

NEW HIGH-GRADE ZONE DISCOVERED AT KHARMAGTAI

10 March 2020

Xanadu Mines Ltd (**ASX: XAM, TSX: XAM**) (“Xanadu” or “the Company”) is pleased to report that diamond drill hole KHDDH526, located to the immediate east of the Stockwork Hill deposit on the Company’s Kharmagtai porphyry copper and gold project in the south Gobi region of Mongolia (**Figures 1 and 2**), has intersected a significant new zone of mineralisation outside the defined resources. This new discovery significantly increases the potential strike of the Stockwork Hill Deposit.

HIGHLIGHTS

- **Drill hole KHDDH526 intersects a broad zone of high-grade mineralisation east of the Stockwork Hill resource**
- **KHDDH526 intersects 117m @ 0.68% Cu and 0.58g/t Au from 555m**
including 62.8m @ 1.16% Cu and 1.04g/t Au from 607m
- **Geophysical signature of the mineralisation can be traced for over 1,000m east of Stockwork Hill resource**
- **Drilling reinforces the potential of the Tourmaline Breccia unit to host high-grade mineralisation on a potentially large scale**
- **These drilling results confirm Kharmagtai as one of the most promising copper-gold projects globally**

Xanadu’s Chief Executive Officer, Dr Andrew Stewart, said “KHDDH526 represents a pivotal drill hole for Xanadu at our Kharmagtai project. We have always believed that the high-grade tourmaline breccia at Stockwork Hill should extend to the east, but previous drilling had been unable to locate the eastern extensions of the mineralisation. KHDDH526 now confirms that mineralisation certainly extends beyond Billy’s Basalt Shear and may potentially extend all the way to the Sandstorm prospect over 1km away. These outstanding results support Xanadu’s interpretations that the porphyry-breccia complex at Kharmagtai has the potential to be a significant copper-gold system with similarities to other very strongly mineralised tourmaline breccia deposits globally”.

STOCKWORK HILL DRILLING PROGRAM

Three drill holes have been completed at Stockwork Hill; all holes were designed to extend the known high-grade mineralisation.

KHDDH525 was planned to bring the recently discovered bornite zone at Stockwork Hill towards surface (refer to Xanadu’s ASX/TSX announcement dated 28 February 2019; **Targets 1 and 2** in **Figure 3**). This hole has encountered a shallow zone of bornite at 193m which is encouraging. The main zone of mineralisation was encountered between 600m and 900m and assays are pending.

KHDDH526 was planned to extend the high-grade tourmaline breccia zone at Stockwork Hill to the east of Billy’s Basalt Shear, the previous limit to mineralisation (**Target 3** in **Figure 3, 4 and 5**). Three key observations highlighted the potential for a significantly larger zone of tourmaline breccia at Stockwork Hill.

The first of these was that mineralisation appeared to be offset by Billy’s Basalt Shear, a medium scale structure against which previously drilled mineralisation abuts. Structural models suggested this fault had an offset of less than 100m and pointed to the tourmaline breccia south and east of previous drilling.

The second observation was that the tourmaline breccia correlates with a discrete zone of magnetic destruction. This corridor of magnetic destruction extends some 1,000m to the Sandstorm Prospect (**Figure 4**).

Finally, previous shallow drilling between Stockwork Hill and Sandstorm had encountered zones of tourmaline breccia with sulphide mineralisation reminiscent of the top of the known body of tourmaline breccia at Stockwork Hill. The tourmaline breccia at Stockwork Hill is vertically zoned from shallow tourmaline-chlorite infill, to deeper tourmaline-pyrite infill and then into copper bearing tourmaline-chalcopryite-pyrite infill. These shallow holes displayed the tourmaline-chlorite and tourmaline-pyrite zones with minor chalcopryite (**Figure 4**) which suggests copper mineralisation should be below these intercepts.

Partial assays have been returned for KHDDH526;

KHDDH526 - 117m @ 0.68% Cu & 0.59/t Au (0.98% eCu) from 555m,
including 70.8m @ 1.04% Cu and 0.93g/t Au (1.52% eCu) from 599m,
and 62.8m @ 1.16% Cu and 1.04g/t Au (1.69% eCu) from 607m.

Drill hole KHDDH527 has been drilled on the south western margin of Stockwork Hill (aimed at **Target 5** in **Figure 3**). This hole has encountered mixed zones of high vein density stockwork, andesite dykes and tourmaline breccia (**Figure 6**). Assays are pending.

