30 October 2017

QUARTERLY ACTIVITIES REPORT

FOR THE QUARTER ENDED 30 SEPTEMBER 2017

HIGHLIGHTS

Drilling results confirm high-grade extensions at Kharmagtai Project

- Stockwork Hill exploration drilling returns high-grade mineralisation:
  - KHDDH415: 264m @ 0.56% Cu & 1.46g/t Au (1.49% eCu) from surface, including 148m @ 0.81% Cu & 2.41g/t Au (2.35% eCu) from surface
  - KHDDH418: 212m @ 0.36% Cu & 0.38g/t Au (0.61% eCu) from 333m including 102m @ 0.53% Cu & 0.55g/t Au (0.88% eCu) from 385m and 34m @ 0.6% Cu & 0.75g/t Au (1.13% eCu) from 621m
  - KHDDH419: 294m @ 0.47% Cu & 0.85/t Au (1.01% eCu) from 466m, including 86m @ 0.78% Cu &1.91g/t Au (2.00% eCu) from 558m
- The mineralisation identified within the resource shell at Stockwork Hill is better than, or similar, to the current resource estimate
- Stockwork Hill copper-gold deposit growing rapidly below current resource
- Copper Hill deposit showing growth potential at depth:
  - KHDDH416: 180m @ 0.95% Cu & 1.84g/t Au (2.12% eCu) from surface including 30m @ 1.93% Cu & 4.14g/t Au (4.57% eCu) from 66m, and 30m @ 1.55% Cu & 3.45g/t Au (3.75% eCu) from 104m
  - KHDDH421: 411.6m @ 0.54% Cu & 0.79 g/t Au (1.04% eCu) from surface, including 134m @ 1.01% Cu & 1.84 g/t Au (2.18% eCu) from 14m, and 112m @ 0.49% Cu & 0.48g/t Au (0.8% eCu) from 224m, including 38m @ 0.71% Cu & 0.48g/t (1.01% eCu) Au from 292m
- The mineralisation identified within the resource shell at Copper Hill is better than, or similar, to the current resource estimate
- Three new large-scale porphyry targets delineated, and modelling highlights extensive system preservation
- Exploration continues with three diamond drill rigs drilling at Kharmagtai.

CORPORATE ACTIVITIES

- A$15.4 million raised in heavily oversubscribed placement
- Planned drilling activities fully funded from existing A$11.2 million cash reserves.

ASX XAM

ABN 92 114 249 026

COMPANY DIRECTORS
Kevin Tomlinson
Non-Executive Chairman
Ganbayar Lkhagvasuren
Executive Director
Hannah Badenach
Non-Executive Director
Darryl Clark
Non-Executive Director
Marcus Engelbrecht
Non-Executive Director
Michele Muscillo
Non-Executive Director
Andrew Stewart
Managing Director & CEO

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 "**the Company**") is pleased to provide shareholders with an update on exploration and associated activities undertaken during the September quarter 2017.

EXPLORATION ACTIVITIES

Commenting on the quarter's activities, MD/CEO Dr Andrew Stewart, said:

"We are delighted with the strong support received from our existing sophisticated and institutional shareholders, and are very pleased to welcome a number of international institutional shareholders as new shareholders into Xanadu. The Placement enables us to further strengthen our share register with specialist institutional investors. The strengthening of our balance sheet to now be debt free will allow Xanadu to vigorously pursue its drilling programs unencumbered, which puts us in a very advantageous position.

The quality of Kharmagtai continues to be demonstrated by positive drill results reported this quarter. The latest drilling, which is targeting high-grade mineralisation at Stockwork Hill and Copper Hill, reaffirms our belief in the potential for this mineral system to host a large scale high-grade copper-gold deposit. Whilst drilling through the upper reaches of the already defined resources the drilling not only filled gaps in the current resources but it increased confidence in continuity, resource category and results were equal to or better than those used in the previous resource estimate. Both discoveries remain open in virtually all directions.

What really excites our geology team is that the deeper mineralisation contains fragments of mineralised porphyry providing strong evidence of a deeper undiscovered porphyry system below these targets. While the increasing presence of bornite sulphide mineralisation indicates we are getting closer to the core of the system. We look forward to drilling beneath the zone of chalcopyrite-gold breccia mineralisation testing for the breccia complex transition downward into another mineralised porphyry at depth."

KHARMAGTAI COPPER-GOLD PROJECT

The Kharmagtai copper-gold project is located within the South Gobi porphyry copper province of Mongolia, approximately 440km south-southwest of Ulaanbaatar and 120km north of Rio Tinto's Oyu Tolgoi copper-gold mine and approximately 50km from where Rio Tinto is currently drilling deep exploration holes (Figure 1).

Activity in the September quarter 2017 focused on targeting near-surface porphyry copper-gold deposits and the continuity of mineralisation below the current resources within this largely under-explored porphyry copper-gold district. This work has highlighted multiple new porphyry and tourmaline breccia targets validated by robust geochemistry and geology (Figure 2 and Table 1). A total of nine RC holes (1786m) and 12 deeper DD holes (6343m) were completed with all holes encountering wide intervals of significant alteration and mineralisation (Tables 1 and 2).

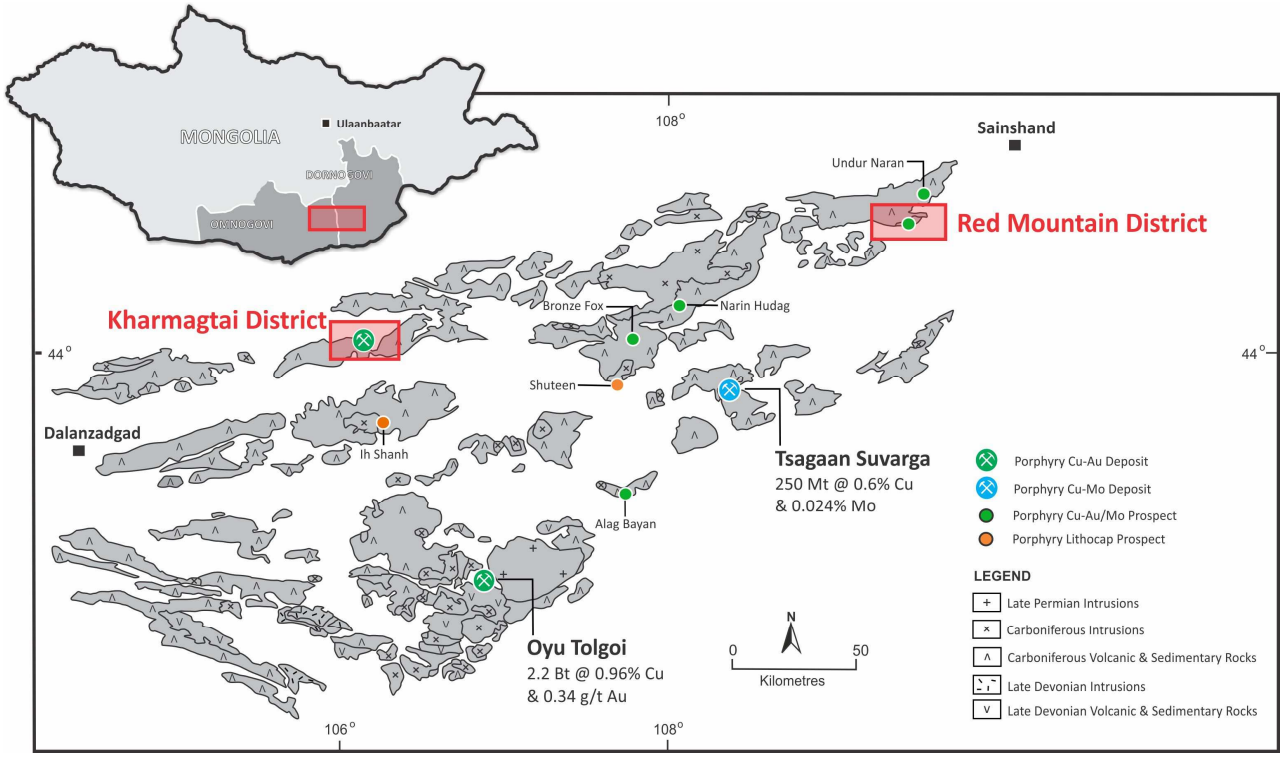

FIGURE 1: Location of Xanadu's copper-gold projects within Mongolia's South Gobi Copper Belt (Gurvansaikhan Belt).

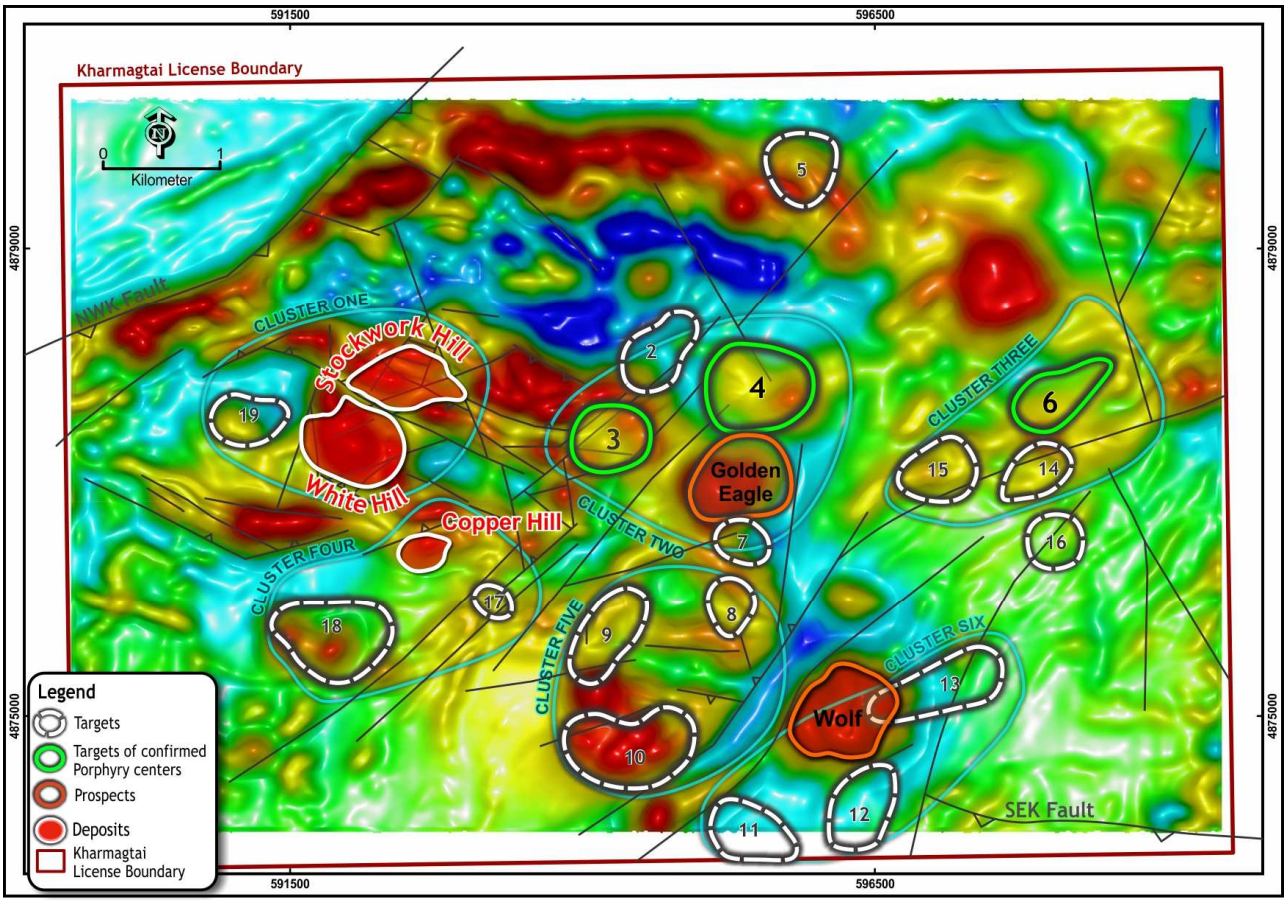

FIGURE 2: Kharmagtai mining licence ground magnetic data and known porphyry deposits with newly confirmed porphyry systems.

