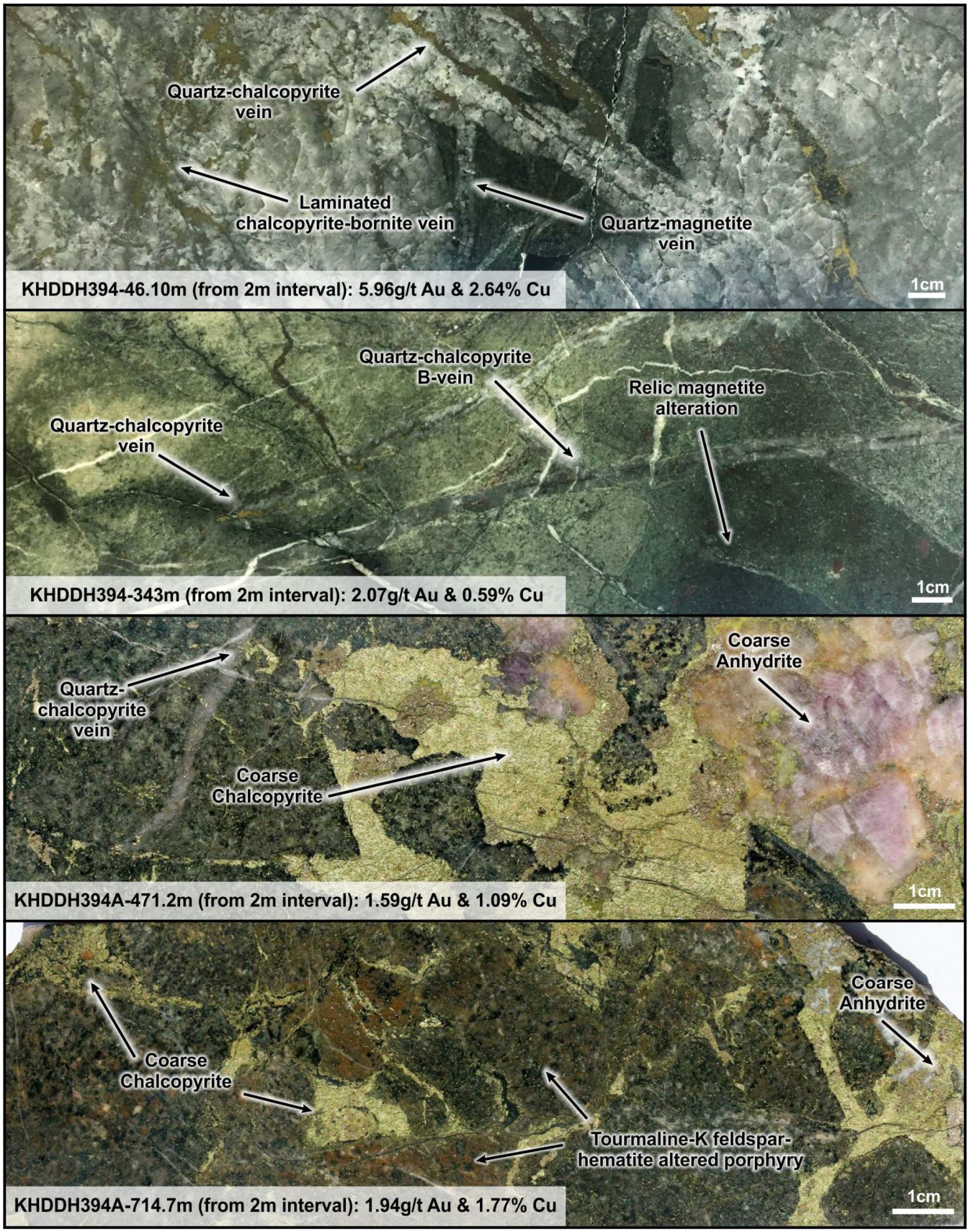

FIGURE 4: Tourmaline breccia mineralisation from KHDDH394 and KHDDH394A.

Gold-rich porphyry copper deposits such as Kharmagtai are characterised as being vertically extensive, with analogous deposits such as Wafi Goldpu and Cascabel extending to depths greater than two kilometres. Historical drilling at Kharmagtai is limited to the upper 400 metres (Figure 5).

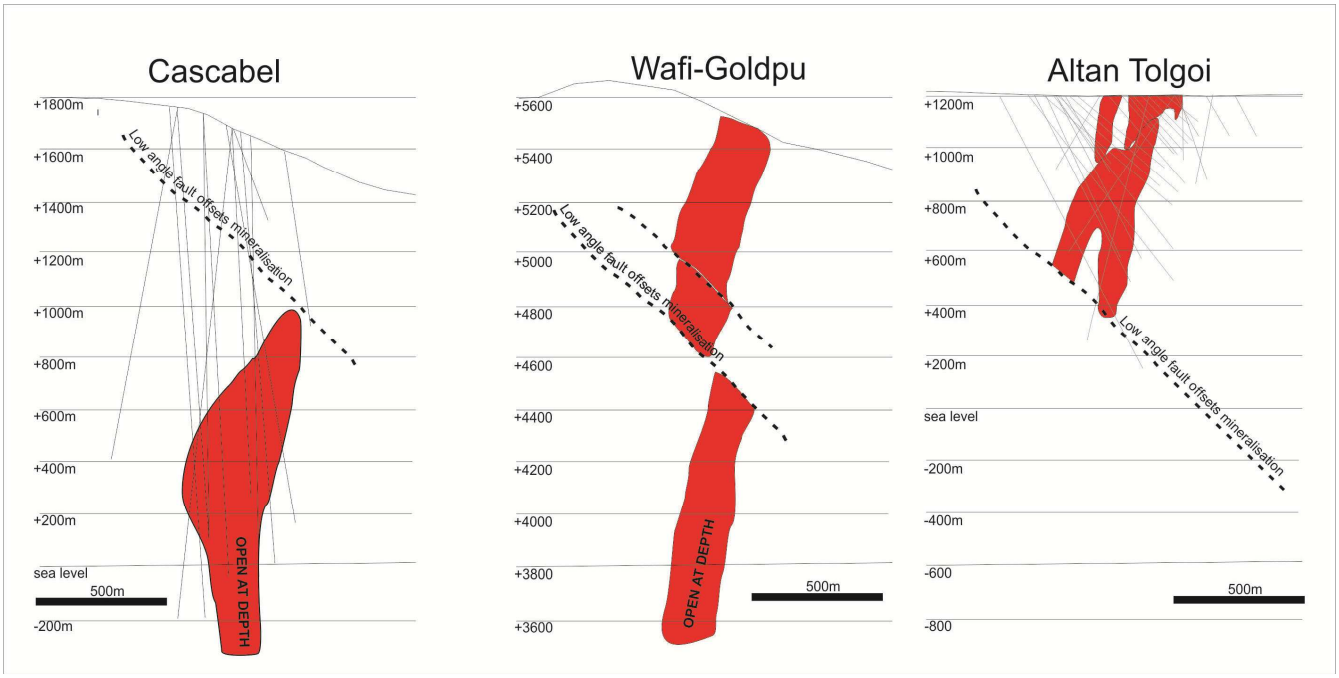

FIGURE 5: Comparison showing depth of drilling at various porphyry deposits across the world. Gold-rich porphyry copper deposits are characterised by significant depth extents. At the Alpala porphyry (Cascabel Project) higher grade mineralisation starts at approximately 600m from surface and extends beyond 1,600m in depth. Mineralisation at the Wafi-Golpu porphyry extends from surface to greater than 2km in depth. At Altan Tolgoi, only the shallowest 600-700m of mineralisation has been drilled. Recent drilling has been conducted to help determine the location of the tourmaline breccia body offset by the Kharmagtai Fault Zone. Figure adapted from Sol Gold corporate presentation dated 17 February 2017 and Newcrest corporate presentation to Adapting to Exploration in the 21st Century dated 27 June 2016.

Undercover initiative

Final assays have now been received from an undercover bedrock drilling program over the Kharmagtai district (refer Xanadu's ASX announcement - 22 December 2016). Six potential porphyry clusters have been identified containing 19 porphyry and epithermal targets (Figure 2). Currently two undercover targets are being drilled. Target 4 represents a copper-gold porphyry target within the same cluster of anomalies as Altan Burged (Figure 2). One hole has been drilled into Target 4 and has intersected high-density porphyry veining and alteration at the top of basement. This drill hole KHDDH403 has returned 28.1m @ 0.27g/t Au and 0.3% Cu (0.48% EqCu). Target 3 also represents a copper gold porphyry target and lies halfway between Altan Burged and Altan Tolgoi (Figure 2). Drilling into Target 3 has also encountered high density porphyry veining and alteration from the top of basement and the hole KHDDH404 returned 44m @ 0.26g/t Au and 0.19% Cu (0.36% EqCu) including 2m @ 1.11g/t Au and 0.21% Cu (0.92% EqCu). These results are validating the undercover targeting methodology and work continues to vector towards the higher grade core of all the porphyry targets identified.

Altan Burged

Drilling has continued to define the size and shape of the newly discovered Altan Burged porphyry centre. Seven diamond drill holes have been completed, for approximately 1,846 metres (Figure 6). These holes define a very large scale porphyry system, approximately 250 by 150 metres wide, with a high gold to copper ratio (4:1). Mineralisation is currently open at depth, to the north, west and south. A best intercept of 20m @ 1.73g/t Au and 0.18% Cu from 39m, including 16m @ 2g/t Au from 41m (Figure 7 and 8) associated with uni-directional solidification textures (USTs) and veining within the porphyry suggests potential exists for a reasonable sized mineralising system and the high-grade gold cap extends to the south. These textures occur at the top and sides of porphyry systems indicating that all the drilling to date has been conducted at the margins of the system. The higher-grade sulphide mineralisation would be expected within the centre of the system rather than on the edges and work is being conducted to vector to this higher-grade centre.