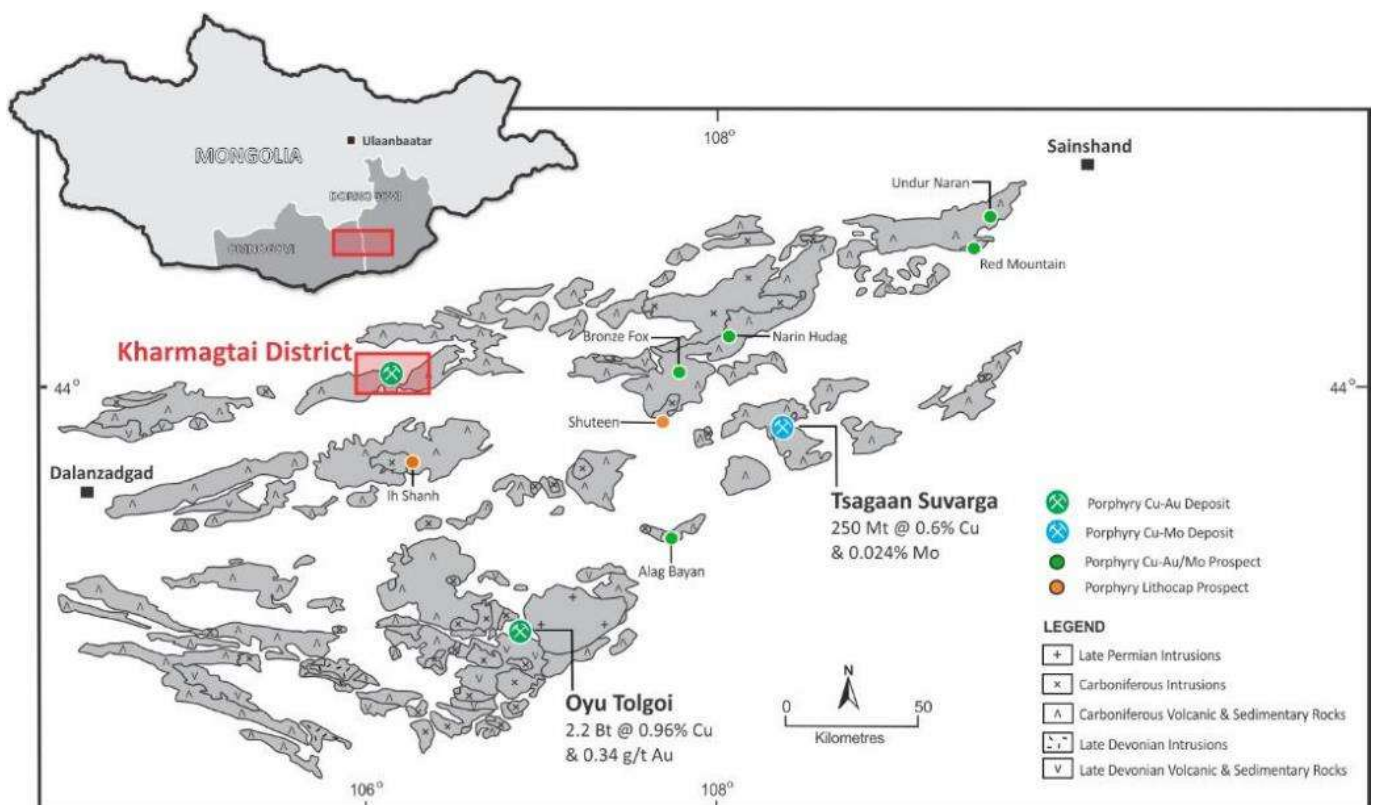


FIGURE 1: Location of the Kharmagtai Project in the South Gobi porphyry copper belt.