Exploration drilling delivers more high-grade copper-gold intercepts at Stockwork Hill

Exploration diamond core drilling at the Stockwork Hill deposit (Figure 2) returns broad zones of high-grade mineralisation. Four holes for a total 3484 metres were drilled at Stockwork Hill to test interpreted high-grade depth extensions and faulted offsets. The drill hole details are set out in Table 1 and assay results in Table 2.

Best drill hole results include:

KHDDH415: 264m @ 0.56% Cu & 1.46g/t Au (1.49% eCu) from surface,

including **148m @ 0.81% Cu & 2.41g/t Au (2.35% eCu) from surface**

KHDDH418: 212m @ 0.36% Cu & 0.38g/t Au (0.61% eCu) from 333m

including **102m @ 0.53% Cu & 0.55 g/t Au (0.88% eCu) from 385m and**

34m @ 0.6% Cu and 0.75g/t Au (1.13% eCu) from 621m

KHDDH419: 294m @ 0.47% Cu & 0.85g/t Au (1.01% eCu) from 466m

including **86m @ 0.78% Cu & 1.91g/t Au (2.00% eCu) from 558m**

The Stockwork Hill deposit consists of composite porphyry intrusions hosting high-grade gold-rich porphyry stockwork copper mineralisation approximately 800m long and 400m wide extending from the surface to a depth of at least 600m. Mineralisation remains open to the north, south, east and at depth.

Diamond drill hole **KHDDH415** was completed to infill a 100 by 150m by 300m gap in the current drill pattern and extended high-grade mineralisation (Figure 3) in the mid-level stockwork zone approximately 100m to the west.

Diamond drill hole **KHDDH418** intersected approximately 300m of tourmaline breccia and high density stockwork mineralisation starting at a depth of 300m (Figure 4 and 5). The hole confirmed the offset block below and north of the main body of mineralisation (Figure 5).

Drill Hole **KHDDH419** was drilled targeting the southern lobe target, where mineralisation was interpreted to have been offset to the south. New results indicate the southern lobe to be a zone of stockwork and tourmaline breccia offset from the main body of mineralisation (Figures 6 & 7). Further drilling is underway to expand this new zone of high grade mineralisation by deepening several shallower holes above the northern step-down target.

An improved understanding of the controls of high-grade copper and gold mineralisation paired with the generation of a new 3D geological model is providing pivotal targeting information. Three potential off-set blocks of high grade mineralisation have been identified.

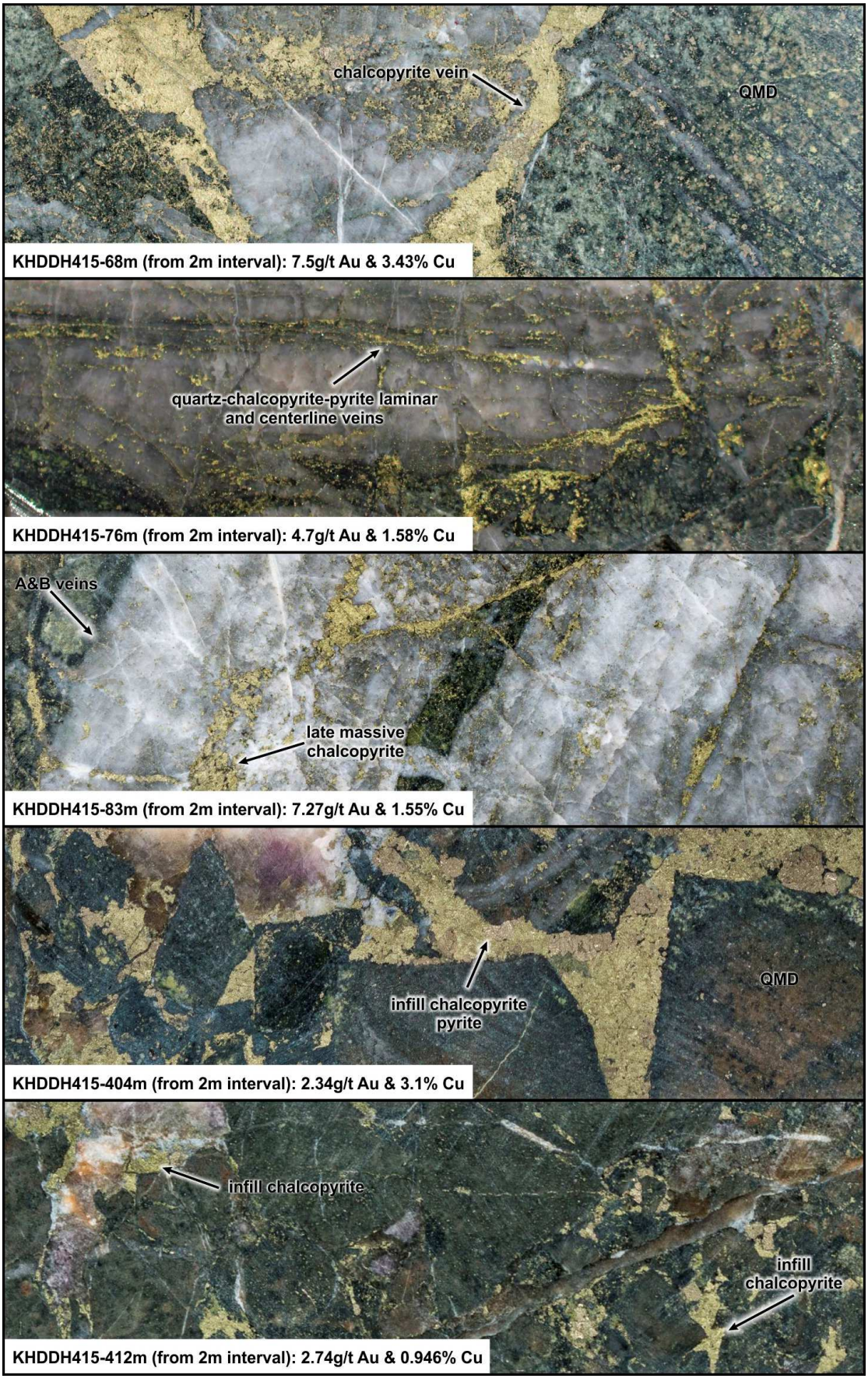

FIGURE 3: Core photos from drill hole KHDDH415. Halved HQ core, the height of each image is 6.35cm.

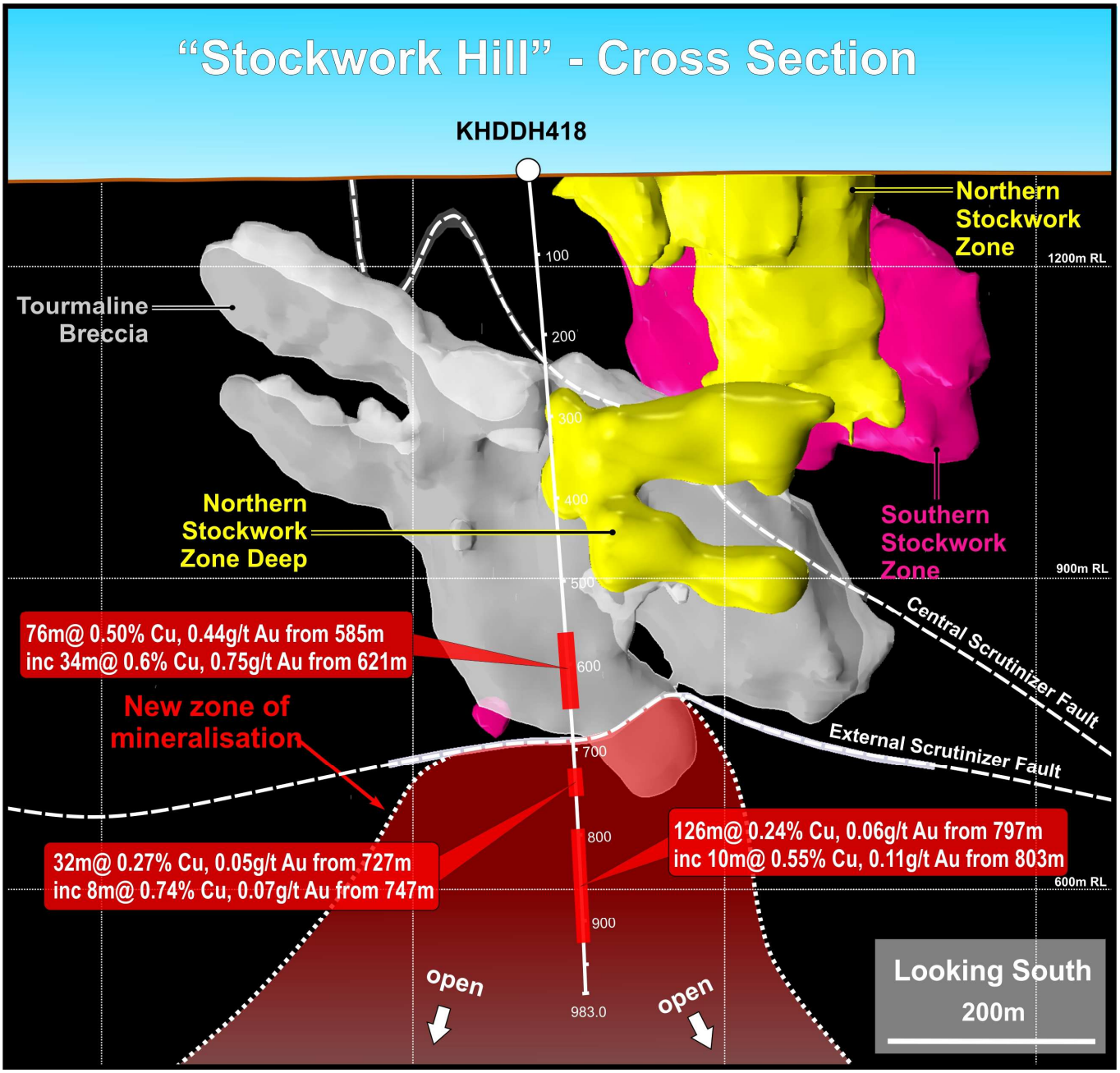

FIGURE 4: Core photos from drill hole KHDDH418 which is testing the northern step-down target. All images halved HQ core and therefore 6.35cm tall.