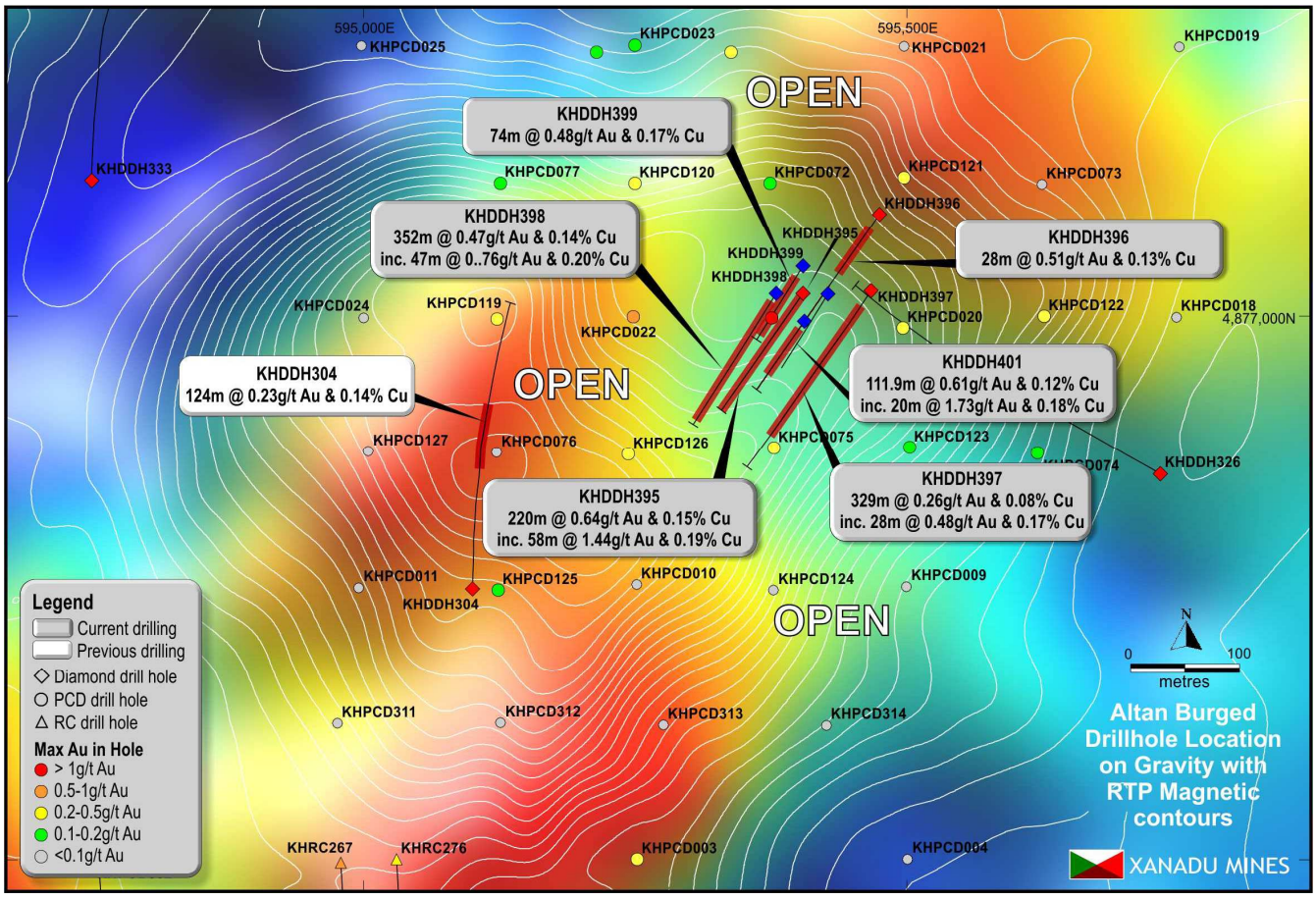

FIGURE 6: Recent Altan Burged drilling over gravity and magnetics contours.

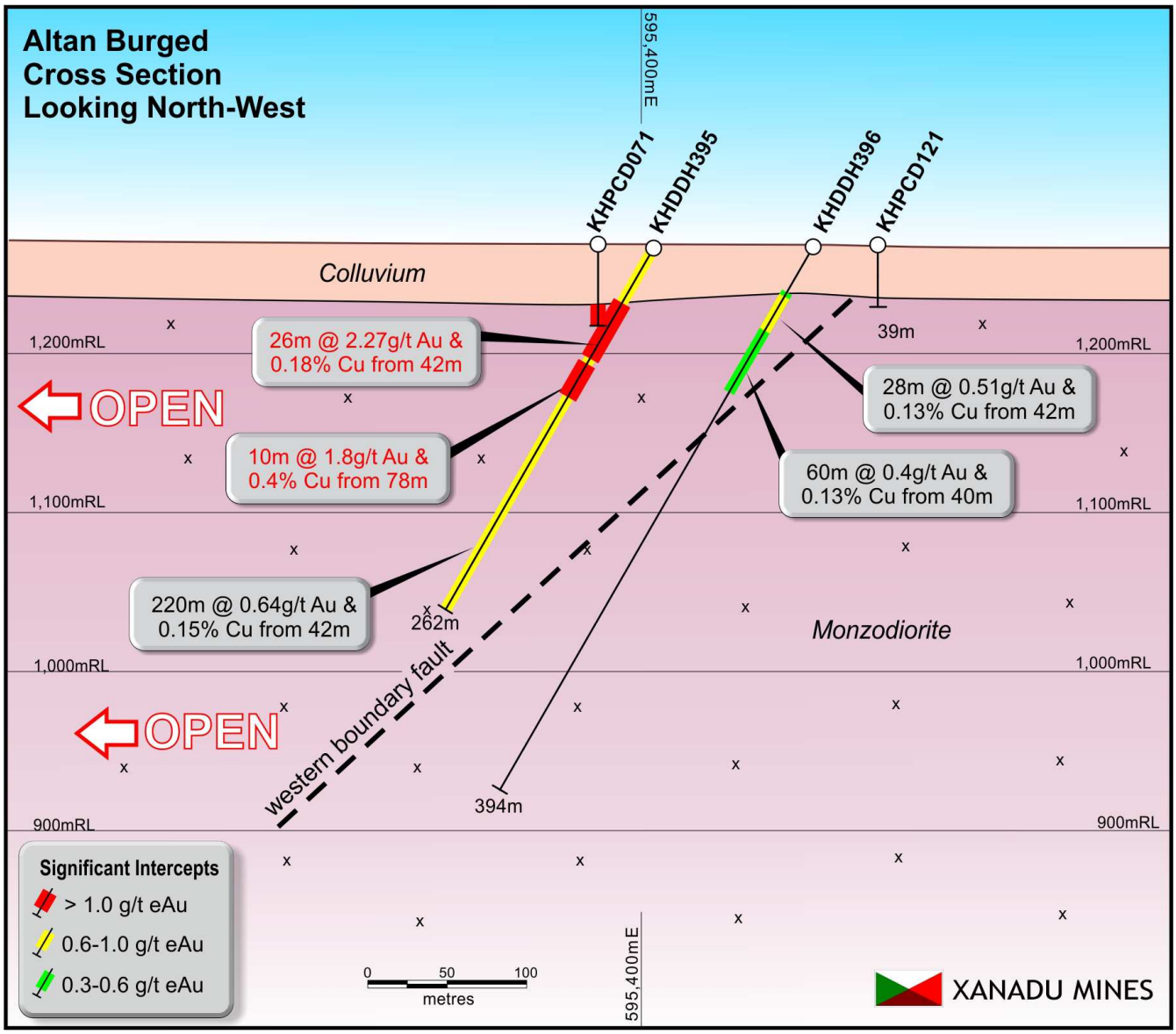

FIGURE 7: Cross section through new porphyry Altan Burged showing drill holes KHDDH395 and KHDDH396 with assay intercepts.

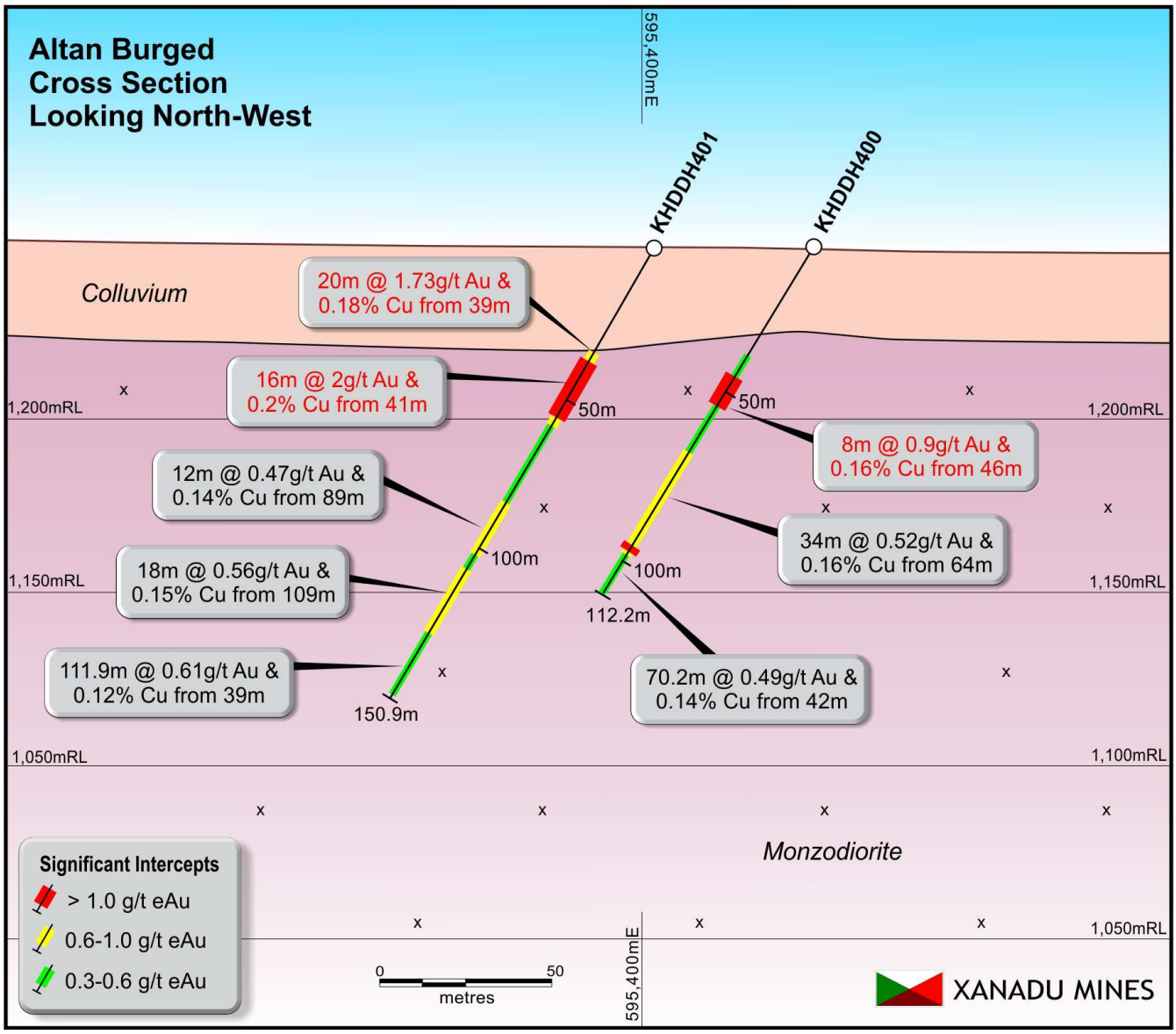

FIGURE 8: Cross Section KHDDH400-KHDDH401. Looking Northwest.

OYUT ULAAN COPPER-GOLD PROJECT

The Oyut Ulaan copper-gold project is strategically located within the South Gobi Copper Belt (which hosts the world class Oyu Tolgoi copper-gold project) and 260km east of Xanadu's flagship Kharmagtai copper-gold project (Figure 1). This large and underexplored porphyry district (covering approximately 40km²) and consists of multiple co-genetic porphyry copper-gold centres, mineralised tourmaline breccia pipes copper-gold/base metal magnetite skarns and epithermal gold veins, which occur within the central part of Mining Licence 17129A (Oyut Ulaan; Figure 1). Previous exploration at Oyut Ulaan delivered good results from several different prospects with a spectrum of mineralisation styles, any combination of which could possibly transform Oyut Ulaan into a significant mining camp.

2016 exploration program defines 47 targets

A systematic exploration program was conducted at Oyut Ulaan in 2016 targeting high-grade epithermal gold and Cu-Au porphyry related deposits. This program culminated in late December and consisted of 3,151 soil samples, 1,017 line km of detailed ground magnetics, 1,457 ground gravity stations, 11,464m of trenching, 1,999m of reverse circulation and 1,952m of diamond drilling. Over winter, the data from this work has been analysed and interpreted. New geophysical data has been combined with existing data and modelled in three dimensions resulting in an ranked list of 47 high-quality exploration targets ready for drilling in 2017 (Figure 9). Initial drilling will focus on the four most promising shallow targets followed by testing of some exceptional large scale porphyry targets.