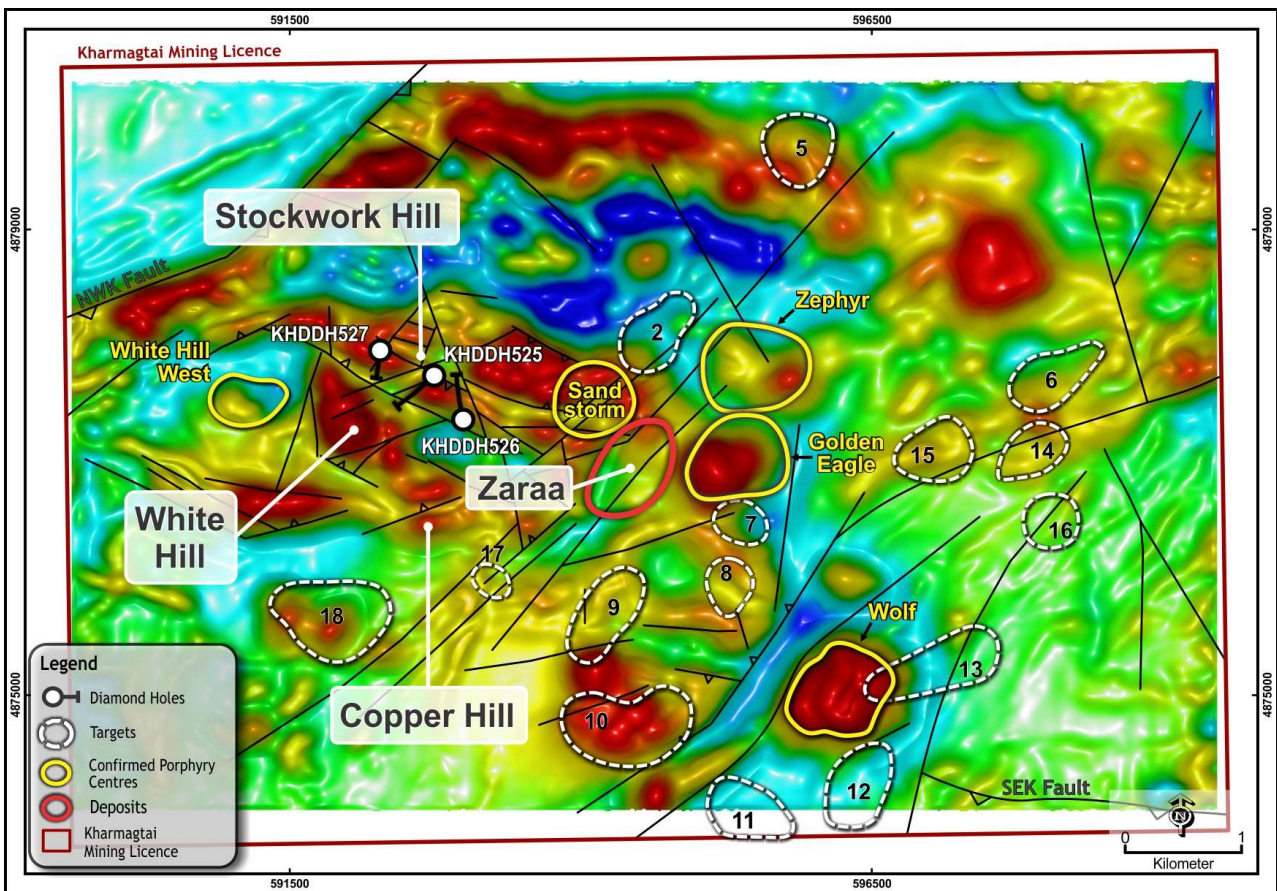


FIGURE 2: The Kharmagtai Mining Licence showing ground magnetic data and location of the Kharmagtai Deposit (Stockwork Hill, White Hill, Copper Hill), porphyry centres, targets and location of drill holes from the current drilling program.

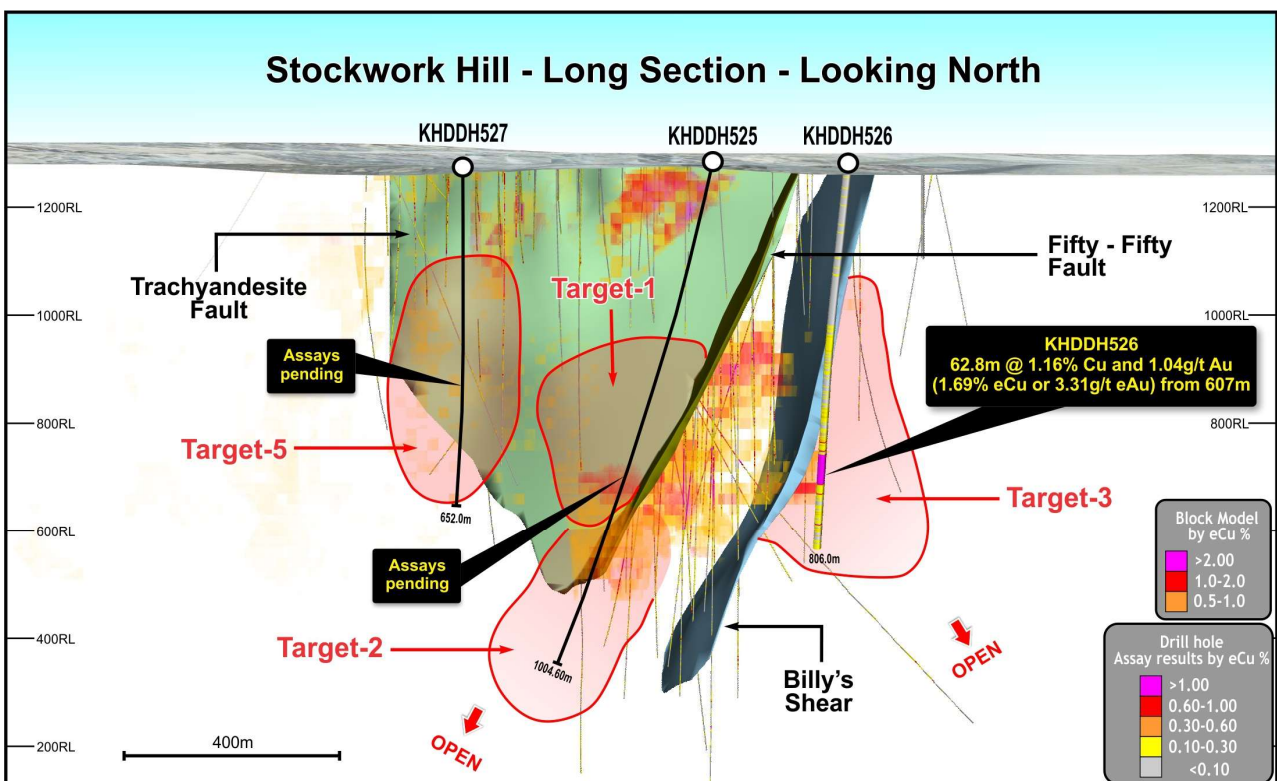


FIGURE 3: Long section showing KHDDH525, KHDDH526 and KHDDH527.