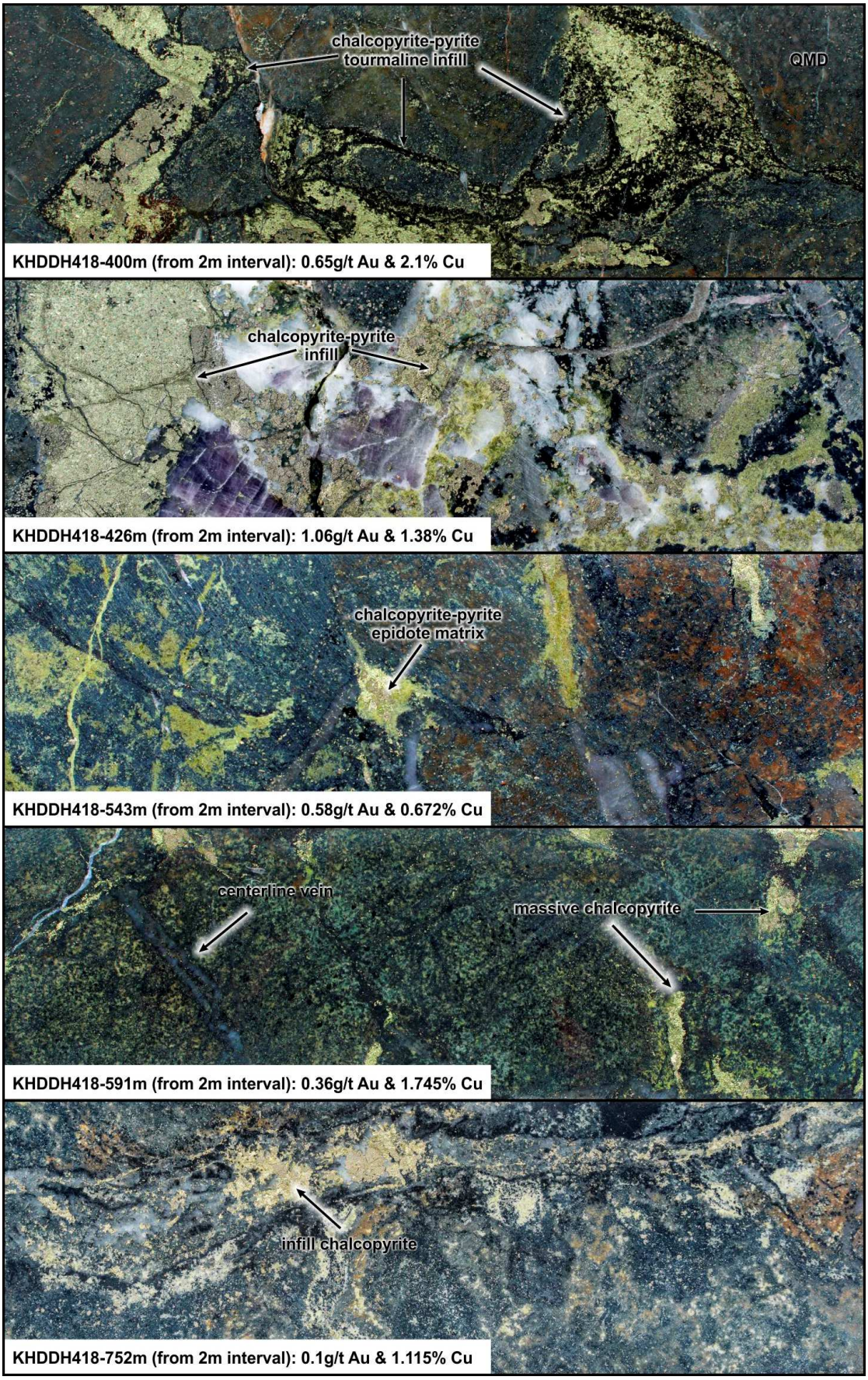

FIGURE 5: Core photos from drill hole KHDDH418 which is testing the northern step-down target. All images halved HQ core and therefore 6.35cm tall.

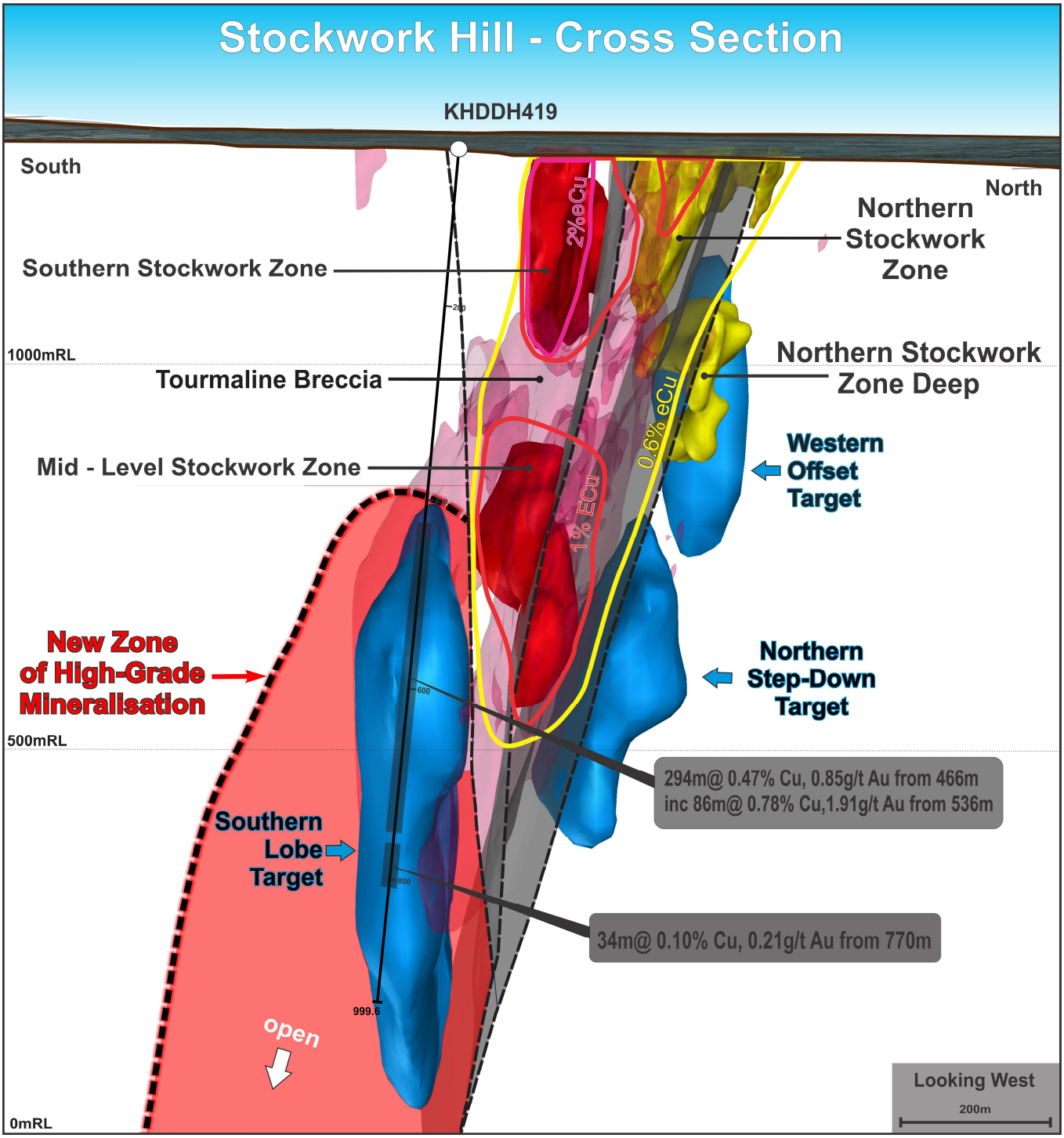

FIGURE 6: Cross section through the 3D geological model of the Stockwork hill deposit showing the location of the three new extensional targets (light blue). The mineralisation identified within the resource shell at Stockwork Hill is better than, or similar, to the current resource estimate.

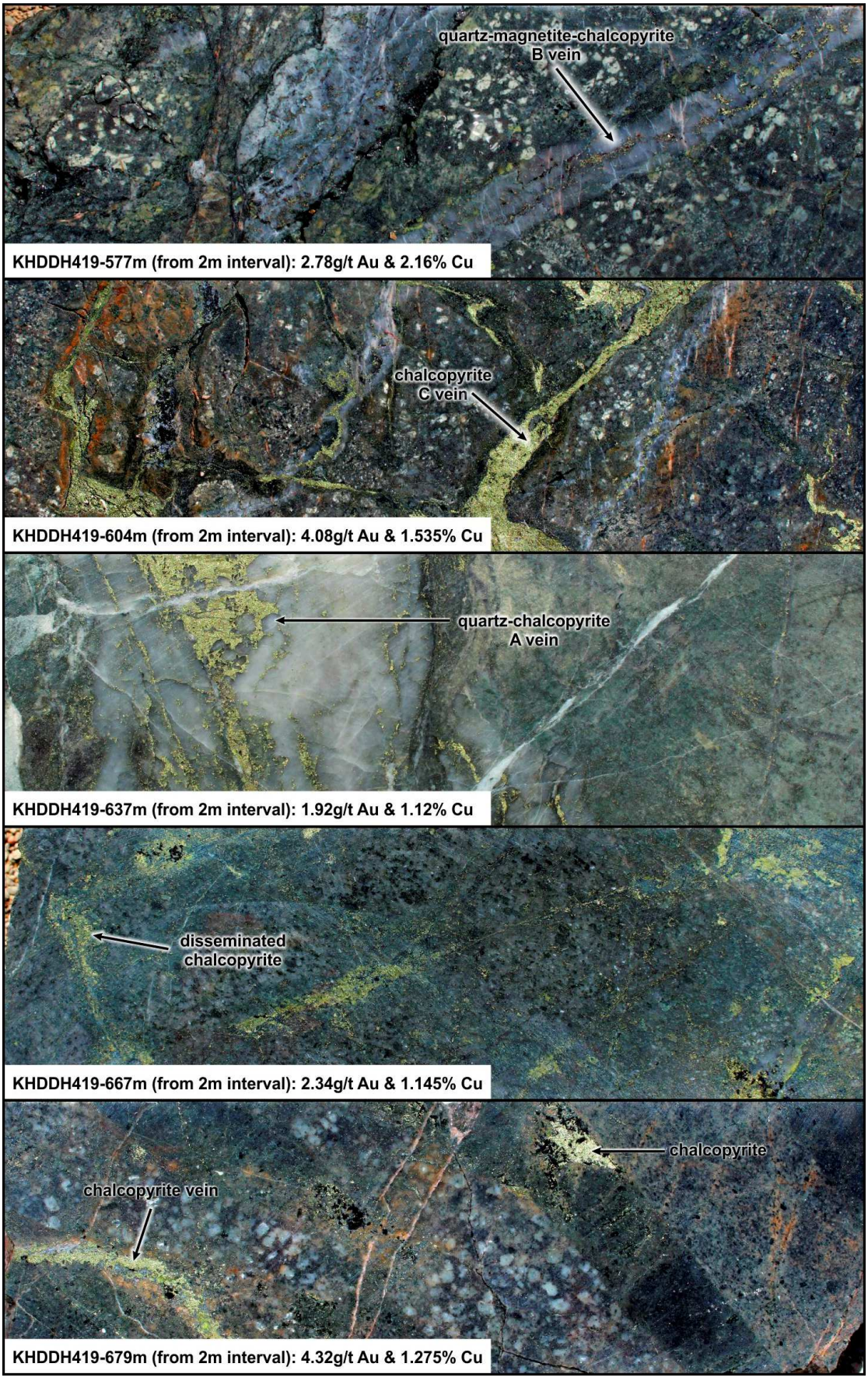

FIGURE 7: Core photos of mineralised core from the southern lobe target in drill hole KHDDH419. All images halved HQ core and therefore 6.35cm tall.

Copper Hill deposit showing growth potential at depth

Exploration drilling at the Copper Hill deposit (Figure 2) returned broad zones of high-grade mineralisation. Seven diamond holes for a total 2609 metres were drilled at Copper Hill to test interpreted high-grade extensions and offsets of the Copper Hill Deposit. These holes have confirmed the down plunge potential of Copper Hill and work will continue to expand the current resource.

Best drill hole results include:

KHDDH416: 180m @ 0.95% Cu & 1.84g/t Au (2.12% eCu) from surface,

including **30m @ 1.93% Cu & 4.14g/t Au (4.57% eCu) from 66m,**

and **30m @ 1.55% Cu & 3.45g/t Au (3.75% eCu) from 104m**

KHDDH421: 411.6m @ 0.54% Cu & 0.79 g/t Au (1.04% eCu) from surface,

including **134m @ 1.01% Cu & 1.84 g/t Au (2.18% eCu) from 14m,**

and **112m @ 0.49% Cu & 0.48g/t Au (0.8% eCu) from 224m,**

including **38m @ 0.71% Cu & 0.48g/t (1.01% eCu) Au from 292m**

This drilling successfully confirmed our interpretation of a shallow west-northwest plunge to a high-grade zone of copper and gold mineralisation at depth (Figure 8). The mineralisation identified within the resource shell is better than, or similar, to the current resource estimate and a new geological model highlights a high-grade target at depth under the Copper Hill resource.

Copper Hill is a tightly focused elongate zone of very high-grade, high-density stock-work veining. Copper and gold grades within the main body of mineralisation range up to 5% copper and 8g/t Au. Mineralisation is hosted by very high-density quartz veining where copper and gold are dominantly found within chalcopyrite (Figure 9).