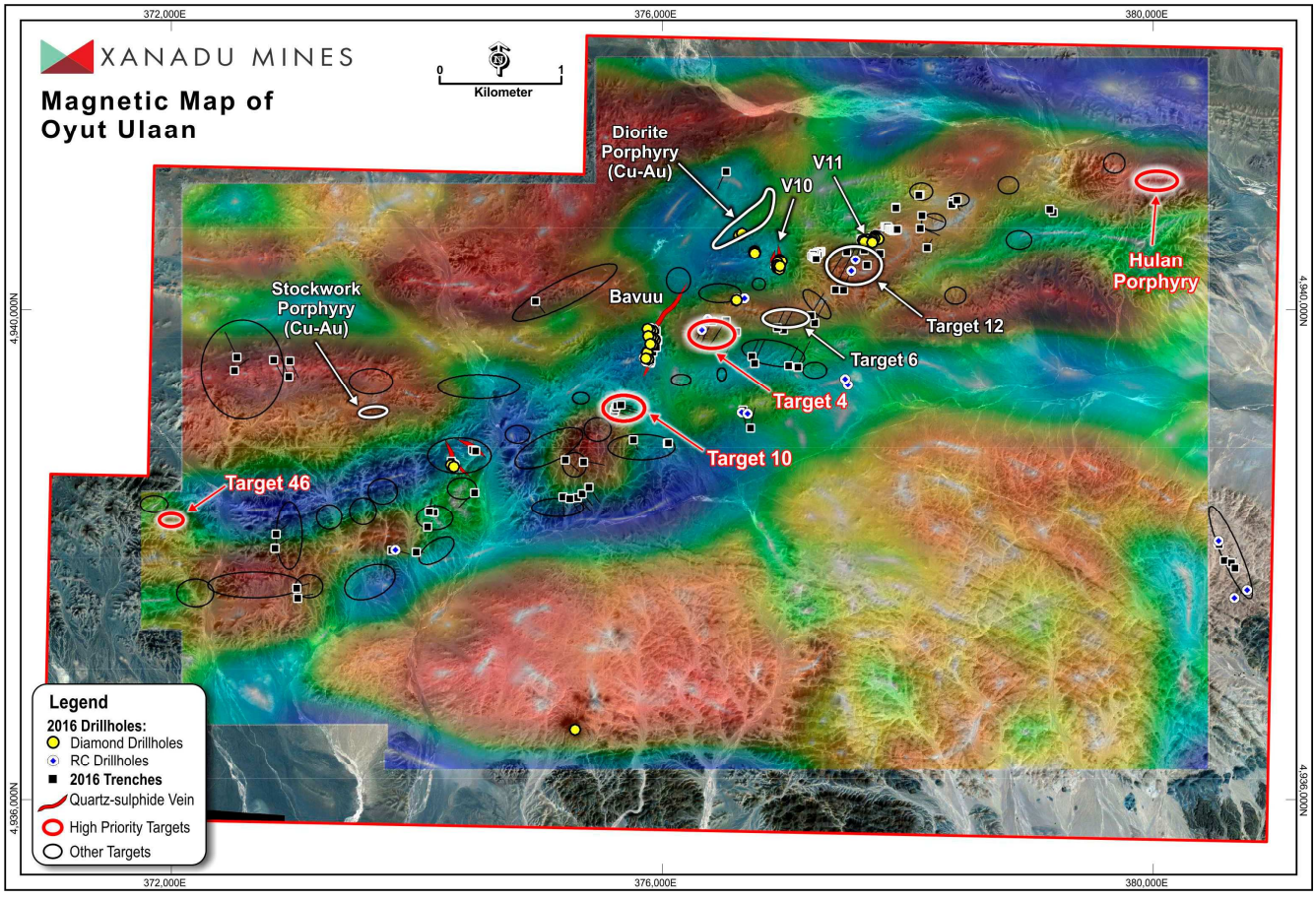

FIGURE 9: Oyut Ulaan magnetics with target locations.

Diamond drilling commences

Diamond drilling has commenced at Oyut Ulaan to test the four highest ranked shallow Cu-Au porphyry and epithermal gold targets.

Target 46 is a porphyry target where outcropping high density mineralised stock work veins are yet to be tested (Figure 10). These veins extend over an area of 100m and pass under shallow soil to the south and north. Two holes are planned to test the depth and continuity of this surface mineralisation.

Target 10 is an epithermal target where trenching in late 2016 returned previously reported intercepts of 14m at 2.15g/t Au and 1.02% Cu (OUSC028D). This target lies approximately 410m along strike from the Bavuu Zone (Figure 11) where trenching and drilling in early 2016 returned exceptionally high-grade results of. Between Bavuu and Target 10 the rocks are obscured by 1-2m of shallow soil. Trenching is planned for to joint Target 10 and Bavuu and drilling is planned to test beneath the high-grade trenches at Target 10.

Target 4 is a porphyry target where trenching in late 2016 returned significant widths of copper gold mineralisation associated with porphyry style stock work veining. This target sits within a large gravity anomaly with a central magnetic anomaly which is interpreted to represent a large (km scale) porphyry intrusive at depth. Drilling is planned at Target 4 to test the core of potassic alteration which symbolises the fluid conduit above the porphyry system (Figure 12).

The Hulan Porphyry is a copper gold skarn target where previous drilling has returned 40.1m @ 1% Cu and 0.26 g/t Au from surface. Drilling at Hulan target in 2017 will test the grade continuity, depth potential and seek the causative porphyry system for the skarn body. The recent magnetic and gravity inversions have expanded the size potential of Hulan.

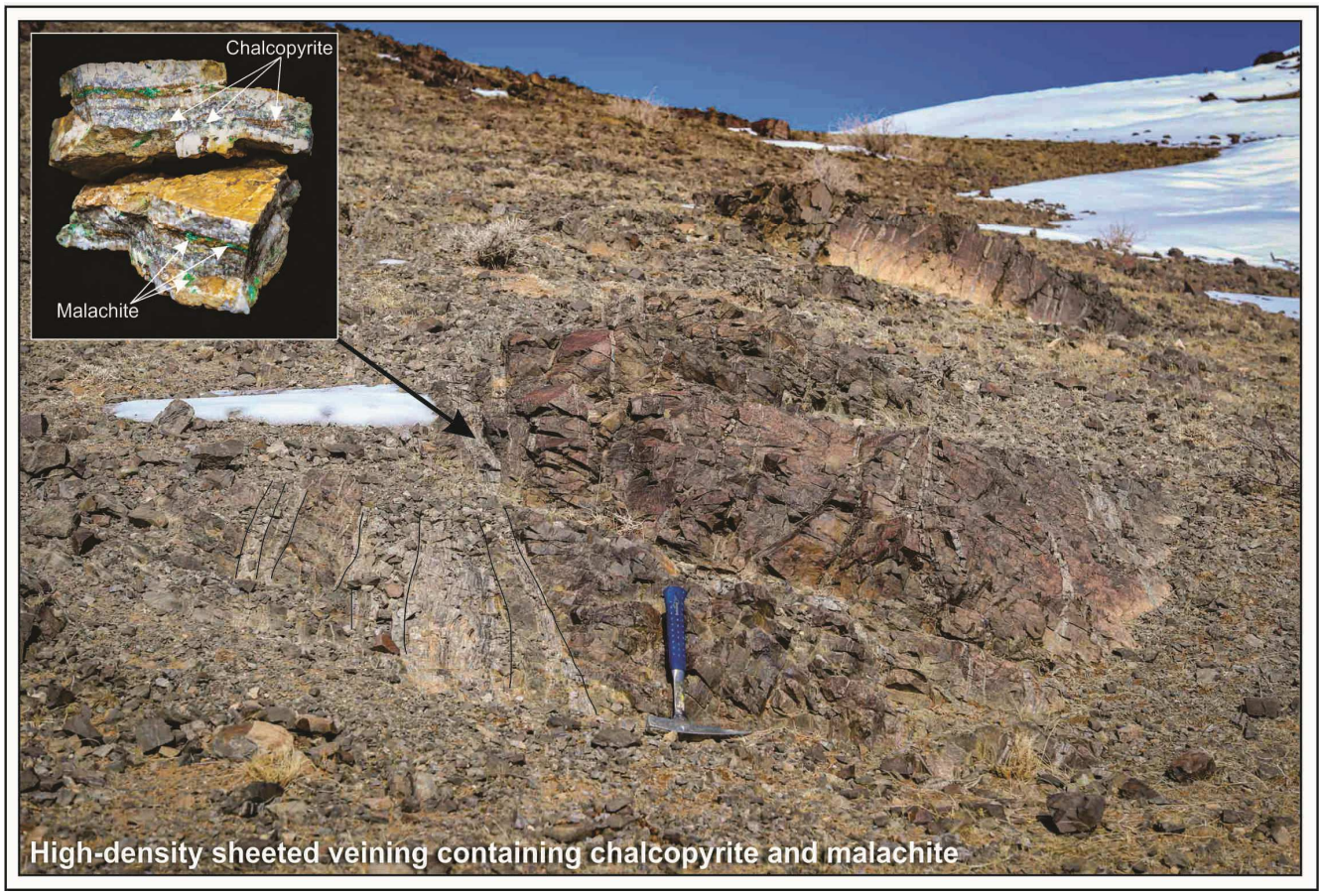

FIGURE 10: Target 46 high density stock work veining.