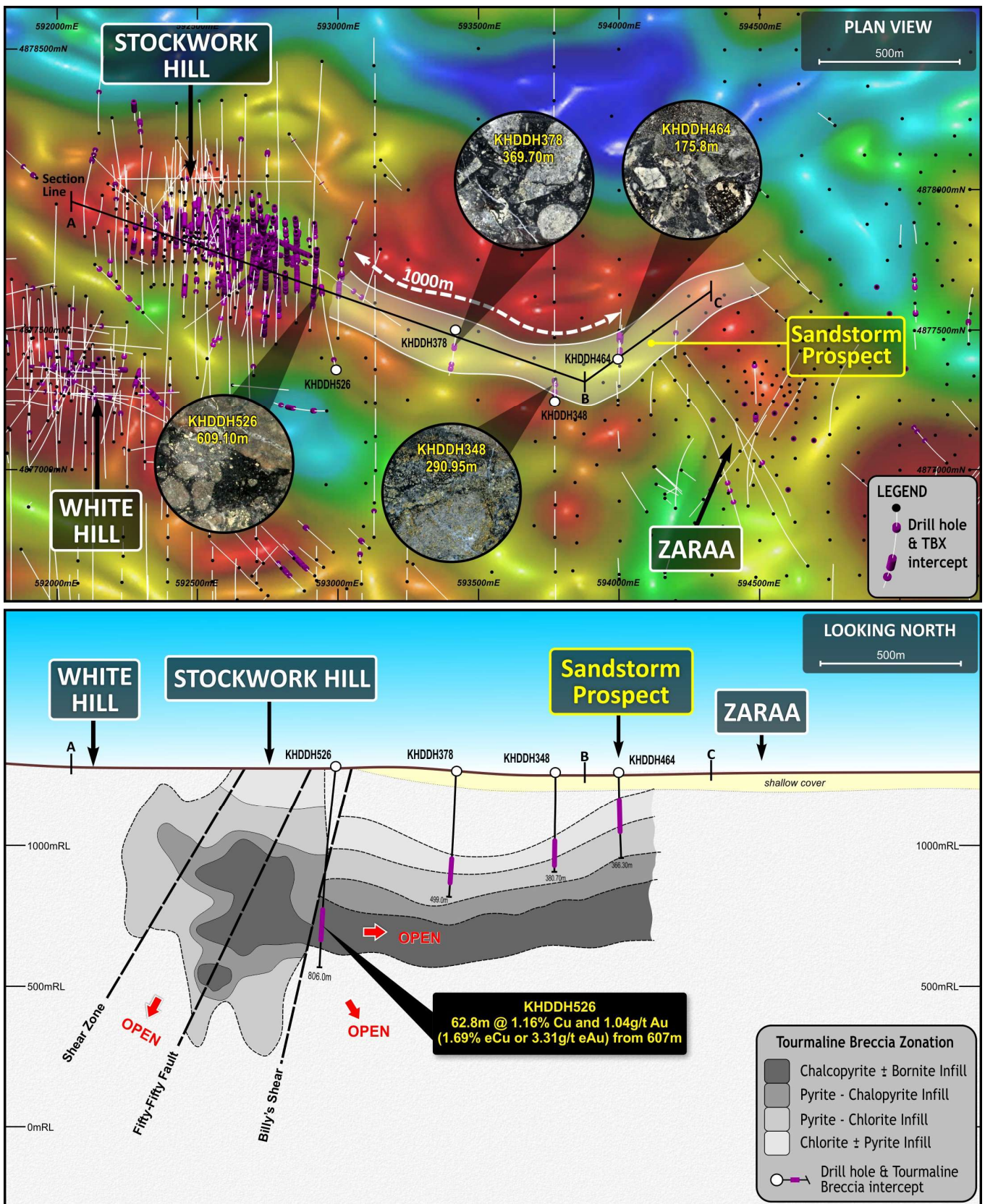


FIGURE 4: Tourmaline breccia mineralisation at Kharmagtai appears to correlate with a zone of magnetic destruction that extends for over a kilometre to the Sandstorm Prospect. Shallow drilling between Stockwork Hill and Sandstorm Prospect has encountered tourmaline breccia mineralisation reminiscent of the top of the mineralisation at Stockwork Hill.