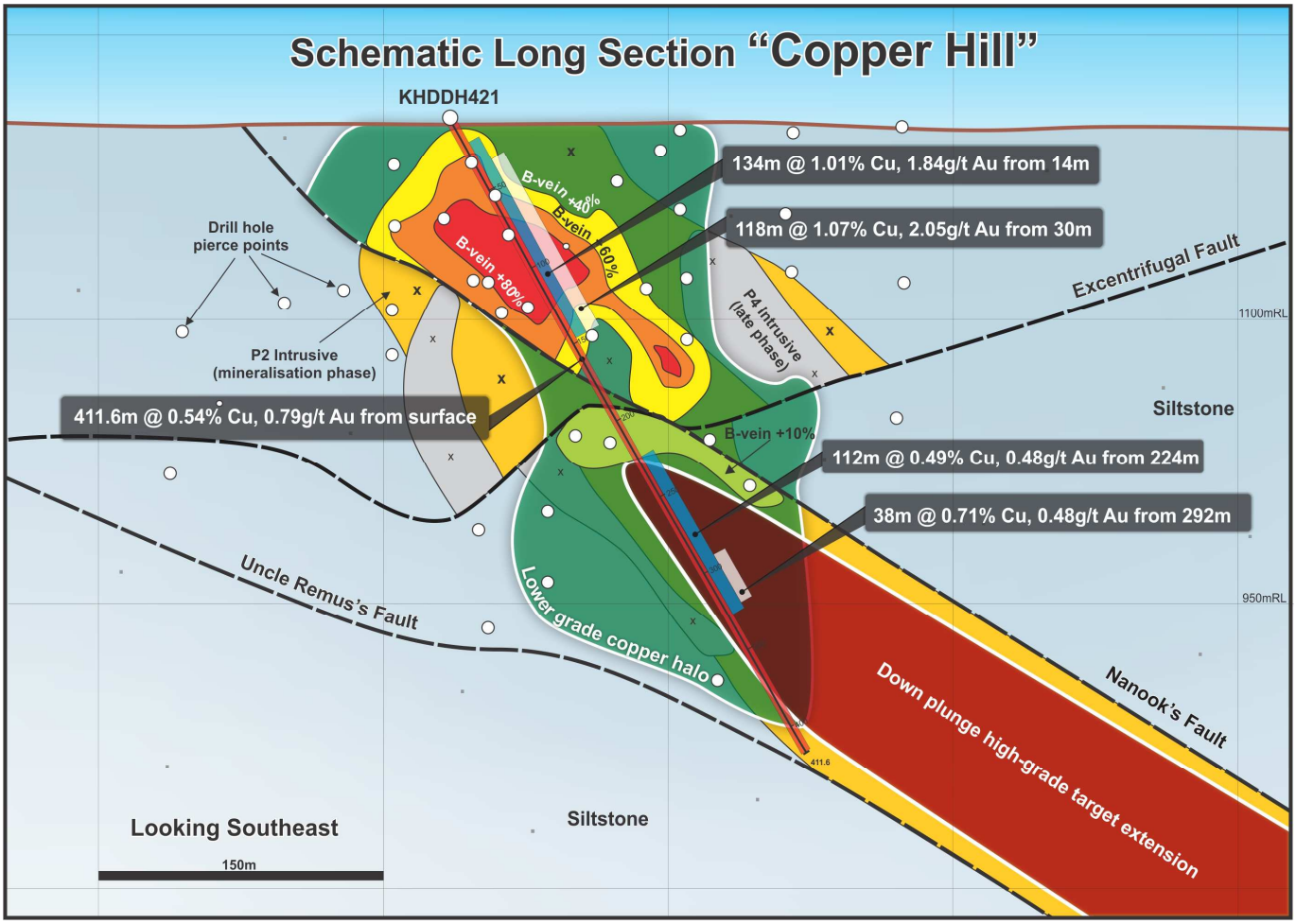

FIGURE 8: 3D Long section showing pipe like mineralised body, down plunge targets and drill hole KHDDH421. Drilling below the Excentrifugal Fault confirms our interpretation of a shallow west-northwest plunge to a high-grade zone of copper and gold mineralisation at depth. The mineralisation above Excentrifugal Fault identified within the resource shell at Copper Hill is better than, or similar, to the current resource estimate.

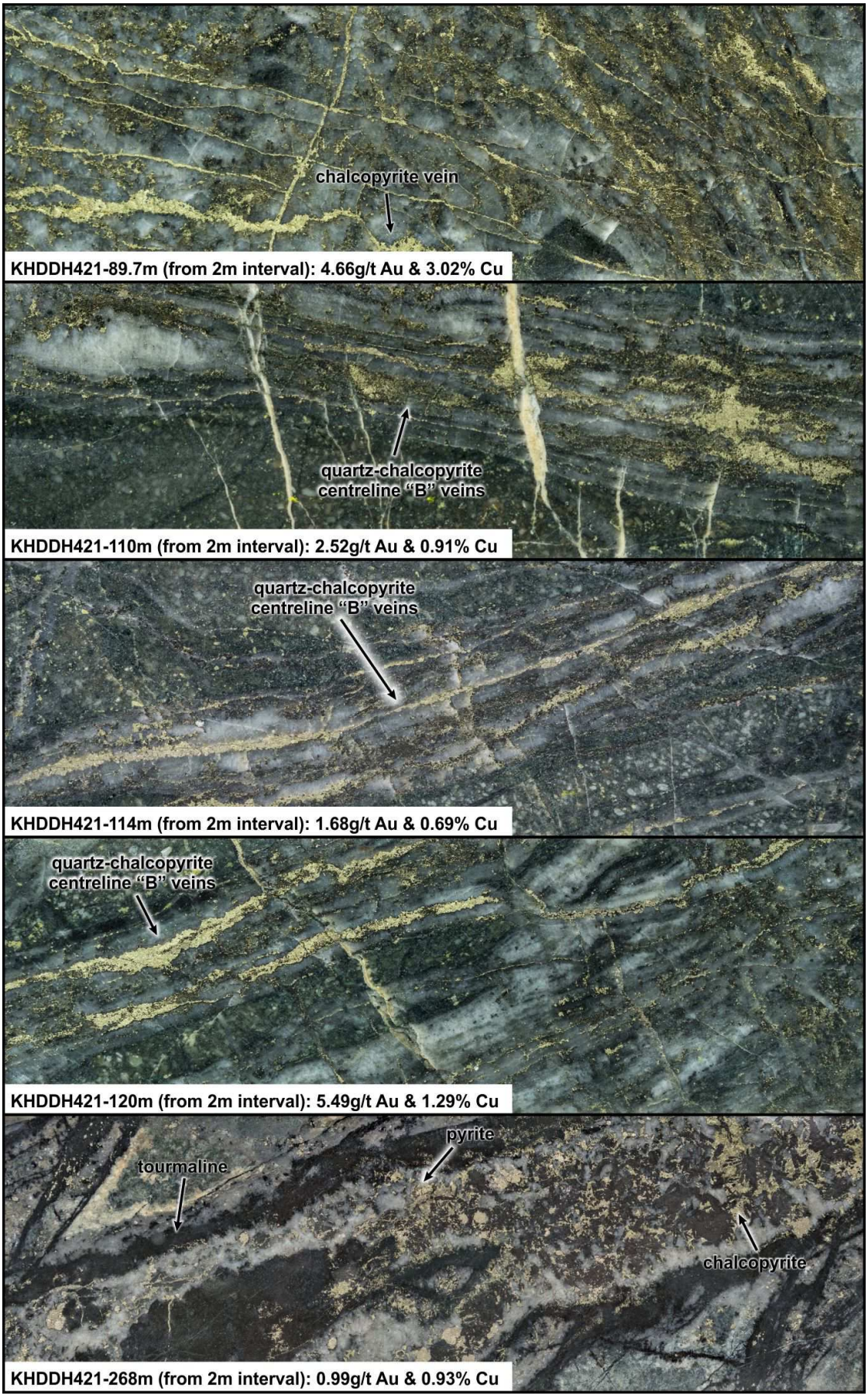

FIGURE 9: High density quartz-chalcopyrite veining from the Copper Hill deposit.

Three new porphyry systems confirmed under shallow cover at Kharmagtai

The Kharmagtai copper-gold deposits are concentrated along a series of apophyses (small intrusions coming off the top of the main intrusion) on the top of a much larger body at depth (Figure 2). Exploration drilling to date undercover at Kharmagtai has established a strong correlation between copper-gold grades and magnetite destruction within larger magnetic anomalies. This relationship is proving to be a very useful targeting tool for exploring undercover.

Nineteen high-potential copper-gold and gold targets generated during a recently completed bedrock drilling programme (see Xanadu's ASX announcement – 22 December 2016) are currently being tested at Kharmagtai (Figure 2). Three of these targets are now confirmed as new large porphyry centres with at least one shallow drill hole in each target returning broad zones of porphyry alteration and mineralisation.

Target 3 is a 650m by 550m porphyry target characterised by very strong copper-gold anomalies and concentric porphyry veining and alteration zoning (Figure 10). Two shallow drill holes have been drilled with one hole, **KHDDH404 returning 44m @ 0.19% Cu and 0.27g/t Au from 25m** from stockwork porphyry veining. Work is underway to vector towards the higher grade core of the system.

Target 4 is a large circular porphyry target 800m by 750m characterised by very strong surface copper-gold with concentric porphyry veining and alteration zoning (Figure 11). Several shallow RC and DDH drill holes have been drilled at Target 4 returning broad intercepts of porphyry style mineralisation. Work is underway to vector towards the higher-grade core of the system. Drilling intercepts returned to date include:

- KHRC300: 91m @ 0.22% Cu & 0.26g/t Au (0.39% eCu) from 30m
- KHRC301: 80m @ 0.19% Cu & 0.21g/t Au (0.32% eCu) from 31m
- KHDDH403: 90.1m @ 0.20% Cu & 0.14g/t Au (0.30% eCu) from 26.9m

  including 8m @ 0.44% Cu & 0.50g/t Au (0.76% eCu) from 29m.

Target 6 is a 1km long x 400m wide porphyry target characterised by anomalous surface copper-gold and zoned porphyry veining and alteration. Drill hole KHDDH405 targeted the confluence of copper-gold geochemistry and a bullseye magnetic anomaly encountering gold-rich porphyry style mineralisation returning 96m @ 0.35g/t Au and 0.10% Cu (0.33% eCu) from 95m (Figure 12). It is believed that this hole has tagged the very edge of a significant porphyry system and further work is underway to vector towards the higher-grade core.

Drilling continues, and the remaining targets will be tested over the coming months before all targets are assessed to focus the drill rigs on the highest grade and largest systems.

Modelling highlights extensive system preservation

Spectral mapping has highlighted a 15km^2 area of higher level phyllic to intermediate argillic alteration east of the Stockwork Hill and Copper Hill deposits indicating the down stepping of the rocks to the east of the Kharmagtai fault zone (Figure 13). This down-stepping suggests a significantly larger proportion of the Kharmagtai porphyry system has been preserved and contains many of the 19 targets to be tested.

New gravity infill data aids undercover targeting

Detailed infill gravity data has been collected over the covered targets to allow the definition of key structures and intrusive phases and to refine drill targeting. Gravity data is particularly useful for determining the location of the deep porphyry staging pluton, potentially mineralised individual intrusive phases and the location of key structures. When combined with ground magnetic data which is good for defining magnetite bearing intrusions, the gravity data is an excellent tool to refine targeting and therefore fertile porphyry trap sites (Figure 14).