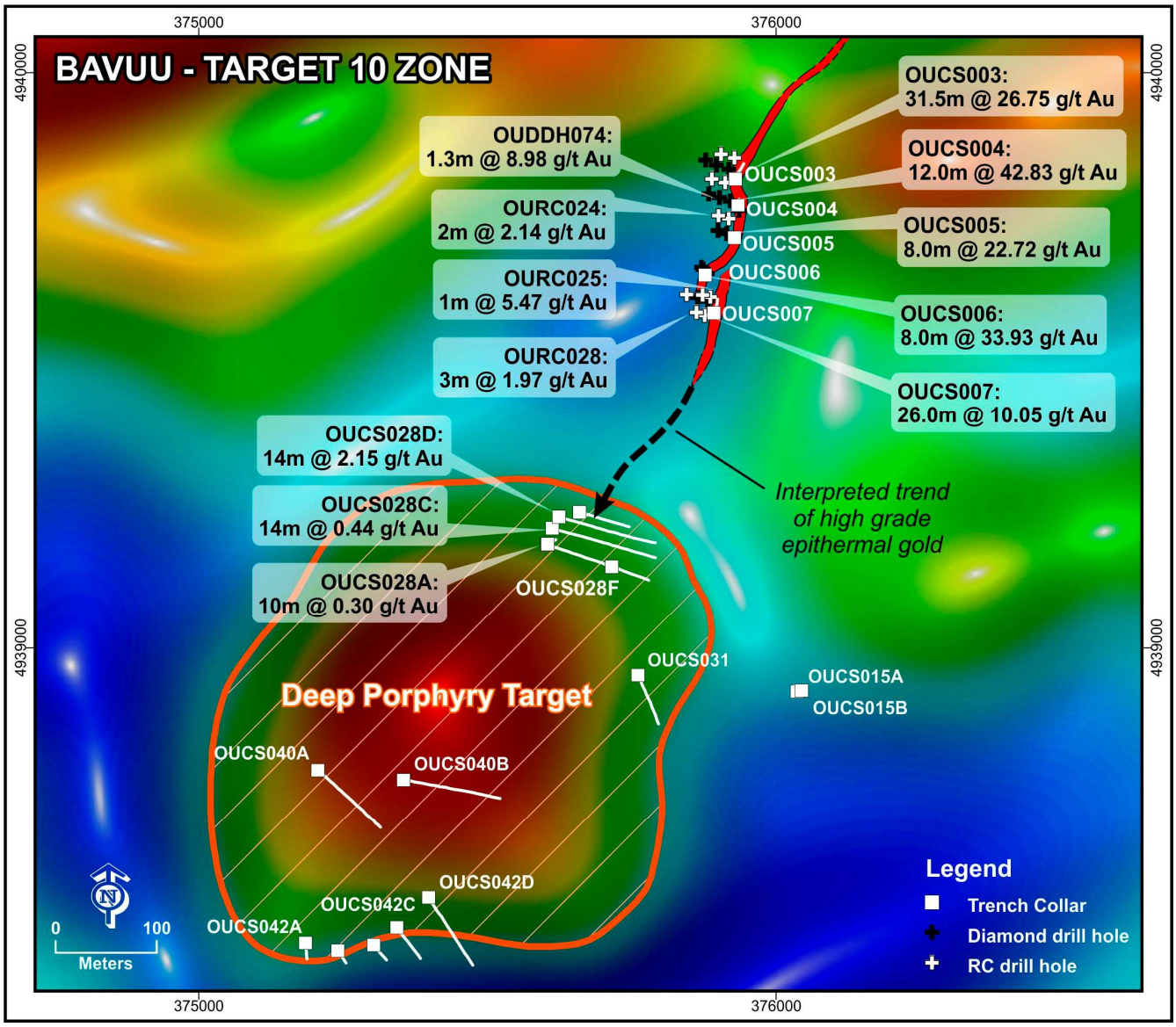

FIGURE 11: Plan showing Bavuu and Target 10, key drill and trench intercepts over magnetics.

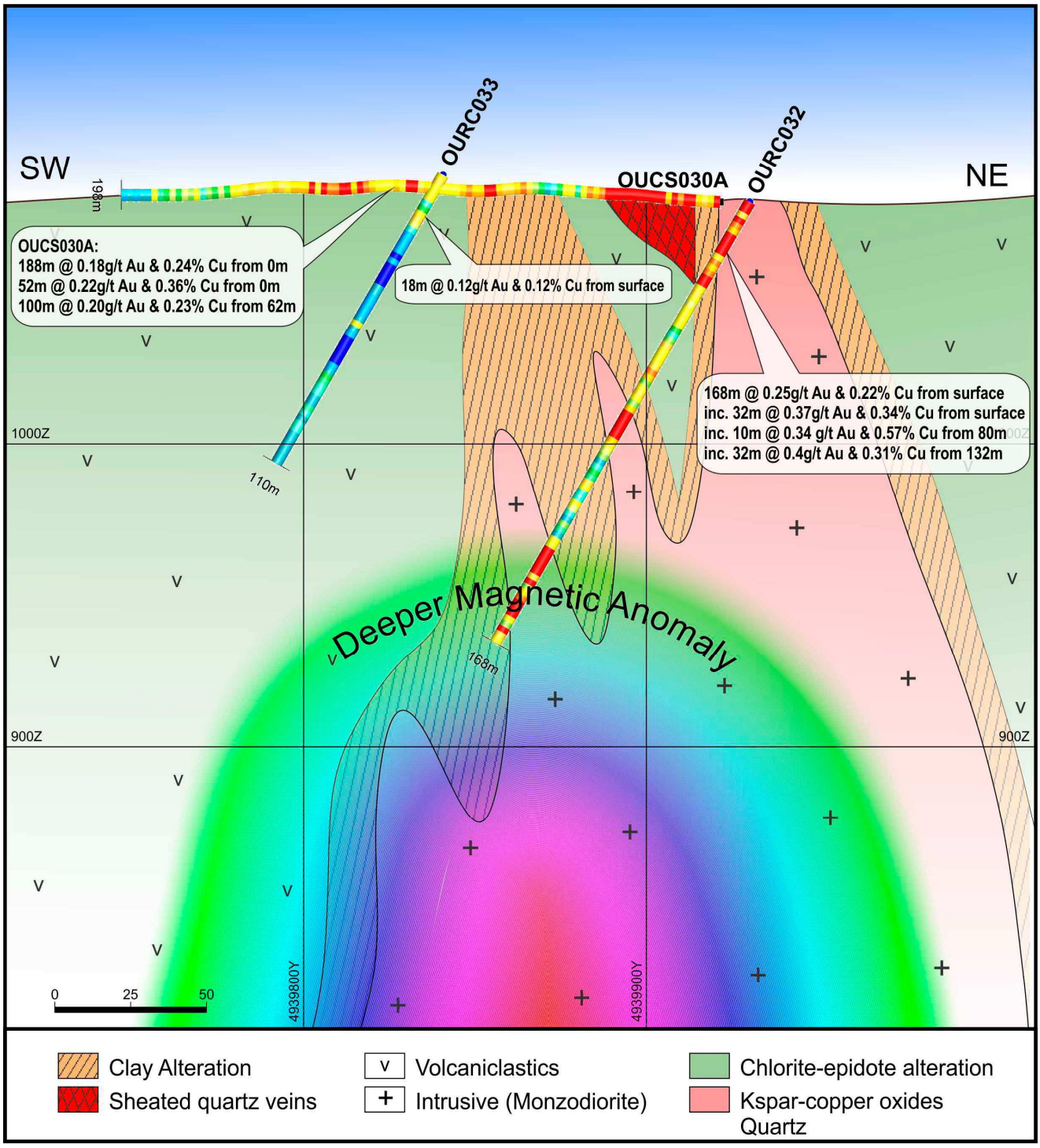

FIGURE 12: Cross section through Target 4 showing trenching, drill holes OURC032 and 33 and deeper magnetic target interpreted to be the causative intrusive for the mineralised porphyry stock work veining encountered within surface trenches and shallow RC.

New geophysical modelling highlights potential footprint of several large porphyry systems

Over winter newly acquired gravity and magnetic data were compiled and modelled by Fathom Geophysics in Australia. This modelling has produced three dimensional inversions which allow visualisation of the sub-surface geology. When these inversions are combined with the geochemical dataset developed over 2016 the signature of several very large porphyry systems can be seen (Figure 13). These systems display the same characteristics as many known large porphyry deposits, a discrete magnetic core, a gravity low with a rim of gravity high, a copper, gold, molybdenum anomaly that correlates with the magnetic high and a zone of zinc and manganese depletion that highlights the scale of the hydrothermal system. Figure 14 highlights these patterns over Target 10 and provides comparison examples from known deposits.

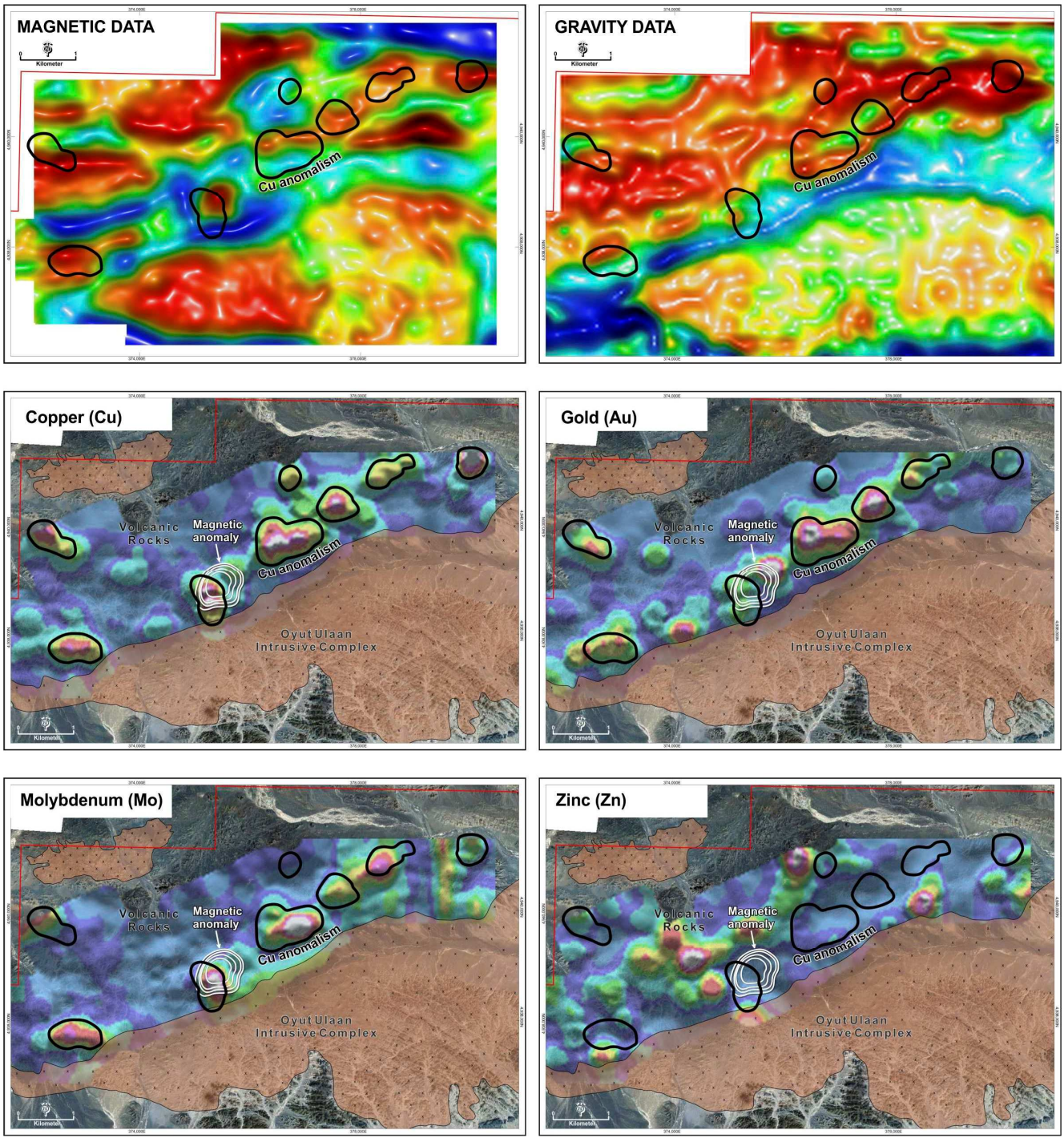

FIGURE 13: The characteristic footprint of several large potential porphyry systems is developing at Oyut Ulaan. Magnetic cores, with rimmed gravity lows combined with copper-gold-molybdenum anomalism and zinc-manganese depletion. Geological mapping over these areas has highlighted the alteration patterns indicative of porphyry systems, a potassic core which corresponds with the copper and gold anomalism surrounded by phyllic and propylitic halos and trenching and shallow drilling has returned broad intercepts of mineralised porphyry stockwork veining. Magnetic and gravity inversions indicate that the intercepts to date are on the margins of these systems and the causative intrusives are shallowly buried beneath the surface expressions.