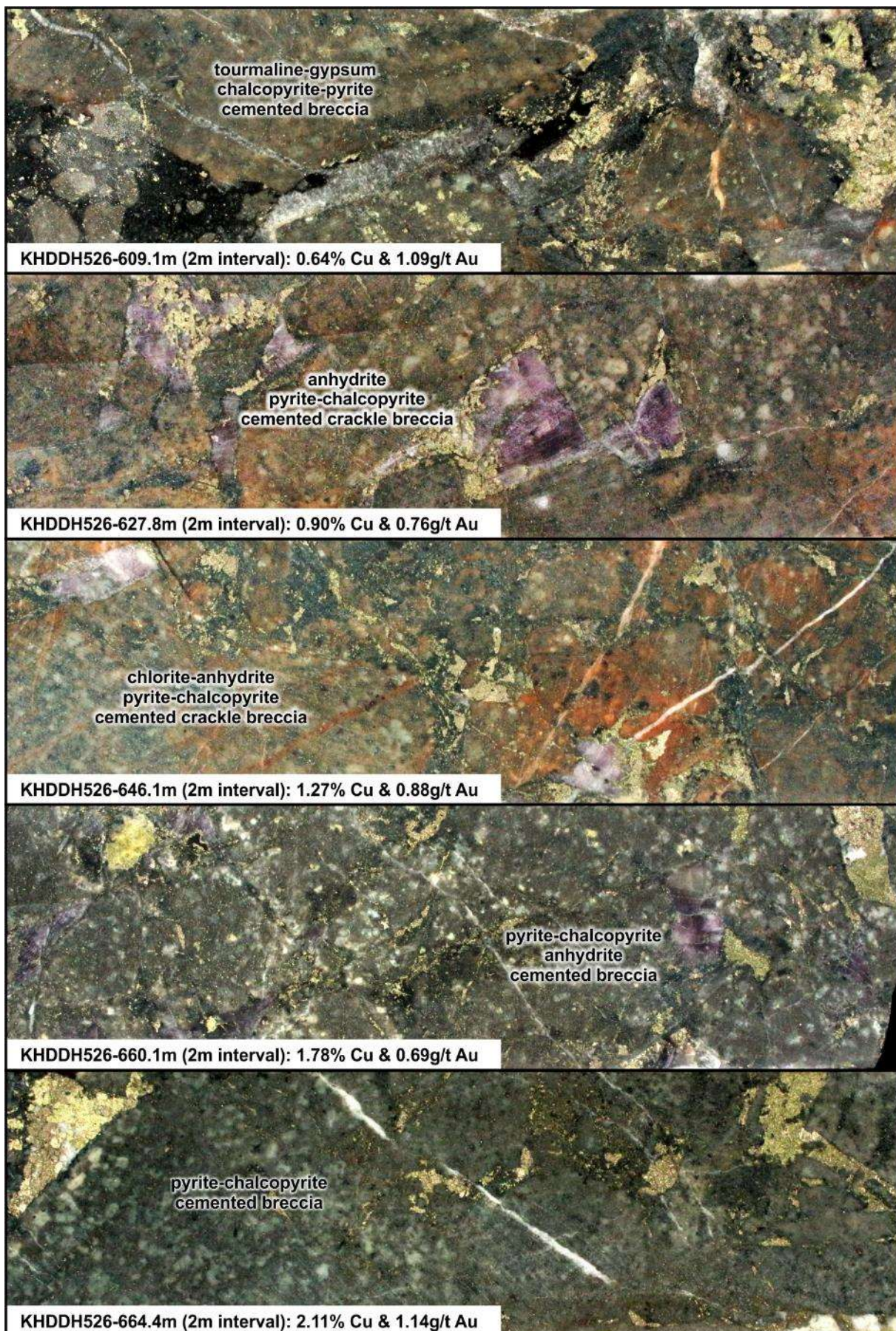


FIGURE 5: Mineralised slab images from KHDDH526. Halved HQ core, the height of each image is 6.35cm.