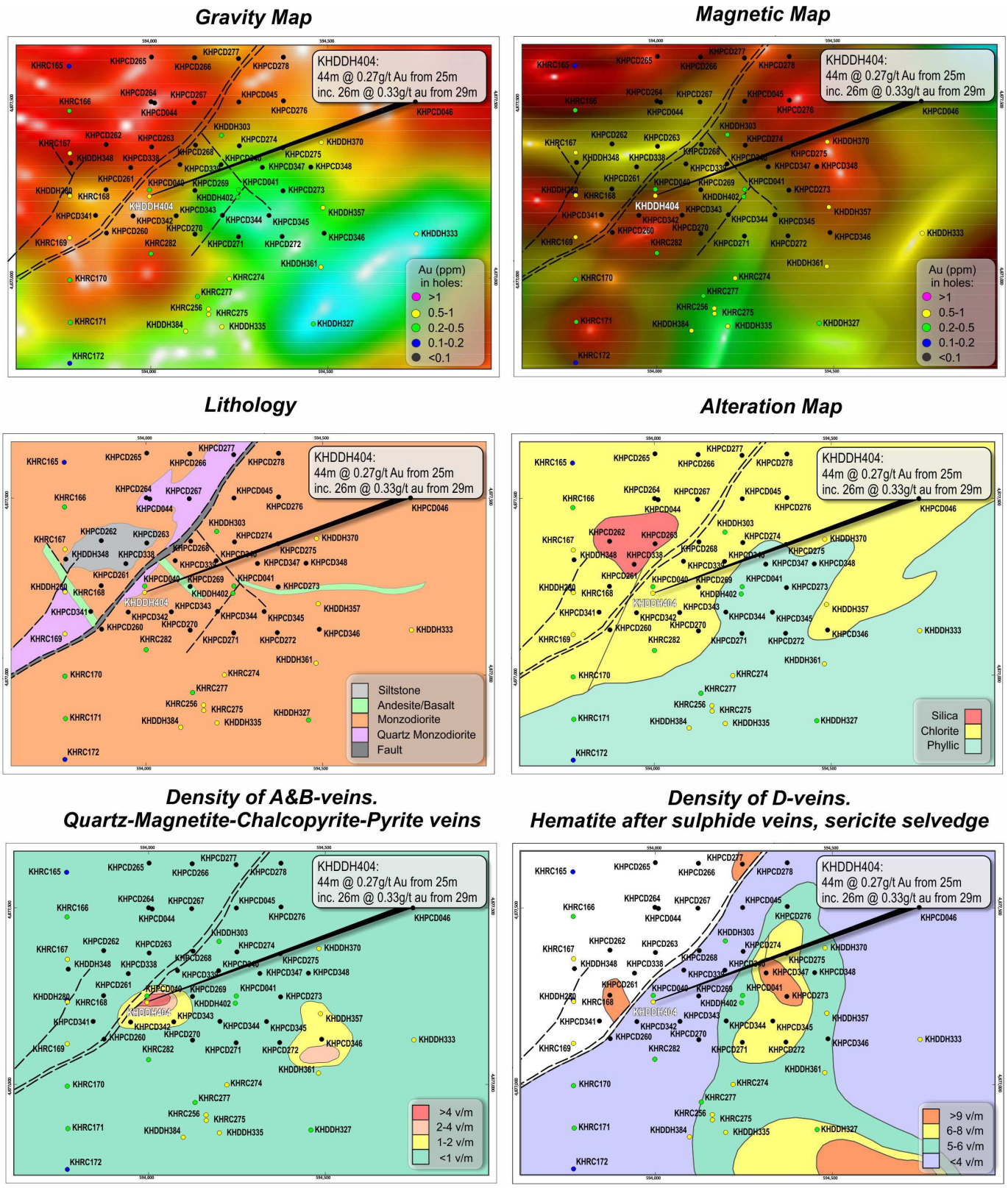

FIGURE 10: Target 3 plan maps showing gravity, magnetics, lithology, alteration, porphyry vein densities and drill hole locations.

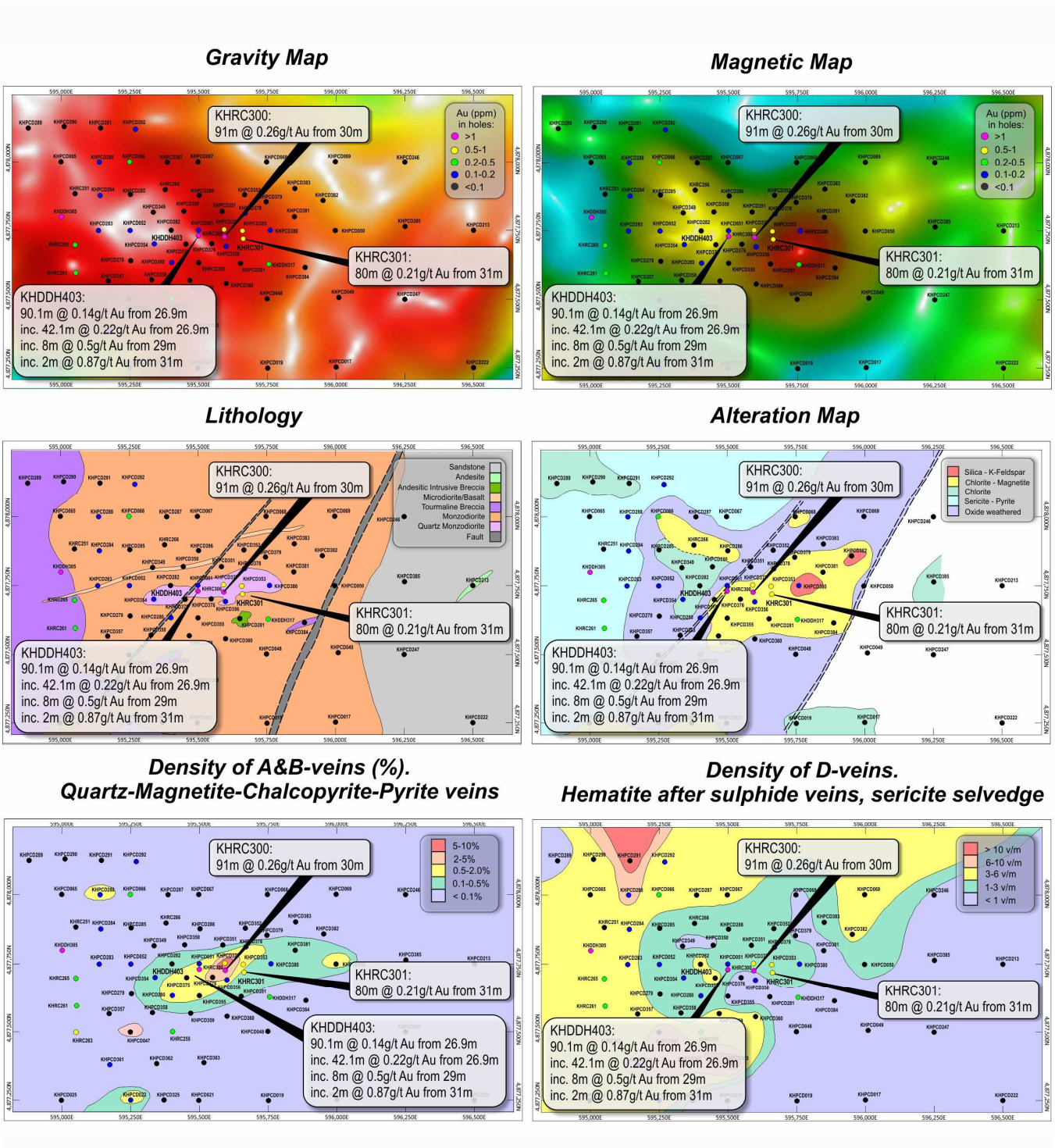

FIGURE 11: Target 4 plan maps showing gravity, magnetics, lithology, alteration, porphyry vein densities and drill hole locations.

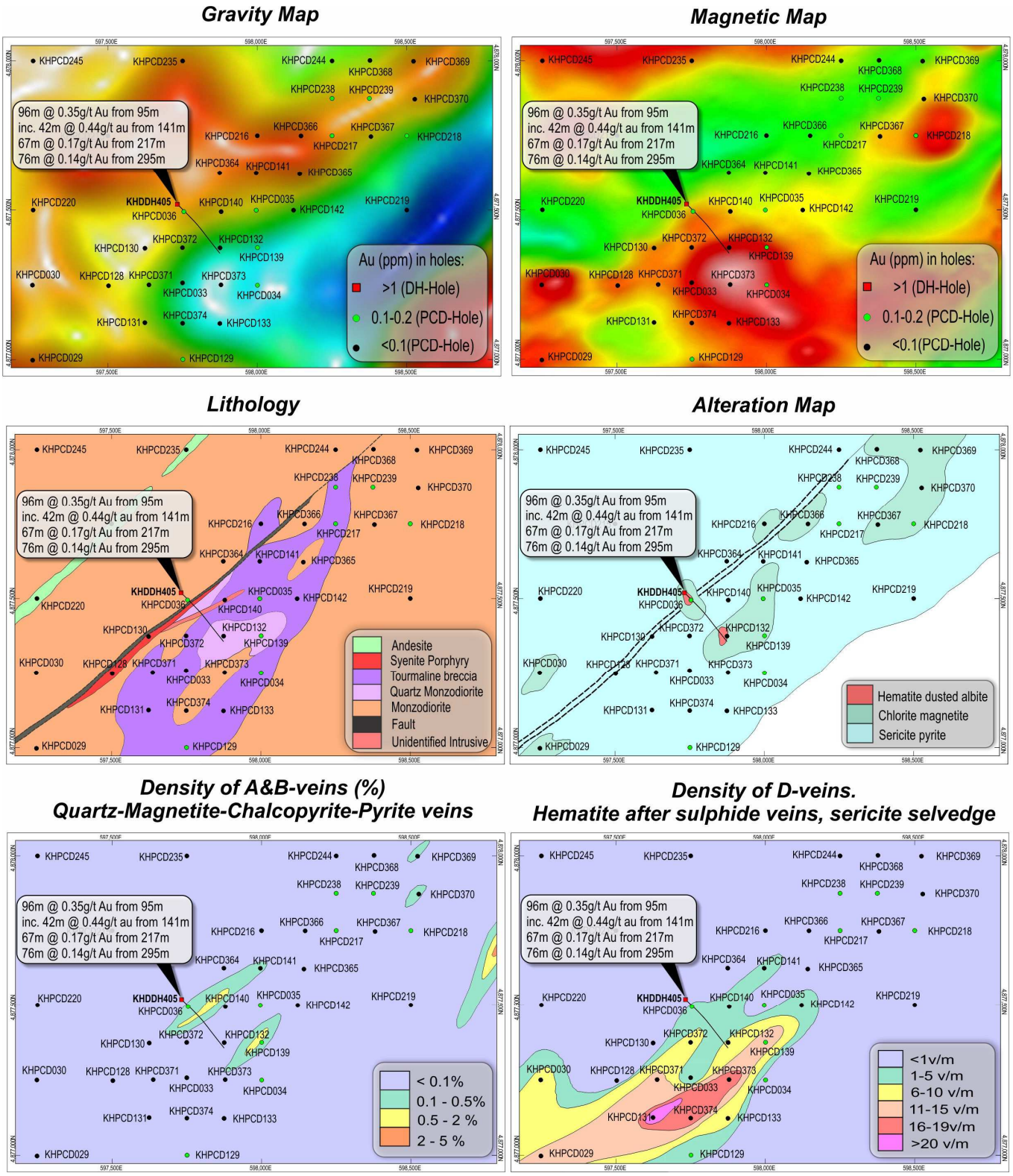

FIGURE 12: Target 6 plan maps showing gravity, magnetics, lithology, alteration, porphyry vein densities and drill hole locations.