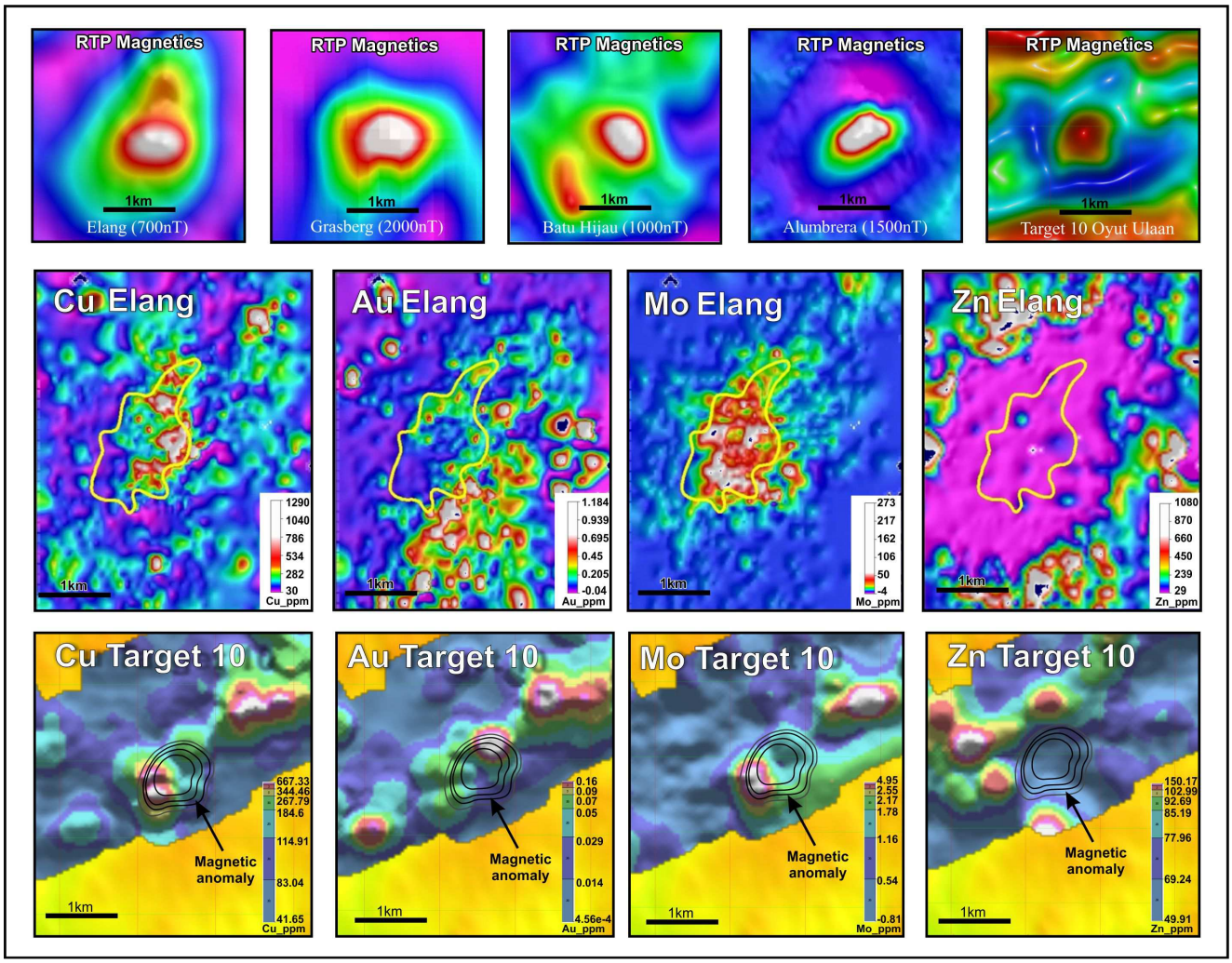

FIGURE 14: A close-up of one of these large porphyry targets. Target 10 with comparison examples from known porphyries around the world. Taken from 'Geophysical signatures of copper-gold porphyry and epithermal gold deposits, and implications for exploration' by Terence Hoschke, University of Tasmania, June 2010.

CORPORATE ACTIVITIES

Discussions with strategic investors are taking place. Continued exploration success at Kharmagtai over the past year indicates it is one of the most promising copper-gold projects globally, and recent discovery of the tourmaline breccia mineralisation ranks it as one of the highest grade porphyry discoveries in last 12 months. Xanadu is funded to progress exploration but the Company's strategy is also to keep a healthy dialogue open with potential strategic partners as an option for future collaboration.

Retirement of Board Members

Both Mr. Mark Wheatley and Mr. Barry Lavin have advised the Board that they will be leaving Xanadu at the Company's Annual General Meeting in May 2017. Mark will step down as Chairman and Non-Executive Director and Barry Lavin as Independent Non-Executive Director. The Board has commenced a search for a suitable replacement for the role of Chairman.

Share Capital

As at 31 March 2017, the Company had 511,218,639 fully paid shares, 4,416,667 performance rights and 35,000,000 options issued pursuant to the restructure of the Oyut Ulaan acquisition terms.

Financial position

As at 31 March 2017, the Company had A$6.2 million cash.

For further information please visit www.xanadumines.com or contact:

Dr Andrew Stewart
Managing Director & Chief Executive Officer
T: +976 70130211
M: +976 99999211
Andrew.stewart@xanadumines.com

COMPETENT PERSON STATEMENT

The information in this report 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 a resource estimate. Dr Stewart, who 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 the report of the matters based on his information in the form and context in which it appears.

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.

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 not been adjusted for metallurgical or refining recoveries and the copper equivalent grades are of an exploration nature only and intended for summarising grade. The copper 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 (CuEq) = Cu% + (Au (ppm) x 0.6378). Based on a copper price of $2.60/lb and a gold price of $1300/oz.

Table 1: Kharmagtai drill hole details from the first quarter.

Hole ID	Prospect	East	North	RL	Azi (^{0})	Dip	Drilled Depth (m)
KHDDH394a	Altan Tolgoi	592924	4877790	1282	100	-59	797.1
KHDDH395	Altan Burged	595405	4877021	1266	220	-60	262.0
KHDDH396	Altan Burged	595475	4877094	1267	220	-60	394.0
KHDDH397	Altan Burged	595467	4877024	1266	215	-60	370.0
KHDDH398	Altan Burged	595380	4877021	1266	216	-60	397.0
KHDDH399	Altan Burged	595405	4877046	1266	216	-60	160.0
KHDDH400	Altan Burged	595430	4877021	1265	216	-60	112.2
KHDDH401	Altan Burged	595404	4876997	1265	216	-60	150.9
KHDDH402	Altan Burged	594247	4877230	1274	0	-60	163.0
KHDDH403	The Basin	595499	4877730	1267	0	-60	172.0
KHDDH404	The Basin	595499	4877730	1267	0	-60	181.0
KHPCD260	The Basin	593875	4877124	1267	0	-90	24.0
KHPCD261	The Basin	593876	4877250	1268	0	-90	23.7
KHPCD262	The Basin	593875	4877376	1269	0	-90	25.0
KHPCD263	The Basin	594000	4877376	1260	0	-90	27.0
KHPCD264	The Basin	594001	4877503	1267	0	-90	33.0
KHPCD265	The Basin	593999	4877630	1274	0	-90	21.0
KHPCD266	The Basin	594127	4877625	1274	0	-90	27.0
KHPCD267	The Basin	594133	4877500	1266	0	-90	24.0
KHPCD268	The Basin	594125	4877375	1259	0	-90	25.0
KHPCD269	The Basin	594125	4877250	1252	0	-90	38.0
KHPCD270	The Basin	594127	4877126	1248	0	-90	26.0
KHPCD271	The Basin	594250	4877126	1248	0	-90	21.0
KHPCD272	The Basin	594376	4877126	1252	0	-90	21.0
KHPCD273	The Basin	594375	4877250	1255	0	-90	21.0
KHPCD274	The Basin	594250	4877375	1258	0	-90	26.0
KHPCD275	The Basin	594375	4877374	1258	0	-90	26.0
KHPCD276	The Basin	594375	4877496	1264	0	-90	27.5
KHPCD277	The Basin	594252	4877624	1272	0	-90	39.0
KHPCD278	The Basin	594375	4877624	1271	0	-90	32.0
KHPCD279	The Basin	595253	4877640	1266	0	-90	24.0
KHPCD280	The Basin	595401	4877633	1266	0	-90	33.0
KHPCD281	The Basin	595652	4877630	1268	0	-90	53.0
KHPCD282	The Basin	595400	4877750	1266	0	-90	46.0
KHPCD283	The Basin	595135	4877749	1265	0	-90	39.0
KHPCD284	The Basin	595141	4877876	1261	0	-90	36.0
KHPCD285	The Basin	595251	4877880	1262	0	-90	36.0
KHPCD286	The Basin	595502	4877877	1261	0	-90	41.5
KHPCD287	The Basin	595386	4878000	1261	0	-90	46.0

Hole ID	Prospect	East	North	RL	Azi (^{0})	Dip	Drilled Depth (m)
KHPCD288	The Basin	595138	4878000	1261	0	-90	42.0
KHPCD289	The Basin	594880	4878123	1261	0	-90	37.0
KHPCD290	The Basin	595011	4878129	1261	0	-90	32.0
KHPCD291	The Basin	595143	4878124	1261	0	-90	38.0
KHPCD292	The Basin	595270	4878119	1261	0	-90	45.0
KHPCD293	The Basin	596063	4878437	1261	0	-90	57.0
KHPCD294	The Basin	595940	4878560	1261	0	-90	63.0
KHPCD295	The Basin	596062	4878562	1261	0	-90	62.0
KHPCD296	The Basin	595940	4878440	1261	0	-90	63.0
KHPCD297	The Basin	594650	4877851	1267	0	-90	36.0
KHPCD298	The Basin	594382	4877852	1274	0	-90	42.0
KHPCD299	The Basin	594653	4878124	1262	0	-90	35.6
KHPCD300	The Basin	594415	4878116	1269	0	-90	32.4
KHPCD301	The Basin	594501	4878250	1266	0	-90	31.0
KHPCD302	The Basin	594376	4878385	1273	0	-90	38.0
KHPCD303	The Basin	594500	4878375	1269	0	-90	40.0
KHPCD304	The Basin	594638	4878377	1265	0	-90	33.1
KHPCD305	The Basin	594877	4878375	1261	0	-90	33.5
KHPCD306	The Basin	594629	4878499	1268	0	-90	31.0
KHPCD307	The Basin	594378	4878498	1275	0	-90	26.0
KHPCD308	The Basin	594380	4878625	1274	0	-90	30.0
KHPCD309	The Basin	594500	4878625	1274	0	-90	29.0
KHPCD310	The Basin	594640	4878625	1270	0	-90	26.0
KHPCD311	The Basin	594976	4876625	1271	0	-90	30.0
KHPCD312	The Basin	595126	4876625	1267	0	-90	32.0
KHPCD313	The Basin	595276	4876623	1262	0	-90	29.0
KHPCD314	The Basin	595426	4876623	1263	0	-90	36.0
KHPCD315	The Basin	594926	4876374	1273	0	-90	18.0
KHPCD316	The Basin	595125	4876375	1267	0	-90	24.0
KHPCD317	The Basin	595378	4876374	1267	0	-90	39.0
KHPCD318	Altan Burged	595313	4877057	1267	0	-90	46.0
KHPCD319	Altan Burged	595305	4877185	1268	0	-90	42.1
KHPCD320	Altan Burged	595307	4876931	1266	0	-90	46.0
KHPCD321	Altan Burged	595431	4876929	1265	0	-90	50.0
KHPCD322	Altan Burged	595425	4877184	1267	0	-90	45.5
KHPCD323	Altan Burged	595568	4877053	1265	0	-90	46.0
KHPCD324	Altan Burged	595565	4876939	1264	0	-90	43.5
KHPCD325	Altan Burged	595371	4877250	1267	0	-90	31.0
KHPCD326	Altan Burged	595200	4877054	1268	0	-90	35.0
KHPCD327	Altan Burged	595200	4876935	1266	0	-90	38.0
KHPCD328	The Basin	595138	4876499	1267	0	-90	27.0