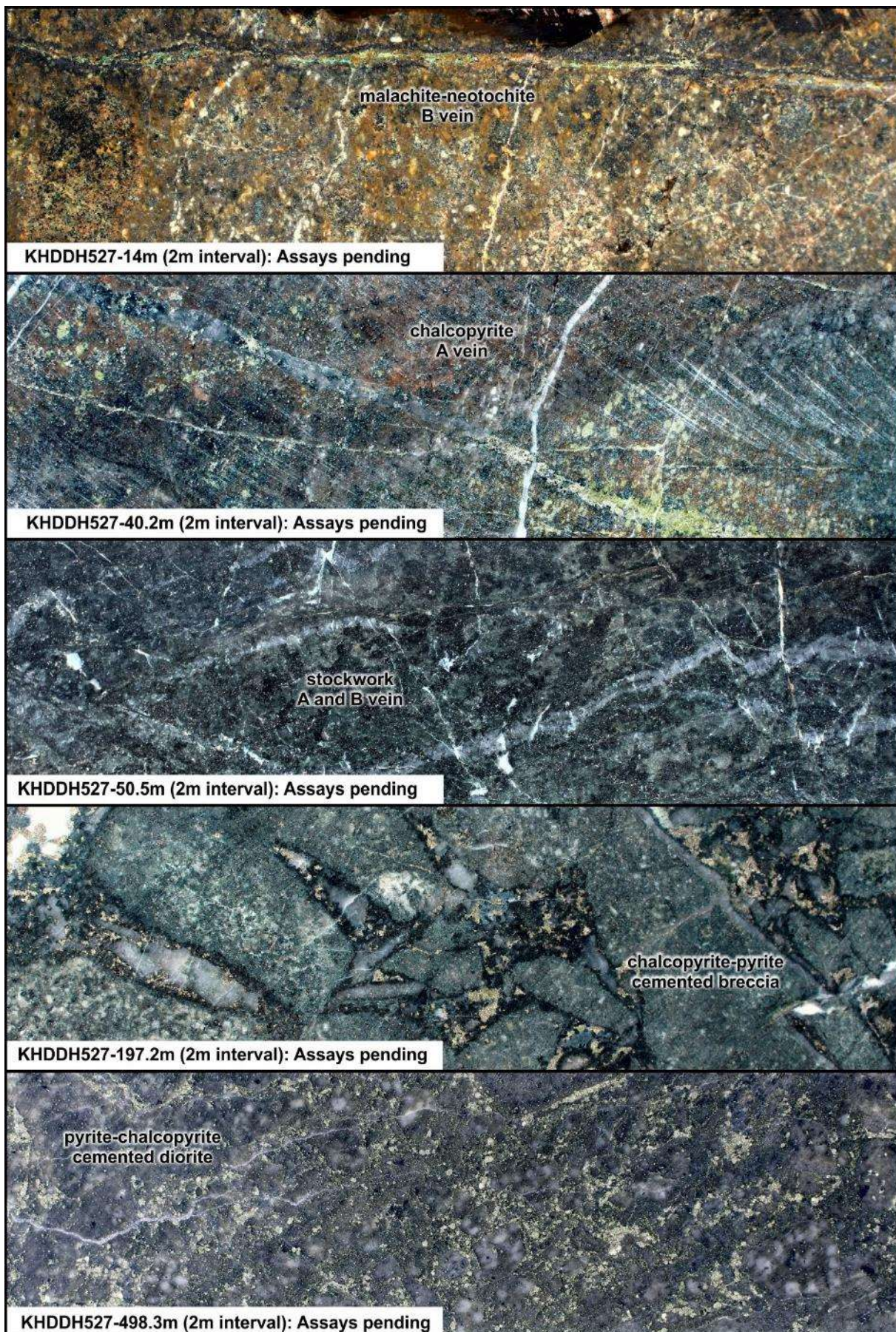


FIGURE 6: Mineralised slab images from KHDDH527. Halved HQ core, the height of each image is 6.35cm.

COMPETENT-QUALIFIED PERSON STATEMENT

The information in this announcement that relates to exploration results is based on information compiled by Dr Andrew Stewart, who is responsible for the exploration data, comments on exploration target sizes, QA/QC and geological interpretation and information. Dr Stewart, who is an employee of Xanadu and is a Member of the Australasian Institute of Geoscientists, has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as the “Competent Person” as defined in the 2012 Edition of the *Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves* and the *National Instrument 43-101*. Dr Stewart consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

COPPER EQUIVALENT CALCULATIONS

The copper equivalent (CuEq) calculation represents the total metal value for each metal, multiplied by the conversion factor, summed and expressed in equivalent copper percentage. Grades have been adjusted for metallurgical recoveries based off previous metallurgical work performed on the mineralisation in question. The copper/gold equivalent grades are of an exploration nature only and intended for summarising grade. The copper/gold equivalent calculation is intended as an indicative value only. The following copper equivalent conversion factors and long-term price assumptions have been adopted: Copper Equivalent Formula eCu or $CuEq = Cu + Au * 0.62097 * 0.8235$. Gold Equivalent Formula $eAu = Au + Cu / 0.62097 * 0.8235$.

Where:

Cu - copper grade (%)

Au - gold grade (g/t)

0.62097- conversion factor (gold to copper)

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

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

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

Gold price - 1320 \$/oz

Copper recovery - 85%

Gold recovery - 70%

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

Table 1: Currently returned assay intercepts for Stockwork Hill

Hole ID	Prospect	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (%)	CuEq (%)	AuEq (g/t)
KHDDH525	Stockwork Hill							
					<i>Assay pending</i>			
KHDDH526	Stockwork Hill	352	364.0	12.0	0.05	0.07	0.09	0.2
	<i>and</i>	389	399.0	10.0	0.08	0.07	0.12	0.2
	<i>and</i>	511	541.0	30.0	0.05	0.10	0.12	0.2
	<i>and</i>	555	672.0	117.0	0.58	0.68	0.98	1.9
	<i>including</i>	599	669.8	70.8	0.93	1.04	1.52	3.0
	<i>including</i>	607	669.8	62.8	1.04	1.16	1.69	3.3
	<i>and</i>				<i>Assay pending</i>			
KHDDH527	Stockwork Hill				<i>Assay pending</i>			

Intercepts are weighted averages to ensure different sample lengths do not skew the results. There is insufficient information to understand true widths at this stage. Due to the size of the system and current ambiguity around orientation of the drill hole relative to minor diluting intrusives, a larger than normal internal dilution of 9m has been used to calculate a geologically relevant intercept.

Table 2: Drill hole collar location

Hole ID	Prospect	East	North	RL	Azimuth (°)	Inc (°)	Depth (m)
KHDDH525	Stockwork Hill	592740	4877746	1285	223	-70	1004.6
KHDDH526	Stockwork Hill	592991	4877362	1288	350	-65	806.0
KHDDH527	Stockwork Hill	592276	4877962	1292	178	-72	652.0

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

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 18 September 2017.