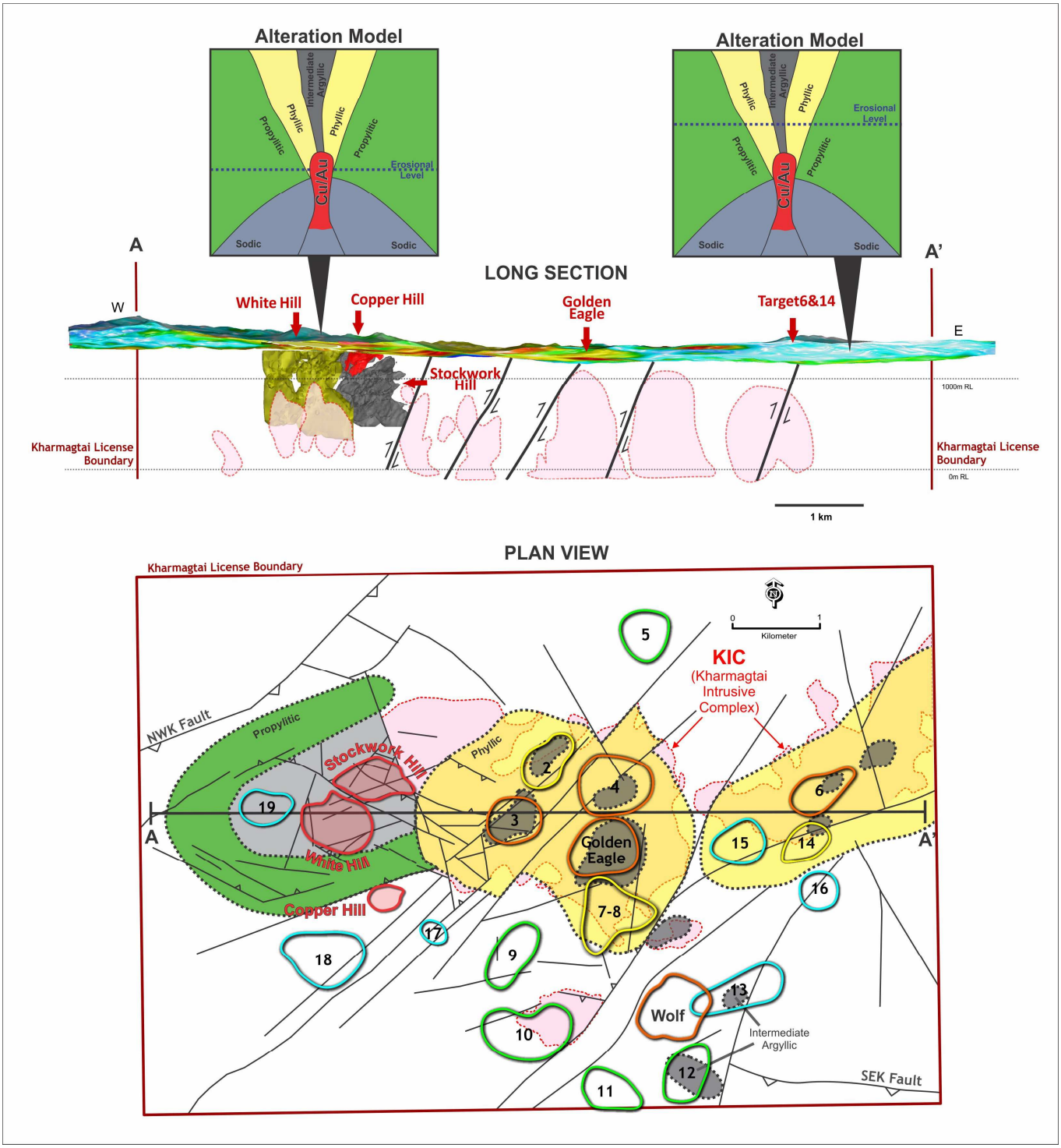

Figure 13: Map showing geochemical zonation, fault structures and long section displaying down-stepping and extensive system preservation.

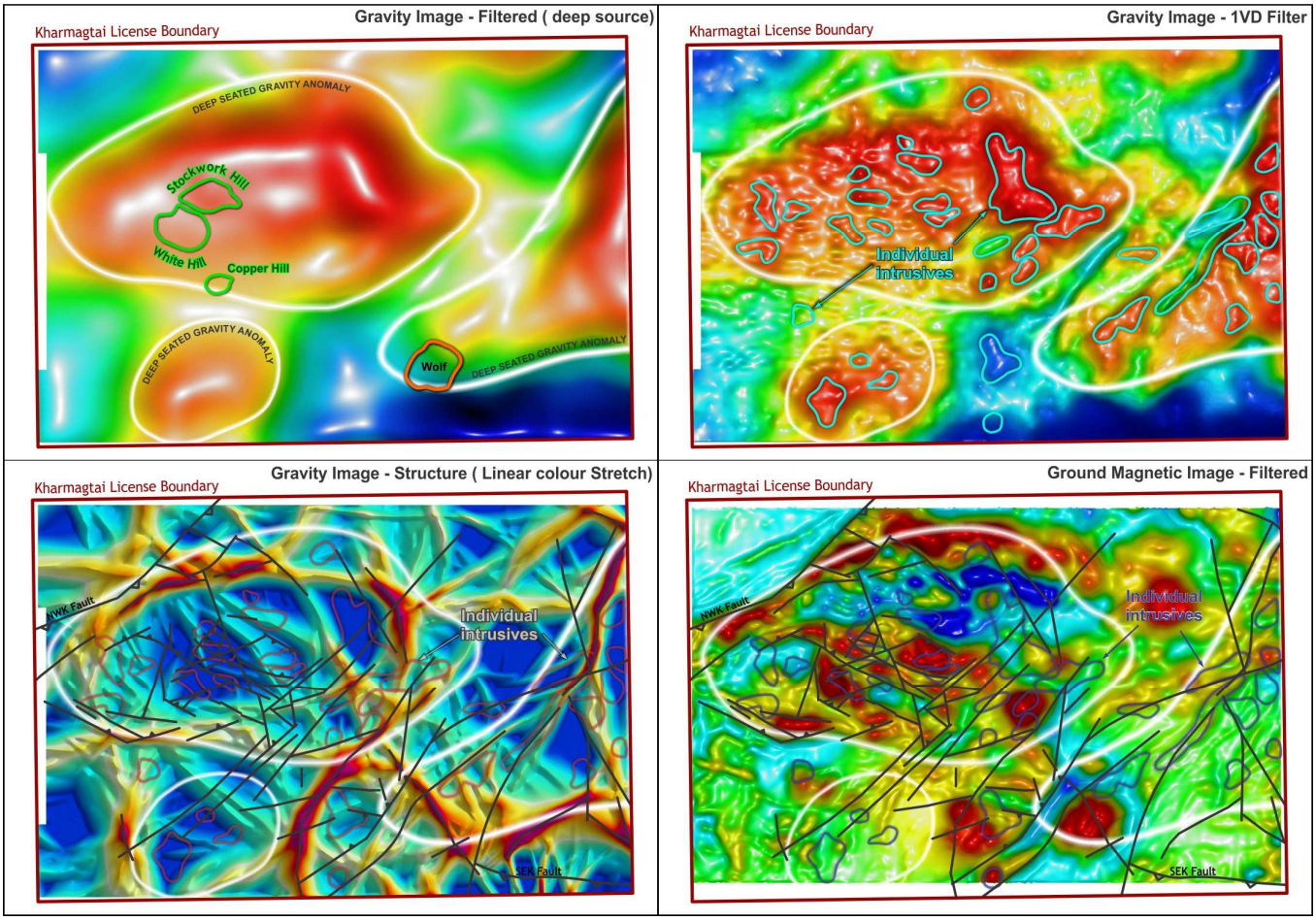

Figure 14: New infill gravity data provides high resolution structural data and aids the interpretation of potentially mineralised intrusive rocks.

RED MOUNTAIN COPPER-GOLD PROJECT

The Red Mountain copper-gold project is located within the South Gobi porphyry copper province of Mongolia, approximately 420km south-southwest of Ulaanbaatar (Figure 1). This large and underexplored porphyry district (covering approximately 40km²) consists of multiple co-genetic porphyry copper-gold centres, mineralised tourmaline breccia pipes copper-gold/base metal magnetite skarns and epithermal gold veins (Figure 15).

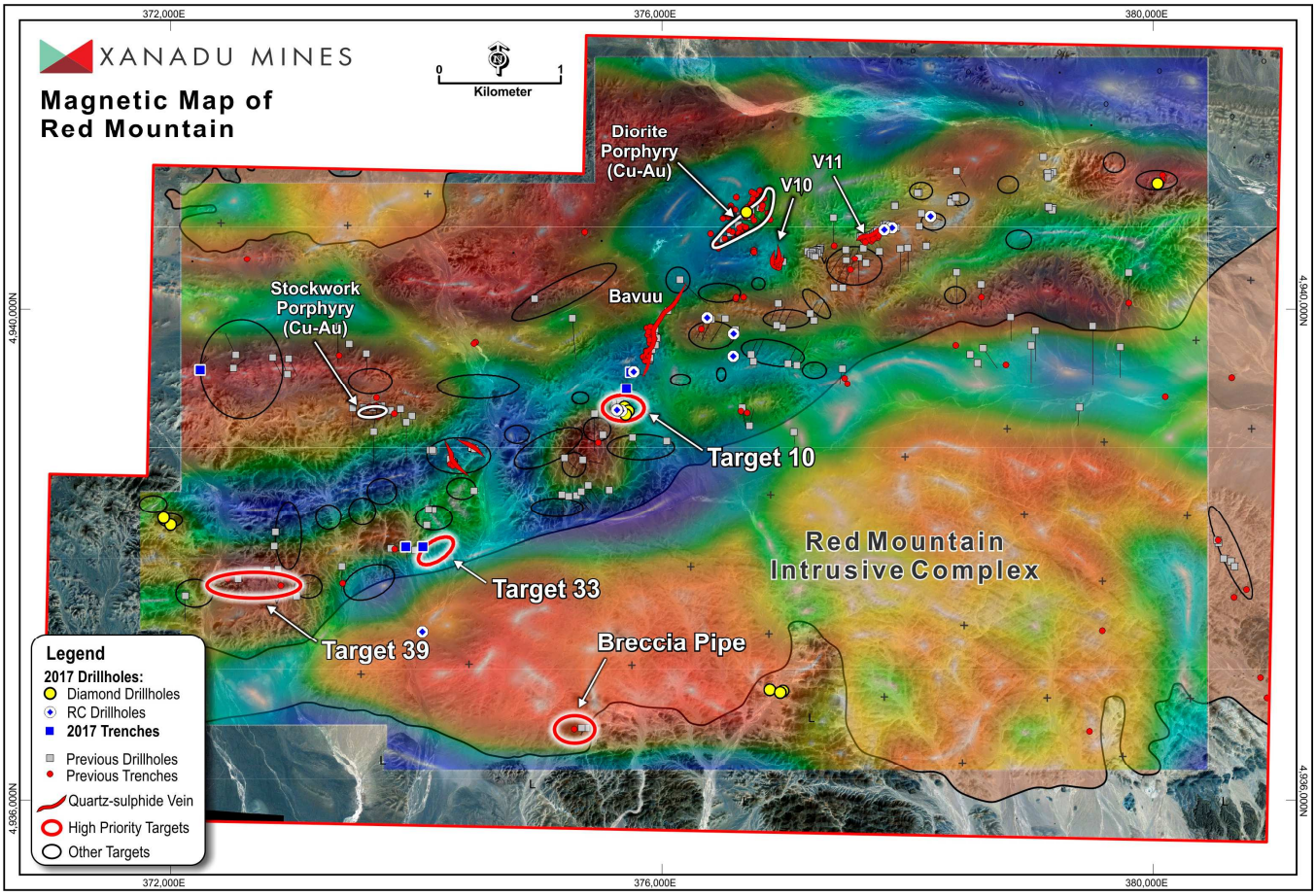

FIGURE 15: The Red Mountain Mining Licence showing location of recently completed RC and DD drill holes. Location of known porphyry deposits and targets are shown.

Work conducted during the quarter at Red Mountain has included the interpretation of the previous quarters drilling and the trialling of ground penetrating radar to help determine the location of structures and offset blocks of mineralisation. In addition, remodelling of the ground magnetics data is being conducted. Drill results from two deeper drill holes into Target 10 have been received and have yet to pass QAQC. These results will be released to the market in the coming weeks as they pass quality assurance and quality control procedures and are integrated with the recently acquired Ground Penetrating Radar.

Ground Penetrating Radar (GPR) Trial at Red Mountain

Ground penetrating Radar (GPR) has been trialled at Red Mountain. GPR is a geophysical method which uses radar waves to reflect off layers within the earth. This method is very useful for detecting shallow dipping structures and zones of high contrast, which could represent mineralised zones. Six lines of data were collected in four areas totalling approximately four line kilometres. The primary objective was to determine the methods viability for identifying colluvium depths and modelling flat lying structures. Flay lying structures are usually invisible in other geophysical methods such as magnetics and therefore are often not taken into account when drill planning. Preliminary interpretations indicate the GPR method is viable and can see to depths of 200m. Shallow dipping faults can be observed (Figure 16) and are currently being correlated with fault models from drilling. This will allow accurate extrapolation for fault models when attempting to extend known mineralisation such as at Diorite Hill.