Hole ID	Prospect	East	North	RL	Azi (^{0})	Dip	Drilled Depth (m)
KHPCD329	The Basin	595403	4876499	1264	0	-90	29.0
KHPCD330	The Basin	595045	4876374	1269	0	-90	16.0
KHPCD331	The Basin	595270	4876374	1267	0	-90	26.5
KHPCD332	The Basin	595125	4876257	1269	0	-90	15.0
KHPCD333	The Basin	595419	4876251	1270	0	-90	33.0
KHPCD334	The Basin	595100	4876125	1272	0	-90	28.0
KHPCD335	The Basin	595309	4876108	1273	0	-90	22.0
KHPCD336	The Basin	595099	4875904	1275	0	-90	26.0
KHPCD337	The Basin	595386	4875906	1276	0	-90	30.1
KHPCD338	The Basin	593939	4877315	1264	0	-90	24.0
KHPCD339	The Basin	594083	4877321	1256	0	-90	24.0
KHPCD340	The Basin	594200	4877319	1255	0	-90	29.0
KHPCD341	The Basin	593839	4877178	1270	0	-90	26.0
KHPCD342	The Basin	593950	4877181	1262	0	-90	26.0
KHPCD343	The Basin	594071	4877180	1253	0	-90	28.3
KHPCD344	The Basin	594200	4877180	1247	0	-90	23.8
KHPCD345	The Basin	594332	4877177	1251	0	-90	19.0
KHPCD346	The Basin	594489	4877126	1256	0	-90	27.0
KHPCD347	The Basin	594315	4877315	1255	0	-90	24.0
KHPCD348	The Basin	594451	4877315	1259	0	-90	23.0
KHPCD349	The Basin	595335	4877815	1264	0	-90	34.0
KHPCD350	The Basin	595446	4877819	1266	0	-90	36.2
KHPCD351	The Basin	595585	4877818	1267	0	-90	35.4
KHPCD352	The Basin	595667	4877879	1267	0	-90	43.0
KHPCD353	The Basin	595659	4877748	1268	0	-90	43.0
KHPCD354	The Basin	595338	4877700	1266	0	-90	27.0
KHPCD355	The Basin	595500	4877633	1267	0	-90	28.0
KHPCD356	The Basin	595600	4877692	1268	0	-90	40.5
KHPCD357	The Basin	595171	4877567	1267	0	-90	25.0
KHPCD358	The Basin	595329	4877570	1266	0	-90	23.5
KHPCD359	The Basin	595468	4877568	1266	0	-90	31.0
KHPCD360	The Basin	595600	4877557	1267	0	-90	31.0
KHPCD361	The Basin	595174	4877380	1268	0	-90	30.0
KHPCD362	The Basin	595344	4877383	1267	0	-90	28.0
KHPCD363	The Basin	595516	4877387	1266	0	-90	29.4
KHPCD364	THC	597874	4877625	1264	0	-90	46.0
KHPCD365	THC	598142	4877622	1261	0	-90	41.0
KHPCD366	THC	598146	4877750	1259	0	-90	41.5
KHPCD367	THC	598380	4877747	1256	0	-90	51.0
KHPCD368	THC	598377	4878002	1253	0	-90	64.0
KHPCD369	THC	598523	4877999	1252	0	-90	46.0

Hole ID	Prospect	East	North	RL	Azi (^{0})	Dip	Drilled Depth (m)
KHPCD370	THC	598527	4877872	1255	0	-90	48.0
KHPCD371	THC	597638	4877251	1273	0	-90	37.0
KHPCD372	THC	597750	4877375	1271	0	-90	40.0
KHPCD373	THC	597878	4877251	1273	0	-90	34.3
KHPCD374	THC	597750	4877124	1275	0	-90	36.5

Table 2: Kharmagtai significant drill results from the first quarter.

Hole ID	Prospect	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (%)	CuEq (%)
KHDDH394A	Altan Tolgoi	351	736	385	0.60	0.52	0.90
including		351	576	225	0.73	0.61	1.07
including		351	522	171	0.74	0.67	1.13
including		354	392	38	0.95	0.71	1.32
including		366	382	16	1.84	0.98	2.15
including		398	426	28	0.21	0.74	0.87
including		404	414	10	0.30	1.14	1.33
including		428	494	66	1.01	0.70	1.35
including		430	448	18	0.86	0.81	0.36
including		450	476	26	1.52	0.79	1.76
including		496	522	26	0.65	0.49	0.90
including		527.3	558	30.7	0.94	0.50	1.10
including		578	642	64	0.44	0.46	0.74
including		592	618	26	0.50	0.52	0.84
including		620	642	22	0.42	0.42	0.69
including		648	670	22	0.61	0.54	0.93
and		648	660	12	0.72	0.70	1.15
and		690	755.6	65.6	0.47	0.41	0.71
including		692	736	44	0.64	0.53	0.94
including		704	724	20	1.10	0.83	1.53
including		712	722	10	1.35	1.13	1.99
and		815.2	817.7	2.5	11.00	0.86	7.88
and		848.9	849.2	0.3	9.63	0.66	6.80
and		1238	1240	2	4.45	0.07	2.91
KHDDH395	Altan Burged	42	262	220	0.64	0.15	0.56
including		42	72	30	2	0.17	1.44
including		48	68	20	2.5	0.17	1.77
including		78	88	10	1.8	0.41	1.56
including		78	158	80	0.57	0.17	0.53
including		82	86	4	3.38	0.72	2.88
including		164	206	42	0.42	0.14	0.4

Hole ID	Prospect	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (%)	CuEq (%)
including		212	222	10	0.31	0.11	0.32
including		230	262	32	0.3	0.17	0.36
KHDDH396	Altan Burged	37.6	134	96.4	0.30	0.10	0.29
including		40	74	34	0.47	0.13	0.43
including		48	54	6	0.8	0.18	0.69
including		82	100	18	0.37	0.14	0.38
and		148	200	52	0.1	0.08	0.15
and		204	256	52	0.11	0.1	0.17
and		276	334	58	0.1	0.08	0.15
and		342	384	42	0.16	0.08	0.18
including		352	354	2	1.91	0.05	1.27
KHDDH397	Altan Burged	41	370	329	0.26	0.13	0.29
including		45	105	60	0.40	0.14	0.40
including		107	127	20	0.33	0.13	0.34
including		131	187	56	0.39	0.15	0.40
including		221	237	16	0.35	0.16	0.39
including		273	285	12	0.37	0.18	0.42
KHDDH398	Altan Burged	45	83	38	0.20	0.07	0.20
and		97	360	263	0.37	0.15	0.38
including		105	119	14	0.33	0.13	0.35
including		125	172	47	0.75	0.20	0.68
including		131	135.8	4.8	2.42	0.57	0.12
including		140	156	16	0.69	0.16	0.60
including		160	168	8	0.71	0.20	0.65
including		212	252	40	0.37	0.15	0.39
including		254	268	14	0.33	0.15	0.37
including		320	330	10	0.25	0.15	0.31
including		334	360	26	0.56	0.21	0.57
and		372	397	25	0.21	0.11	0.24
including		374	380	6	0.45	0.17	0.46
KHDDH399	Altan Burged	41	160	119	0.41	0.66	0.42
including		43	57	14	0.75	0.18	0.66
including		41	115	74	0.48	0.17	0.48
including		55	57	2	1.25	0.27	1.06
including		63	65	2	0.91	0.21	0.79
including		123	143	20	0.37	0.12	0.36
including		151	160	9	0.35	0.19	0.42
including		157	159	2	0.56	0.42	0.78
KHDDH400	Altan Burged	36.3	112.2	75.9	0.46	0.14	0.43
including		44	108	64	0.51	0.15	0.47
including		46	54	8	0.90	0.16	0.73

Hole ID	Prospect	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (%)	CuEq (%)
including		94	96	2	0.84	0.23	0.76
KHDDH401	Altan Burged	39	150.9	111.9	0.61	0.12	0.51
including		39	57	18	1.88	0.18	1.38
including		41	55	14	2.21	0.18	1.59
including		71	75	4	0.86	0.13	0.68
including		89	141	52	0.44	0.14	0.42
including		111	113	2	0.68	0.19	0.62
KHDDH402	Altan Burged	118	122	4	0.33	0.24	0.46
KHDDH403	The Basin	26.9	117	90.1	0.14	0.21	0.30
including		26.9	55	28.1	0.27	0.3	0.48
including		26.9	37	10.1	0.47	0.43	0.73
including		31	33	2	0.87	0.5	1.05
including		59	69	10	0.14	0.3	0.39
and		125	143	18	0.08	0.11	0.17
KHDDH404	The Basin	25	69	44	0.26	0.19	0.36
including		29	31	2	1.11	0.21	0.92
including		29	59	30	0.3	0.24	0.43
and		161	173	12	0.25	0.02	0.18
including		161	165	4	0.625	0.02	0.42
KHPCD269	The Basin	32	36	4	0.03	0.09	0.11
KHPCD280	The Basin	27	33	6.00	0.11	0.05	0.12
KHPCD282	The Basin	40	46	6	0.02	0.14	0.15
KHPCD283	The Basin	33	39	6	0.12	0.05	0.13
KHPCD318	Altan Burged	34	46	12	0.34	0.08	0.30
KHPCD319	Altan Burged	31	46	15	0.42	0.12	0.39
KHPCD320	Altan Burged	35	50	15	0.18	0.09	0.20
KHPCD321	Altan Burged	36	46	10	0.13	0.09	0.17
KHPCD322	Altan Burged	30	42	12	0.17	0.10	0.21
KHPCD323	Altan Burged	34	46	12	0.13	0.05	0.13
KHPCD324	Altan Burged	38	44	6	0.13	0.05	0.13
KHPCD325	Altan Burged	27	31	4	0.08	0.06	0.11
KHPCD327	Altan Burged	32	38	6	0.19	0.13	0.26
KHPCD339	The Basin	18	24	6	0.08	0.06	0.11
KHPCD353	The Basin	37	43	6	0.45	0.23	0.51
KHPCD354	The Basin	21	27	6	0.15	0.09	0.19
KHPCD356	The Basin	35	41	6	0.07	0.22	0.27

Table 3: Tenements held as at 31 March 2017

Set out below is the relevant information in relation to Xanadu's mining tenements as required under ASX Listing Rule 5.3.3.

Tenement No.	Tenement Name	Location	Change in % Interest	% Interest as at 31 March
MV17387A1	Kharmagtai	Umnugovi Province	2%	74%[1]
MV017129	Oyut Ulaan	Dornogovi Province	-	90%
13670x	Sharchuluut	Bulgan Province	-	100%

[1.] The Kharmagtai project has been funded through Xanadu's interest in Mongol Metals LLC by a combination of equity and shareholder advances converted to equity periodically. Xanadu's interest in Mongol Metals LLC is equivalent to approximately 82.4% as at 31 March 2017 (an effective 74.2% interest in the Kharmagtai project).

APPENDIX 1: KHARMAGTAI TABLE 1 (JORC 2012)

Set out below is Section 1 and Section 2 of Table 1 under the JORC Code, 2012 Edition for the Kharmagtai project. Data provided by Xanadu. This Table 1 updates the JORC Table 1 disclosure dated 31 January 2017.