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

Criteria	JORC Code explanation	Commentary
Sampling techniques	<ul style="list-style-type: none"> Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling. Include reference to 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. In cases where ‘industry standard’ work has been done this would be relatively simple (e.g. ‘reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay’). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information. 	<ul style="list-style-type: none"> The resource estimate is based on diamond drill core samples, RC chip samples and channel samples from surface trenches. Representative ½ core samples were split from PQ, HQ & NQ diameter diamond drill core on site using rock saws, on a routine 2m sample interval that also honours lithological/intrusive contacts. The orientation of the cut line is controlled using the core orientation line ensuring uniformity of core splitting wherever the core has been successfully oriented. Sample intervals are defined and subsequently checked by geologists, and sample tags are attached (stapled) to the plastic core trays for every sample interval. RC chip samples are ¼ splits from one meter intervals using a 75%:25% riffle splitter to obtain a 3kg sample RC samples are uniform 2m samples formed from the combination of two ¼ split 1m samples.
Drilling techniques	<ul style="list-style-type: none"> Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc.) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc). 	<ul style="list-style-type: none"> The Mineral Resource estimation has been based upon diamond drilling of PQ, HQ and NQ diameters with both standard and triple tube core recovery configurations, RC drilling and surface trenching with channel sampling. All drill core drilled by Xanadu has been oriented using the “Reflex Ace” tool.
Drill sample recovery	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Diamond drill core recoveries were assessed using the standard industry (best) practice which involves: removing the core from core trays; reassembling multiple core runs in a v-rail; measuring core lengths with a tape measure, assessing recovery against core block depth measurements and recording any

Criteria	JORC Code explanation	Commentary
	<p><i>sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.</i></p>	<p>measured core loss for each core run.</p> <ul style="list-style-type: none"> • Diamond core recoveries average 97% through mineralization. • Overall, core quality is good, with minimal core loss. Where there is localized faulting and or fracturing core recoveries decrease, however, this is a very small percentage of the mineralized intersections. • RC recoveries are measured using whole weight of each 1m intercept measured before splitting • Analysis of recovery results vs grade shows no significant trends that might indicate sampling bias introduced by variable recovery in fault/fracture zones.
<p>Logging</p>	<ul style="list-style-type: none"> • <i>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.</i> • <i>Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.</i> • <i>The total length and percentage of the relevant intersections logged.</i> 	<ul style="list-style-type: none"> • All drill core is geologically logged by well-trained geologists using a modified “Anaconda-style” logging system methodology. The Anaconda method of logging and mapping is specifically designed for porphyry Cu-Au mineral systems and is entirely appropriate to support Mineral Resource Estimation, mining and metallurgical studies. • Logging of lithology, alteration and mineralogy is intrinsically qualitative in nature. However, the logging is subsequently supported by 4 Acid ICP-MS (48 element) geochemistry and SWIR spectral mineralogy (facilitating semi-quantitative/calculated mineralogical, lithological and alteration classification) which is integrated with the logging to improve cross section interpretation and 3D geological model development. • Drill core is also systematically logged for both geotechnical features and geological structures. Where drill core has been successfully oriented, the orientation of structures and geotechnical features are also routinely measured. • Both wet and dry core photos are taken after core has been logged and marked-up but before drill core has been cut.
<p>Sub-sampling techniques and sample preparation</p>	<ul style="list-style-type: none"> • <i>If core, whether cut or sawn and whether quarter, half or all core taken.</i> • <i>If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.</i> • <i>For all sample types, the nature, quality and appropriateness of the sample</i> 	<ul style="list-style-type: none"> • All drill core samples are ½ core splits from either PQ, HQ or NQ diameter cores. A routine 2m sample interval is used, but this is varied locally to honour lithological/intrusive contacts. The minimum allowed sample length is 30cm. • Core is appropriately split (onsite) using diamond core saws with the cut line routinely

Criteria	JORC Code explanation	Commentary
	<p><i>preparation technique.</i></p> <ul style="list-style-type: none"> • <i>Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.</i> • <i>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.</i> • <i>Whether sample sizes are appropriate to the grain size of the material being sampled.</i> 	<p>located relative to the core orientation line (where present) to provide consistency of sample split selection.</p> <ul style="list-style-type: none"> • The diamond saws are regularly flushed with water to minimize potential contamination. • A field duplicate ¼ core sample is collected every 30th sample to ensure the “representivity of the in situ material collected”. The performance of these field duplicates are routinely analysed as part of Xanadu’s sample QC process. • Routine sample preparation and analyses of DDH samples were carried out by ALS Mongolia LLC (ALS 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 75% passing 2mm, split to 1kg, pulverised to 85% passing 200 mesh (75 microns) and split to 150g sample pulp. • ALS Mongolia Geochemistry labs quality management system is certified to ISO 9001:2008. • The sample support (sub-sample mass and comminution) is appropriate for the grainsize and Cu-Au distribution of the porphyry Cu-Au mineralization and associated host rocks.
<p>Quality of assay data and laboratory tests</p>	<ul style="list-style-type: none"> • <i>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</i> • <i>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.</i> • <i>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.</i> 	<ul style="list-style-type: none"> • All samples were routinely assayed by ALS Mongolia for gold • Au is determined using a 25g 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. • All samples were also submitted to ALS Mongolia for the 48 element package ME-ICP61 using a four acid digest (considered to be an effective total digest for the elements relevant to the MRE). Where copper is over-range (>1% Cu), it is analysed by a second analytical technique (Cu-OG62), which has a higher upper detection limit (UDL) of 5% copper. • Quality assurance has been managed by insertion of appropriate Standards (1:30 samples – suitable Ore Research Pty Ltd certified standards), Blanks (1:30 samples), Duplicates (1:30 samples – ¼ core duplicate) by XAM. • Assay results outside the optimal range for