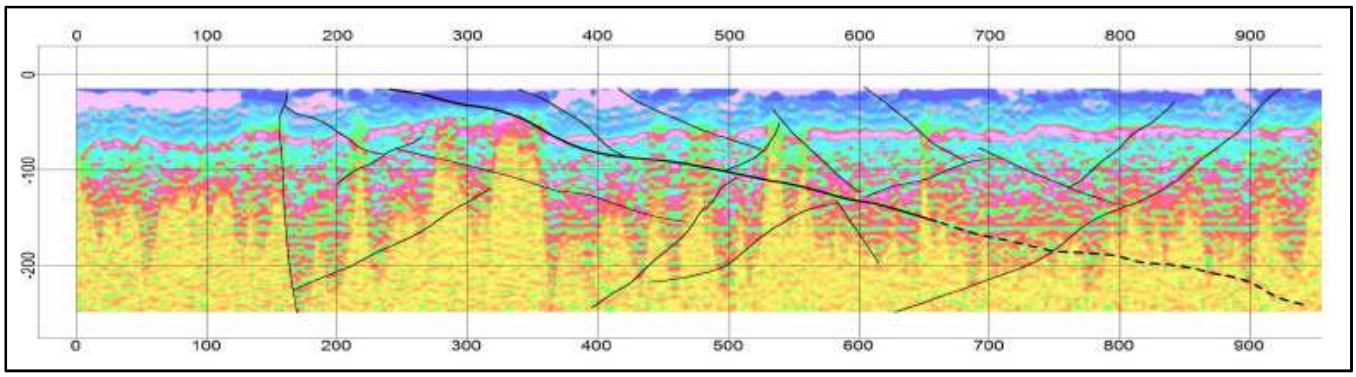

FIGURE 16: Preliminary ground penetrating radar profile, a long section through the Target 10 Prospect showing the preliminary fault interpretation.

Advanced magnetic processing underway

Previous magnetics data from Red Mountain is currently being reprocessed using advance clustering and processing methods. The total magnetic intensity is only one product which can be derived from magnetics data and as mineralisation is not always a magnetic high, or low, more subtle methods are required to define targets. Mineralisation and alteration often overprint the magnetic field of the existing rocks and while this may not be obvious in a magnetic map, can be retrieved from the data via advanced processing.

Preliminary maps have been generated and are being interpreted and processed. Some products from this reprocessing are highlighting existing porphyry mineralisation as well as suggesting along strike zones of additional potential mineralisation (Figure 17). This work is still in progress and will be reported in the coming weeks as results are finalised. Once the finalised drill results, GPR interpretation and magnetic reprocessing are complete and updated targeting map and exploration plan for Red Mountain will be generated.

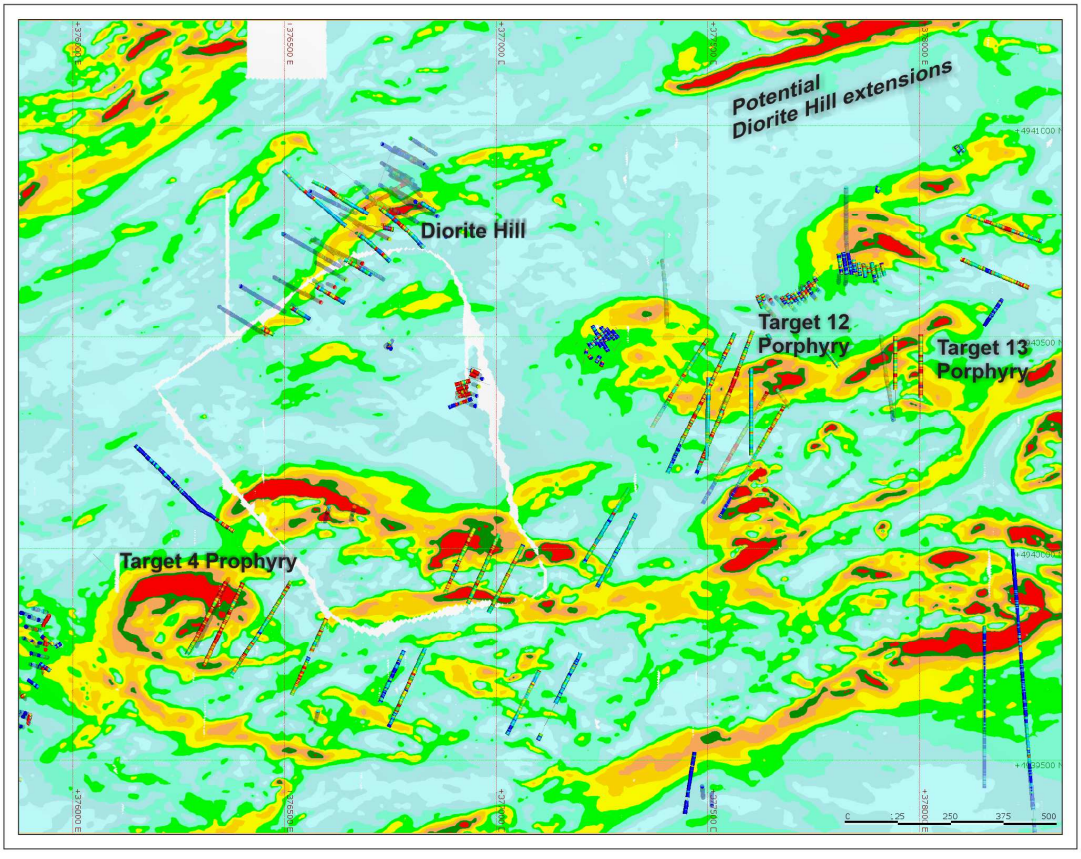

FIGURE 17: Preliminary predictive alteration, mineralisation and contacts product from reprocessing magnetics at Red Mountain is “seeing” known porphyry mineralisation and highlighting potential new zones of mineralisation.

CORPORATE ACTIVITIES

Continued exploration success at Kharmagtai over the past year indicates it is one of the most promising copper-gold projects globally and the recent discovery of the tourmaline breccia mineralisation ranks it as one of the highest-grade porphyry discoveries in last 12 months.

Xanadu successfully completed the bookbuild for a placement to domestic and international institutional and sophisticated investors raising approximately A$15.4 million (“Placement”). The Placement was heavily oversubscribed, reflecting the strong interest from a variety of existing and new investors, driven by Xanadu’s recent exploration success at its flagship Kharmagtai copper-gold project in Mongolia’s South Gobi Region.

Placement proceeds were used to repay the Noble debt on 5 October 2017 subsequent to quarter end and will be used for exploration activities at the Kharmagtai, Red Mountain and Yellow Mountain copper-gold projects and general working capital.

The Placement of approximately 76.8 ordinary shares ("New Shares") will be issued pursuant to Xanadu’s 15% placement capacity in accordance with ASX Listing Rule 7.1. New Shares will rank equally with the Company's existing ordinary shares. The issue price pursuant to the Placement is A$0.20 per New Share ("Issue Price"), representing:

- 2.4% discount to the last closing price of Xanadu shares on 25 September 2017 of A$0.205 per share; and
- 6.6% discount to the ten-day volume weighted average price (VWAP) of Xanadu shares to 22 July of A$0.214 per share.

Mr Michele Muscillo has been appointed as an independent Non-Executive Director with effect from 14 August 2017. Mr Muscillo is a Partner with HopgoodGanim Lawyers in Brisbane. Michele has practised exclusively in corporate law for the duration of his legal career and has extensive experience in mergers and acquisitions and capital markets transactions, including the negotiation of significant commercial contracts and agreements. His key areas of practice include Corporate Advisory and Governance, Mergers and Acquisitions, Capital Markets and Resources and Energy. Mr Muscillo is also currently a Non-Executive Director with ASX-Listed Aeris Resources Limited (ASX: AIS) and a Non-Executive Director of Cardinal Resources Limited (ASX, TSX:CDV). Formerly, Michele was also Non-Executive Director of Orbis Gold Limited from the time of its ASX Listing, through the discovery of its flagship Natougou project and ultimately to the sale of the company to TSX-Listed SEMAFO Inc. (TSX:SMF) in 2015.

Share Capital

As at 30 September 2017, the Company had 511,901,972 fully paid shares, 4,633,334 performance rights and 35,000,000 options issued pursuant to the restructure of the Red Mountain acquisition terms.

On 5 October 2017, the Company issued 76,785, 295 new shares at A$0.20 per share following an Institutional Placement announced to the ASX on 28 September 2017.

As at 24 October 2017, the Company had 588,687,267 fully paid shares, 4,633,334 performance rights and 35,000,000 options issued pursuant to the restructure of the Oyut Ulaan acquisition terms.

Financial position

As at 30 September 2017, the Company had A$1.2 million cash. Subsequent to the Institutional Placement and full repayment of loan from Noble Resources International, the Company has A$11.2 million cash.

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

Dr Andrew Stewart
Managing Director & CEO
T: +976 7013 0211
M: +976 9999 9211
Andrew.stewart@xanadumines.com

Luke Forrestal
Media & Capital Partners
M: +61 411 479 144
luke.forrestal@mcpartners.com.au

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 has sufficient experience relevant to the style of mineralisation and type of deposits 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 third quarter

Hole ID	Prospect	East	North	RL	Azimuth (°)	Inc (°)	Depth (m)
KHDDH410	Golden Eagle	595402	4877174	1267	212	-65	970.0
KHDDH411	Copper Hill	592806	4876285	1306	0	-60	382.0
KHDDH412	Copper Hill	592521	4876197	1310	0	-65	427.0
KHDDH413	Copper Hill	595396	4875286	1283	255	-60	196.5
KHDDH414	Target 2	595595	4877775	1267	180	-73	250.0
KHDDH415	Stockwork Hill	592485	4877835	1290	123	-85	804.2
KHDDH416	Copper Hill	592700	4876440	1305	246	-50	437.0
KHDDH417	Copper Hill	591878	4875564	1310	225	-60	247.0
KHDDH418	Stockwork Hill	592633	4877579	1290	355	-70	983.0
KHDDH419	Stockwork Hill	592689	4877681	1288	180	-85	999.6
KHDDH420	Copper Hill	592734	4876667	1302	315	-60	508.0
KHDDH421	Copper Hill	592678	4876445	1305	230	-55	411.6
KHDDH422	Stockwork Hill	592599	4878046	1287	265	-60	696.4
KHDDH423	Stockwork Hill	592787	4877682	1287	180	-85	998.0
KHDDH424	Stockwork Hill	592591	4877738	1289	180	-85	805.0
KHRC251	Pigeon	595050	4877883	1263	180	-70	222.6
KHRC311	Basin	595644	4877021	1265	220	-60	226.0
KHRC312	Basin	595517	4877011	1265	220	-60	252.0
KHRC313	Basin	595328	4876956	1266	220	-60	337.5

Table 2: Kharmagtai significant drill results from the third quarter

Hole ID	Prospect	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (%)	CuEq (%)
KHDDH410	Golden Eagle	0	160	160	0.14	0.09	0.18
including		76	84	8	0.62	0.23	0.62
and		194	246	52	0.13	0.08	0.16
including		222	230	8	0.46	0.14	0.43
and		368	378	10	0.12	0.06	0.14
and		400	474	74	0.14	0.08	0.17
including		448	458	10	0.44	0.08	0.36
and		486	650	164	0.05	0.10	0.13
and		664	676	12	0.05	0.09	0.12
KHDDH411	Copper Hill	206	210	4	0.02	0.13	0.14
KHDDH412	Copper Hill	164	354	190	0.16	0.26	0.36
including		188	200	12	0.12	0.31	0.39
including		208	240	32	0.23	0.35	0.50
including		260	332	72	0.22	0.35	0.49
including		288	306	18	0.32	0.51	0.71
KHDDH413	Copper Hill	40	58	18	0.12	0.15	0.23