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

Criteria	JORC Code (Section 1) Explanation	Commentary
Sampling techniques	• Nature and quality of sampling and assaying. • Measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used. • Aspects of the determination of mineralisation that are Material to the Public Report.	• The resource estimate is based on drill samples only. • Representative 2 metre samples were taken from ½ NQ or HQ diamond core and chip channel samples from trenches. • Only assay result results from recognised, independent assay laboratories were used in Resource calculation after QAQC was verified.
Drilling techniques	• Drill type and details.	• DDH drilling has been the primary drilling method.
Drill sample recovery	• Method of recording and assessing core and chip sample recoveries and results assessed. • Measures taken to maximise sample recovery and ensure representative nature of the samples. • Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.	• DDH core recoveries have been very good, averaging between 97% and 99% for all of the deposits. In localised areas of faulting and/or fracturing the recoveries decrease; however this is a very small percentage of the overall mineralised zones. • Recovery measurements were collected during all DDH programs. The methodology used for measuring recovery is standard industry practice. • Analysis of recovery results vs. grade indicates no significant trends. Indicating bias of grades due to diminished recovery and / or wetness of samples.
Logging	• Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies. • Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography. • The total length and percentage of the relevant intersections logged.	• Drill and trench samples are logged for lithology, mineralisation and alteration and geotechnical aspects using a standardised logging system, including the recording of visually estimated volume percentages of major minerals. • Drill core was photographed after being logged by a geologist. • The entire interval drilled and trenched has been logged by a geologist.
Sub-sampling techniques and sample preparation	• If core, whether cut or sawn and whether quarter, half or all core taken. • If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry. • For all sample types, the nature, quality and appropriateness of the sample preparation technique. • Quality control procedures adopted for all sub-sampling stages to	• DDH Core is cut in half with a diamond saw, following the line marked by the geologist. The rock saw is regularly flushed with fresh water. • Sample intervals are a constant 2m interval down-hole in length. • Trench chip channel samples taken close to the base of the trench wall (about 10cm above the floor). Samples are about 3kg. • Trench Sample collected with a plastic

Criteria	JORC Code (Section 1) Explanation	Commentary
	maximiserepresentivity of samples. • Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling. • Whether sample sizes are appropriate to the grain size of the material being sampled.	sheet or tray. • Routine sample preparation and analyses of DDH samples were carried out by SGS Mongolia LLC (SGS Mongolia), who operates an independent sample preparation and analytical laboratory in Ulaanbaatar. • All samples were prepared to meet standard quality control procedures as follows: Crushed to 90% passing 3.54 mm, split to 1kg, pulverised to 90% - 95% passing 200 mesh (75 microns) and split to 150g. • Certified reference materials (CRMs), blanks and pulp duplicate were randomly inserted to manage the quality of data. • Sample sizes are well in excess of standard industry requirements.
Quality of assay data and laboratory tests	• The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total. • For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc. • Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.	• All samples were routinely assayed by SGS Mongolia for gold, copper, silver, lead, zinc, arsenic and molybdenum. • Au is determined using a 30g fire assay fusion, cupelled to obtain a bead, and digested with Aqua Regia, followed by an atomic absorption spectroscopy (AAS) finish, with a lower detection (LDL) of 0.01 ppm. • Cu, Ag, Pb, Zn, As and Mo were routinely determined using a three-acid-digestion of a 0.3g sub-sample followed by an AAS finish (AAS21R). Samples are digested with nitric, hydrochloric and perchloric acids to dryness before leaching with hydrochloric acid to dissolve soluble salts and made to 15ml volume with distilled water. The LDL for copper using this technique was 2ppm. Where copper is over-range (>1% Cu), it is analysed by a second analytical technique (AAS22S), which has a higher upper detection limit (UDL) of 5% copper. • Quality assurance was provided by introduction of known certified standards, blanks and duplicate samples on a routine basis. • Assay results outside the optimal range for methods were re-analysed by appropriate methods. • Ore Research Pty Ltd certified copper and gold standards have been implemented as a part of QAQC procedures, as well as coarse and pulp blanks, and certified matrix matched copper-gold standards. • QAQC monitoring is an active and ongoing

Criteria	JORC Code (Section 1) Explanation	Commentary
		processes on batch by batch basis by which unacceptable results are re-assayed as soon as practicable.
Verification of sampling and assaying	• The verification of significant intersections by either independent or alternative company personnel. • The use of twinned holes. • Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols. • Discuss any adjustment to assay data.	• All assay data QAQC is checked prior to loading into the Geobank data base. • The data is managed XAM geologists. • The data base and geological interpretation is collectively managed by XAM.
Location of data points	• Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation. • Specification of the grid system used. • Quality and adequacy of topographic control.	• Diamond drill holes and trenches have been surveyed with a differential global positioning system (DGPS) to within 10cm accuracy. • All diamond drill holes have been down hole surveyed to collect the azimuth and inclination at specific depths. Two principal types of survey method have been used over the duration of the drilling programs including Eastman Kodak and Flexit. • UTM WGS84 48N grid. • The DTM is based on 1m contours with an accuracy of ±0.01m.
Data spacing and distribution	• Data spacing for reporting of Exploration Results. • Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied. • Whether sample compositing has been applied.	• Drilling and trenching has been completed on nominal north-south sections, commencing at 120m spacing and then closing to 40m for resource estimation. • Vertical spacing of intercepts on the mineralised zones similarly commences at 100m spacing and then closing to 50m for resource estimation. • Drilling has predominantly occurred with angled holes approximately 70° to 60° inclination below the horizontal and either drilling to north or south, depending on the dip of the target mineralised zone. • Holes have been drilled to 1,000m vertical depth • The data spacing and distribution is sufficient to establish geological and grade continuity appropriate for the Mineral Resource estimation procedure and has been taken into account in 3D space when determining the classifications to be applied.
Orientation of data in relation to geological structure	• Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type. • If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this	• Drilling and trenching has been predominantly completed on north-south section lines along the strike of the known mineralised zones and from either the north or the south depending on the dip. • Limited trenching has been completed along strike (subparallel) orientations to mineralisation - no conclusion regarding

Criteria	JORC Code (Section 1) Explanation	Commentary
	should be assessed and reported if material.	width and grade can be drawn from this data; • Vertical to South dipping ore bodies were predominantly drilled to the north. • Scissor drilling, (drilling from both north and south), as well as vertical drilling, has been used in key mineralised zones to achieve unbiased sampling of possible structures and mineralised zones.
Sample security	• The measures taken to ensure sample security.	• Samples are dispatched from site through via company employees and secure company vehicles to the Laboratories. • Samples are signed for at the Laboratory with confirmation of receipt emailed through. • Samples are then stored at the lab and returned to a locked storage site.
Audits or reviews	• The results of any audits or reviews of sampling techniques and data	• Internal audits of sampling techniques and data management on a regular basis, to ensure industry best practice is employed at all times. • External review and audit have been conducted by the following groups: o 2012 – AMC Consultants Pty Ltd. was engaged to conduct an Independent Technical Report which reviewed drilling and sampling procedures. It was concluded that sampling and data record was appropriate for use in resource estimation including that required by the NI 43-101 standards. o 2013 - Mining Associates Ltd. was engaged to conduct an Independent Technical Report to review drilling, sampling techniques, QAQC and previous resource estimates. Methods were found to conform to international best practice.

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	Commentary
Mineral tenement and land tenure status	• Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings. • The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to	• The Project comprises 1 Mining Licence (MV 17387A). • 100% owned by Oyut Ulaan LLC. • Xanadu and its joint venture partner, Mongol Metals can earn a 90% interest in the Kharmagtai porphyry copper-gold project. The remaining 10% is owned by Quincunx Ltd, which in turn is owned by an incorporated joint venture between Kerry Holdings Ltd. and MCS Holding LLC.

Criteria	JORC Code (Section 2) Explanation	Commentary
	operate in the area.	• The Mongolian Minerals Law (2006) and Mongolian Land Law (2002) govern exploration, mining and land use rights for the project.
Exploration done by other parties	• Acknowledgment and appraisal of exploration by other parties.	• Previous exploration was conducted by Quincunx Ltd, Ivanhoe Mines Ltd and Turquoise Hill Resources Ltd including extensive drilling, surface geochemistry, geophysics, mapping and mineral resource estimation to NI 43-101 standards.
Geology	• Deposit type, geological setting and style of mineralisation.	• The mineralisation is characterised as porphyry copper-gold type. • Porphyry copper-gold deposits are formed from magmatic hydrothermal fluids typically associated with felsic intrusive stocks that have deposited metals as sulphides both within the intrusive and the intruded host rocks. Quartz stockwork veining is typically associated with sulphides occurring both within the quartz veinlets and disseminated thought out the wall rock. Porphyry deposits are typically large tonnage deposits ranging from low to high grade and are generally mined by large scale open pit or underground bulk mining methods. The deposits at Kharmagtai are atypical in that they are associated with intermediate intrusions of diorite to quartz diorite composition, however the deposits are in terms of contained gold significant, and similar gold-rich porphyry deposits.
Drill hole Information	• A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes: – easting and northing of the drill hole collar. – elevation or RL Reduced Level – elevation above sea level in metres) of the drill hole collar . – 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 information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.	• Diamond drill holes are the principal source of geological and grade data for the Project. • See figures in main report.
Data Aggregation methods	• In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.	• A nominal cut-off of 0.1% Cu is used for identification of potentially significant intercepts for reporting purposes. • Most of the reported intercepts are shown in sufficient detail, including maxima and

Criteria	JORC Code (Section 2) Explanation	Commentary
	• Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail. • The assumptions used for any reporting of metal equivalent values should be clearly stated.	subintervals, to allow the reader to make an assessment of the balance of high and low grades in the intercept. • Informing Samples have been composited to two metre lengths honouring the geological domains and adjusted where necessary to ensure that no residual sample lengths have been excluded (best fit). • Metal equivalents used the following formula: CuEq = Cu% x(Aug/t x 0.6378) Formula is based on a $2.60/lb copper price and a $1,300/oz gold price. A gold recovery factor of 78.72% was used.
Relationship between mineralisation on widths and intercept lengths	• These relationships are particularly important in the reporting of Exploration Results. • If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported. • If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').	• Mineralised structures are variable in orientation, and therefore drill orientations have been adjusted from place to place in order to allow intersection angles as close as possible to true widths. • Exploration results have been reported as an interval with 'from' and 'to' stated in tables of significant economic intercepts. Tables clearly indicate that true widths will generally be narrower than those reported. • Limited trenching has been completed along strike (subparallel) orientations to mineralisation - no conclusion regarding width and grade can be drawn from this data; • Resource estimation, as reported later, was done in 3D space.
Diagrams	• Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.	• See figures in main report.
Balanced reporting	• Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.	• Resources have been reported at a range of cut-off grades, above a minimum suitable for open pit mining, and above a minimum suitable for underground mining.
Other substantive exploration data	• Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating	• Extensive work in this area has been done, and is reported separately.

Criteria	JORC Code (Section 2) Explanation	Commentary
	substances.	
Further work	• The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling). • Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.	• The mineralisation is open at depth and along strike. • Current estimates are restricted to those expected to be reasonable for open pit mining. Limited drilling below this depth (-300m rl) shows widths and grades potentially suitable for underground extraction. • Exploration on going.

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

(Criteria listed in section 1, and where relevant in section 2, also apply to this section.)

Criteria	JORC Code (Section 3) Explanation	Commentary
Database integrity	• Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes. • Data validation procedures used.	• The database is a Geobank data base system. • Data is logged directly into an Excel spread sheet logging system with drop down field lists. • Validation checks are written into the importing program ensures all data is of high quality. • Digital assay data is obtained from the Laboratory, QAQC checked and imported • Geobank exported to Access, and connected directly to the GemcomSurpac Software. • Data was validated prior to resource estimation by the reporting of basic statistics for each of the grade fields, including examination of maximum values, and visual checks of drill traces and grades on sections and plans.
Site visits	• Comment on any site visits undertaken by the Competent Person and the outcome of those visits. • If no site visits have been undertaken indicate why this is the case.	• Andrew Vigar of Mining Associates visited site from 24 and 25 October 2014. • The site visit included a field review of the exploration area, an inspection of core, sample cutting and logging procedures and discussions of geology and mineralisation with exploration geologists.
Geological interpretation	• Confidence in (or conversely, the uncertainty of the geological interpretation of the mineral deposit. • Nature of the data used and of any assumptions made. • The effect, if any, of alternative interpretations on Mineral Resource estimation. • The use of geology in guiding and controlling Mineral Resource estimation. • The factors affecting continuity both of	• Mineralisation resulted in the formation of comprises quartz-chalcopyrite-pyrite-magnetite stockwork veins and minor breccias. • The principle ore minerals of economic interest are chalcopyrite, bornite and gold, which occur primarily as infill within these veins. Gold is intergrown with chalcopyrite and bornite. • The ore mineralised zones at Altan Tolgoi, Tsagaan Sudal and Zesen Uul are

Criteria	JORC Code (Section 3) Explanation	Commentary
	grade and geology.	associated with a core of quartz veins that were intensely developed in and the quartz diorite intrusive stocks and/or dykes rocks. These vein arrays can be described as stockwork, but the veins have strong developed preferred orientations. • Sulphidemineralisation is zoned from a bornite-rich core that zone outwards to chalcopyrite-rich and then outer pyritic haloes, with gold closely associated with bornite. • Drilling indicates that the supergene profile has been oxidised to depths up to 60 metres below the surface. The oxide zone comprises fracture controlled copper and iron oxides; however there is no obvious depletion or enrichment of gold in the oxide zone.
Dimensions	• The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource.	• Altan Tolgoi comprises two main mineralised zones, northern and southern stockwork zones (AT-N and AT-S) which are approximately 100 metres apart and hosted in diorite and quartz diorite porphyries. The AT-S is at least 550 metres long, 600 metres deep and contains strong quartz-chalcopyrite-pyrite stockwork veining and associated high grade copper-gold mineralisation. The stockwork zone widens eastward from a 20 to 70 metres wide high-grade zone in the western and central sections to a 200 metres wide medium-grade zone in the eastern most sections. Mineralisation remains open at depth and along strike to the east. • The AT-N consists of a broad halo of quartz that is 250 metres long, 150 metres wide long and at least 350 metres deep. • TS consists of a broad halo of quartz veins that is 850 metres long, 550 metres wide long and at least 500 metres deep, and forms a pipe like geometry. • ZU forms a sub vertical body of stockwork approximately 350 × 100 metres by at least 200 metres and plunges to the southeast.
Estimation and modelling techniques	• The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used.	• The estimate Estimation Performed using Ordinary Kriging. • Variograms are reasonable along strike. • Minimum & Maximum Informing samples is 5 and 20 (1st pass), Second pass is 3 and 20. • Copper and Gold Interpreted separately on NS sections and estimated as separate domains.

Criteria	JORC Code (Section 3) Explanation	Commentary
	• The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data. • The assumptions made regarding recovery of by-products. • Estimation of deleterious elements or other non-grade variables of economic significance (eg sulphur for acid mine drainage characterisation). • In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed. • Any assumptions behind modelling of selective mining units. • Any assumptions about correlation between variables. • Description of how the geological interpretation was used to control the resource estimates. • Discussion of basis for using or not using grade cutting or capping. • The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available.	• Halo mineralisation defined as 0.12% Cu and 0.12g/t Au Grade. • The mineralised domains were manually digitised on cross sections defining mineralisation. Three dimensional grade shells (wireframes) for each of the metals to be estimated were created from the sectional interpretation. Construction of the grade shells took into account prominent lithological and structural features. For copper, grade shells were constructed for each deposit at a cut-off of 0.12% and 0.3% Cu. For gold, wireframes were constructed at a threshold of 0.12g/t and 0.3 g/t. These grade shells took into account known gross geological controls in addition to broadly adhering to the above mentioned thresholds. • Cut off grades applied are copper-equivalent (CuEq) cut off values of 0.3% for appropriate for a large bulk mining open pit and 0.5% for bulk block caving underground. • A set of plans and cross-sections that displayed colour-coded drill holes were plotted and inspected to ensure the proper assignment of domains to drill holes. • The faulting interpreted to have had considerable movement, for this reason, the fault surface were used to define two separate structural domains for grade estimation. • Six metre down-hole composites were chosen for statistical analysis and grade estimation of Cu and Au. Compositing was carried out downhole within the defined mineralisation halos. Composite files for individual domains were created by selecting those samples within domain wireframes, using a fix length and 50% minimum composite length. • A total of 4,428 measurements for specific gravity are recorded in the database, all of which were determined by the water immersion method. The average density of all samples is 2.74 t/m3. In detail there are some differences in density between different rock types, but since the model does not include geological domains a single pass ID2 interpolation was applied. • Primary grade interpolation for the two metals was by ordinary kriging of capped 6m composites. A two-pass search approach was used, whereby a cell failing to receive a grade estimate in a previous

Criteria	JORC Code (Section 3) Explanation	Commentary
		pass would be resubmitted in a subsequent and larger search pass. • The Mineral Resource estimate meets the requirements of JORC 2012 and has been reported considering geological characteristics, grade and quantity, prospects for eventual economic extraction and location and extents. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories using relevant copper-equivalent cut-off values; CuEq = Cu% x(Aug/t x 0.6378) Formula is based on a $2.60/lb copper price and a $1,300/oz gold price. A gold recovery factor of 78.72% was used.
Moisture	• Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content.	• All tonnages are reported on a dry basis.
Cut-off parameters	• The basis of the adopted cut-off grade(s) or quality parameters applied.	• Cut off grades applied are copper-equivalent (CuEq) cut off values of 0.3% for possible open pit and 0.5% for underground.
Mining factors or assumptions	• Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made.	• No mining factors have been applied to the in situ grade estimates for mining dilution or loss as a result of the grade control or mining process. • The deposit is amenable to large scale bulk mining. • The Mineral resource is reported above an optimised pit shell. (Lerch Grossman algorithm), mineralisation below the pit shell is reported at a higher cut-off to reflect the increased costs associated with block cave underground mining
Metallurgical factors or assumptions	• The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made.	• No metallurgical factors have been applied to the in situ grade estimates.
Environmental	• Assumptions made regarding possible	• An environmental baseline study was

Criteria	JORC Code (Section 3) Explanation	Commentary
factors or assumptions	waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made.	completed in 2003 by Eco Trade Co. Ltd. of Mongolia in cooperation with Sustainability Pty Ltd of Australia. The baseline study report was produced to meet the requirements for screening under the Mongolian Environmental Impact Assessment (EIA) Procedures administered by the Mongolian Ministry for Nature and Environment (MNE).
Bulk density	• Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples. • The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vugs, porosity, etc), moisture and differences between rock and alteration zones within the deposit. • Discuss assumptions for bulk density estimates used in the evaluation process of the different materials.	• A total of 4,428 measurements for specific gravity are recorded in the database, all of which were determined by the water immersion method. • The average density of all samples is approximately 2.74 t/m3. In detail there are some differences in density between different rock types, but since the model does not include geological domains a single estimation pass (ID2) was applied to a density attribute. • There is no material impact on global tonnages, but it should be noted that density is a function of both lithology and alteration (where intense magnetite/sulphide is present).
Classification	• The basis for the classification of the Mineral Resources into varying confidence categories. • Whether appropriate account has been taken of all relevant factors (ie relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data). • Whether the result appropriately reflects the Competent Person's view of the deposit.	• The mineral resource classification protocols, for drilling and sampling, sample preparation and analysis, geological logging, database construction, interpolation, and estimation parameters are described in the Main Report have been used to classify the 2015 resource. • The Mineral Resource statement relates to global estimates of in situ tonnes and grade • The Mineral Resource estimate has been classified in accordance with the JORC Code, 2012 Edition using a qualitative approach. The classifications reflect the competent person's view of the Kharmagtai Copper Gold Project.
Audits or reviews	• The results of any audits or reviews of Mineral Resource estimates.	• XAM's internal review and audit of the Mineral Resource Estimate consisted of data analysis and geological interpretation of individual cross-sections, comparing drill-hole data with the resource estimate block model. • Good correlation of geological and grade

Criteria	JORC Code (Section 3) Explanation	Commentary
		boundaries were observed • 2013 - Mining Associates Ltd. was engaged to conduct an Independent Technical Report to review drilling, sampling techniques, QAQC and previous resource estimates. Methods were found to conform to international best practice.
Discussion of relative accuracy/ confidence	• Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate. • The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used. • These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.	• An approach to the resource classification was used which combined both confidence in geological continuity (domain wireframes) and statistical analysis. The level of accuracy and risk is therefore reflected in the allocation of the measured, indicated and inferred resource categories. • Resource categories were constrained by geological understanding, data density and quality, and estimation parameters. It is expected that further work will extend this considerably. • Resources estimates have been made on a global basis and relates to in situ grades. • Confidence in the Indicated resource is sufficient to allow application of Modifying Factors within a technical and economic study. The confidence in Inferred Mineral Resources is not sufficient to allow the results of the application of technical and economic parameters. • The deposits are not currently being mined. • There is surface evidence of historic artisanal workings. • No production data is available.

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.

+Rule 5.5

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

XANADU MINES LIMITED	
ABN	**Quarter ended ("current quarter")**
92 114 249 026	31 March 2017

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	(1,097)	(1,097)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(463)	(463)
	(e) administration and corporate costs	(200)	(200)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	7	7
1.5	Interest and other costs of finance paid	(198)	(198)
1.6	Income taxes paid	-	-
1.7	Research and development refunds	-	-
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(1,951)**	**(1,951)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**-**	**-**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**-**	**-**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	8,277	8,277
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,951)	(1,951)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	(83)	(83)
4.6	**Cash and cash equivalents at end of period**	**6,243**	**6,243**

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $A'000	Previous quarter $A'000
5.1	Bank balances	6,243	8,277
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**6,243**	**8,277**

6.	Payments to directors of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	229
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

N/A

7.	Payments to related entities of the entity and their associates	Current quarter $A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

N/A

8.	**Financing facilities available** *Add notes as necessary for an understanding of the position*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
8.1	Loan facilities	3,597	3,597
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

Secured loan facility by Noble Resources International Pte.Ltd at interest rate LIBOR + 10%.

9.	**Estimated cash outflows for next quarter**	**$A'000**
9.1	Exploration and evaluation	1,600
9.2	Development	-
9.3	Production	-
9.4	Staff costs	460
9.5	Administration and corporate costs	200
9.6	Other (provide details if material)	-
9.7	**Total estimated cash outflows**	**2,260**

10.	**Changes in tenements (items 2.1(b) and 2.2(b) above)**	**Tenement reference and location**	**Nature of interest**	**Interest at beginning of quarter**	**Interest at end of quarter**
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	N/A			
10.2	Interests in mining tenements and petroleum tenements acquired or increased	MV17387A Kharmagtai Omnogovi Province Mongolia	Share subscription	72%	74%

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Sign here: *[Signed]* Date: 28 April 2017
Company secretary

Print name: Nathan Bartrop

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.