Hole ID	Prospect	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (%)	CuEq (%)
and		92	174	82	0.03	0.17	0.18
including		168	172	4	0.02	0.34	0.36
KHDDH414	Gobi Bear	27	137	110	0.26	0.16	0.33
including		27	69	42	0.22	0.23	0.37
including		101	127	26	0.53	0.16	0.49
including		101	111	10	0.76	0.24	0.73
and		145	249	104	0.32	0.13	0.34
including		147	157	10	0.11	0.25	0.32
including		189	203	14	0.66	0.11	0.53
including		217	229	12	1.07	0.13	0.81
KHDDH415	Stockwork Hill	0	264	264	1.46	0.56	1.49
including		0	148	148	2.41	0.81	2.35
and		272	600	328	0.39	0.38	0.63
including		308	422	114	0.53	0.67	1.01
including		366	414	48	0.91	0.91	1.49
KHDDH416	Copper Hill	0	180	180	1.84	0.95	2.12
including		66	96	30	4.14	1.93	4.57
including		104	134	30	3.45	1.55	3.75
KHDDH417	Copper Hill	6	36	30	0.10	0.07	0.13
and		50	58	8	0.11	0.04	0.11
and		96	112	16	0.05	0.05	0.08
and		120	136	16	0.13	0.10	0.18
and		144	172	28	0.07	0.04	0.09
KHDDH418	Stockwork Hill	193	199	6	0.18	0.02	0.13
and		251	303	52	0.06	0.06	0.10
and		313	317	4	0.09	0.09	0.14
and		333	545	212	0.38	0.36	0.61
including		333	351	18	0.16	0.22	0.32
including		361	377	16	0.21	0.38	0.52
including		385	511	126	0.50	0.46	0.78
including		385	487	102	0.55	0.53	0.88
including		393	401	8	0.45	0.93	1.21
including		423	443	20	0.92	0.83	1.41
including		469	485	16	0.82	0.47	0.99
and		521	545	24	0.41	0.21	0.47
and		555	563	8	0.34	0.02	0.23
and		585	661	76	0.44	0.50	0.78
including		587	657	70	0.47	0.53	0.83
including		589	593	4	0.32	1.69	1.89
including		599	611	12	0.23	0.46	0.61

Hole ID	Prospect	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (%)	CuEq (%)
including		621	655	34	0.75	0.60	1.13
including		621	629	8	1.14	0.81	1.54
including		637	653	16	0.77	0.68	1.17
and		685	695	10	0.05	0.08	0.11
and		727	759	32	0.05	0.27	0.30
including		745	755	10	0.07	0.65	0.69
including		747	755	8	0.07	0.74	0.78
and		775	783	8	0.08	0.11	0.16
and		797	923	126	0.06	0.24	0.28
including		803	845	42	0.08	0.35	0.39
including		803	813	10	0.11	0.55	0.63
including		855	861	6	0.13	0.59	0.67
including		873	877	4	0.17	0.30	0.41
including		889	905	16	0.04	0.25	0.28
KHDDH419	Stockwork Hill	10	38	28	0.12	0.09	0.17
and		194	218	24	0.11	0.06	0.13
and		226	242	16	0.08	0.06	0.11
and		300	338	38	0.07	0.15	0.19
including		320	330	10	0.10	0.20	0.26
and		350	452	102	0.09	0.15	0.21
including		368	394	26	0.15	0.19	0.29
including		432	438	6	0.14	0.24	0.34
and		466	760	294	0.85	0.47	1.01
including		484	488	4	0.20	0.29	0.42
including		496	718	222	1.09	0.59	1.29
including		496	512	16	0.16	0.56	0.66
including		528	654	126	1.46	0.70	1.63
including		536	548	12	0.62	0.78	1.17
including		558	644	86	1.91	0.78	2.00
including		662	688	26	1.67	0.79	1.86
including		666	688	22	1.85	0.85	2.03
and		770	804	34	0.21	0.10	0.23
including		778	788	10	0.41	0.17	0.43
and		886	896	10	0.04	0.29	0.32
including		890	894	4	0.04	0.47	0.49
and		904	920	4	0.07	0.13	0.18
and		928	950	4	0.04	0.12	0.15
and		958	992	4	0.07	0.15	0.20
KHDDH420	Copper Hill	5	313	308	0.06	0.17	0.21
including		33	79	46	0.09	0.30	0.36

Hole ID	Prospect	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (%)	CuEq (%)
including		287	295	8	0.10	0.31	0.37
KHDDH421	Copper Hill	0	411.6	411.6	0.79	0.54	1.04
and		4	186	182	0.30	0.30	0.30
including		14	148	134	1.84	1.01	2.18
including		30	148	118	2.05	1.07	2.38
and		196	212	16	0.41	0.29	0.55
including		204	212	8	0.61	0.35	0.74
and		224	336	112	0.48	0.49	0.80
including		224	258	34	0.58	0.40	0.77
including		250	258	8	1.43	0.68	1.59
including		268	284	16	0.62	0.55	0.94
including		292	330	38	0.48	0.71	1.01
including		308	324	16	0.59	0.97	1.34
and		354	360	6	0.13	0.25	0.33
and		370	380	10	0.10	0.23	0.30
KHDDH422	Stockwork Hill	0	90	90	0.15	0.26	0.35
including		0	30	30	0.23	0.47	0.62
including		4	20	16	0.32	0.59	0.79
including		4	16	12	0.41	0.74	1.01
and		30	42	12	0.24	0.42	0.57
and		112	472	360	0.30	0.16	0.35
including		116	128	12	0.24	0.23	0.38
including		136	190	54	0.42	0.18	0.44
including		146	154	8	0.52	0.17	0.50
including		164	176	12	0.54	0.23	0.58
including		198	256	58	0.44	0.27	0.56
including		204	226	22	0.56	0.36	0.71
including		234	244	10	0.59	0.35	0.72
including		264	306	42	0.34	0.15	0.37
including		314	340	26	0.29	0.14	0.33
including		350	370	20	0.22	0.17	0.31
including		398	406	8	1.13	0.13	0.84
including		442	452	10	0.21	0.14	0.27
and		480	512	32	0.13	0.10	0.18
and		530	588	58	0.15	0.10	0.19
and		604	654	50	0.10	0.09	0.15
and		680	694	14	0.07	0.06	0.10
KHDDH423	Stockwork Hill	146	456	310	0.03	0.08	0.10
and		274	312	38	0.04	0.14	0.16
and		326	488	162	0.05	0.23	0.26

Hole ID	Prospect	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (%)	CuEq (%)
including		352	404	52	0.10	0.36	0.43
including		352	362	10	0.06	0.57	0.61
including		370	382	12	0.10	0.55	0.61
including		450	462	12	0.02	0.36	0.37
and		546	554	8	0.05	0.18	0.21
and		570	678	108	0.06	0.11	0.15
and		704	748	44	0.12	0.13	0.21
and		786	830	44	0.05	0.13	0.16
and		856	952	96	0.09	0.28	0.33
including		890	952	62	0.12	0.35	0.42
including		902	944	42	0.14	0.48	0.57
KHDDH424	Stockwork Hill	12	46	34	0.34	0.20	0.42
including		22	46	24	0.45	0.25	0.53
including		24	40	16	0.50	0.25	0.57
and		54	78	24	0.44	0.23	0.51
including		54	76	22	0.47	0.24	0.54
including		58	76	18	0.49	0.24	0.56
and		86	114	28	0.18	0.11	0.23
including		100	114	14	0.29	0.17	0.35
and		242	258	16	0.10	0.07	0.14
and		304	334	30	0.04	0.07	0.10
and		356	442	86	0.11	0.10	0.17
including		402	416	14	0.29	0.13	0.31
and		456	476	20	0.07	0.07	0.11
and		538	548	10	0.44	0.09	0.37
and		628	636	8	0.07	0.06	0.11
and		696	720	24	0.18	0.04	0.15
KHRC311	Basin	39	155	116	0.28	0.09	0.27
including		45	59	14	0.76	0.07	0.55
including		53	57	4	1.60	0.05	1.07
including		67	91	24	0.37	0.15	0.38
and		193	217	24	0.17	0.05	0.15
KHRC312	Basin	48	252	204	0.25	0.11	0.27
including		70	80	10	0.36	0.12	0.34
including		128	230	102	0.33	0.13	0.35
including		170	174	4	0.91	0.14	0.72
KHRC313	Basin	38	336	298	0.28	0.12	0.30
including		43	45	2	0.41	0.09	0.34
including		60	136	76	0.56	0.15	0.50
including		60	72	12	1.06	0.15	0.83

Hole ID	Prospect	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (%)	CuEq (%)
including		102	106	4	0.77	0.20	0.69
including		144	194	50	0.35	0.14	0.36
including		214	238	24	0.30	0.17	0.37

Table 3: Tenements held as at 30 September 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 30 September
MV17387A1	Kharmagtai	Umnugovi Province	-	74%[1]
MV017129	Oyut Ulaan (Red Mountain)	Dornogovi Province	-	90%
13670x	Sharchuluut (Yellow Mountain)	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 30 September 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 maximiserepresentivity of samples. • Measures taken to ensure that the	• 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 sheet or tray. • Routine sample preparation and analyses

Criteria	JORC Code (Section 1) Explanation	Commentary
	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.	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 processes on batch by batch basis by which unacceptable results are re-assayed

Criteria	JORC Code (Section 1) Explanation	Commentary
		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 should be assessed and reported if material.	• 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 width and grade can be drawn from this data;

Criteria	JORC Code (Section 1) Explanation	Commentary
		• 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 operate in the area.	• 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. • The Mongolian Minerals Law (2006) and Mongolian Land Law (2002) govern

Criteria	JORC Code (Section 2) Explanation	Commentary
		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. • Where aggregate intercepts incorporate short lengths of high grade results and	• A nominal cut-off of 0.1% Cu is used with a maximum of 6m internal dilution for identification of potentially significant intercepts for reporting purposes. • Most of the reported intercepts are shown in sufficient detail, including maxima and subintervals, to allow the reader to make

Criteria	JORC Code (Section 2) Explanation	Commentary
	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.	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 substances.	• Extensive work in this area has been done, and is reported separately.

Criteria	JORC Code (Section 2) Explanation	Commentary
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 grade and geology.	• 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 Stockwork Hill, White Hill and Copper Hill are associated with a core of quartz veins that were intensely developed in and the quartz

Criteria	JORC Code (Section 3) Explanation	Commentary
		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.	• Stockwork Hill 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 availability of check estimates, previous estimates and/or mine production	• 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. • Halo mineralisation defined as 0.12% Cu and 0.12g/t Au Grade.

Criteria	JORC Code (Section 3) Explanation	Commentary
	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.	• 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 pass would be resubmitted in a subsequent and larger search pass.

Criteria	JORC Code (Section 3) Explanation	Commentary
		• 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 factors or assumptions	• Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of	• An environmental baseline study was completed in 2003 by Eco Trade Co. Ltd. of Mongolia in cooperation with Sustainability

Criteria	JORC Code (Section 3) Explanation	Commentary
	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.	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 boundaries were observed • 2013 - Mining Associates Ltd. was

Criteria	JORC Code (Section 3) Explanation	Commentary
		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 LTD	
ABN	**Quarter ended ("current quarter")**
92 114 249 026	30 September 2017

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (9 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	(2,137)	(4,261)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(554)	(1,550)
	(e) administration and corporate costs	(326)	(891)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	3	13
1.5	Interest and other costs of finance paid	(100)	(298)
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**	**(3,114)**	**(6,987)**

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 (9 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	4,400	8,277
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,114)	(6,987)
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	(91)	(95)
4.6	**Cash and cash equivalents at end of period**	**1,195**	**1,195**

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	1,195	4,400
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)**	**1,195**	**4,400**

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	204
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	3,552	3,552
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	2,100
9.2	Development	-
9.3	Production	-
9.4	Staff costs	550
9.5	Administration and corporate costs	300
9.6	Other (loan repayment)	3,550
9.7	**Total estimated cash outflows**	**6,500**

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	N/A			

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: ..... Date: 30 October 2017
Company secretary

Print name: Phil Mackey

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.