Criteria	JORC Code explanation	Commentary
		<p>methods were re-analysed by appropriate methods.</p> <ul style="list-style-type: none"> Ore Research Pty Ltd certified copper and gold standards have been implemented as a part of QC procedures, as well as coarse and pulp blanks, and certified matrix matched copper-gold standards. QC monitoring is an active and ongoing processes on batch by batch basis by which unacceptable results are re-assayed as soon as practicable. Prior to 2014: 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) at SGS Mongolia. Samples were 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 was over-range (>1% Cu), it was analysed by a second analytical technique (AAS22S), which has a higher upper detection limit (UDL) of 5% copper. Gold analysis method was essentially unchanged.
<p>Verification of sampling and assaying</p>	<ul style="list-style-type: none"> <i>The verification of significant intersections by either independent or alternative company personnel.</i> <i>The use of twinned holes.</i> <i>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</i> <i>Discuss any adjustment to assay data.</i> 	<ul style="list-style-type: none"> All assay data QAQC is checked prior to loading into XAM’s Geobank data base. The data is managed by XAM geologists. The data base and geological interpretation is managed by XAM. Check assays are submitted to an umpire lab (SGS Mongolia) for duplicate analysis. No twinned drill holes exist. There have been no adjustments to any of the assay data.
<p>Location of data points</p>	<ul style="list-style-type: none"> <i>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.</i> <i>Specification of the grid system used.</i> <i>Quality and adequacy of topographic control.</i> 	<ul style="list-style-type: none"> Diamond drill holes have been surveyed with a differential global positioning system (DGPS) to within 10cm accuracy. The grid system used for the project is UTM WGS-84 Zone 48N Historically, Eastman Kodak and Flexit electronic multi-shot downhole survey tools have been used at Kharmagtai to collect down hole azimuth and inclination information for the majority of the diamond drill holes. Single shots were typically taken every 30m to 50m during the drilling process, and a multi-shot survey with readings every 3-5m are conducted at the completion of the drill hole. As these tools rely

Criteria	JORC Code explanation	Commentary
		<p>on the earth's magnetic field to measure azimuth, there is some localised interference/inaccuracy introduced by the presence of magnetite in some parts of the Kharmagtai mineral system. The extent of this interference cannot be quantified on a reading-by-reading basis.</p> <ul style="list-style-type: none"> • More recently (since September 2017), a north-seeking gyro has been employed by the drilling crews on site (rented and operated by the drilling contractor), providing accurate downhole orientation measurements unaffected by magnetic effects. Xanadu have a permanent calibration station setup for the gyro tool, which is routinely calibrated every 2 weeks (calibration records are maintained and were sighted) • The project DTM is based on 1 m contours from satellite imagery with an accuracy of ± 0.1 m.
<p>Data spacing and distribution</p>	<ul style="list-style-type: none"> • <i>Data spacing for reporting of Exploration Results.</i> • <i>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.</i> • <i>Whether sample compositing has been applied.</i> 	<ul style="list-style-type: none"> • Holes spacings range from <50m spacings within the core of mineralization to +500m spacings for exploration drilling. Hole spacings can be determined using the sections and drill plans provided. • Holes range from vertical to an inclination of -60 degrees depending on the attitude of the target and the drilling method. • The data spacing and distribution is sufficient to establish anomalism and targeting for porphyry Cu-Au, tourmaline breccia and epithermal target types. • Holes have been drilled to a maximum of 1,300m vertical depth. • The data spacing and distribution is sufficient to establish geological and grade continuity, and to support the Mineral Resource classification.
<p>Orientation of data in relation to geological structure</p>	<ul style="list-style-type: none"> • <i>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</i> • <i>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.</i> 	<ul style="list-style-type: none"> • Drilling is conducted in a predominantly regular grid to allow unbiased interpretation and targeting. • Scissor drilling, as well as some vertical and oblique drilling, has been used in key mineralised zones to achieve unbiased sampling of interpreted structures and mineralised zones, and in particular to assist in constraining the geometry of the mineralised hydrothermal tourmaline-sulphide breccia domains.

Criteria	JORC Code explanation	Commentary
Sample security	<ul style="list-style-type: none"> The measures taken to ensure sample security. 	<ul style="list-style-type: none"> Samples are delivered from the drill rig to the core shed twice daily and are never left unattended at the rig. Samples are dispatched from site in locked boxes transported on XAM company vehicles to ALS lab in Ulaanbaatar. Sample shipment receipt is signed off at the Laboratory with additional email confirmation of receipt. Samples are then stored at the lab and returned to a locked storage site.
Audits or reviews	<ul style="list-style-type: none"> The results of any audits or reviews of sampling techniques and data. 	<ul style="list-style-type: none"> Internal audits of sampling techniques and data management are undertaken on a regular basis, to ensure industry best practice is employed at all times. External reviews and audits have been conducted by the following groups: 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 to an appropriate standard. 2013: Mining Associates Ltd. was engaged to conduct an Independent Technical Report to review drilling, sampling techniques and QAQC. Methods were found to conform to international best practice. 2018: CSA Global reviewed the entire drilling, logging, sampling, sample shipping and laboratory processes during the competent persons site visit for the 2018 MRe, and found the systems and adherence to protocols to be to an appropriate standard.

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

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

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> The Project comprises 1 Mining Licence (MV-17387A). The Kharmagtai mining license MV-17387A is 100% owned by Oyut Ulaan LLC. Xanadu has an 85% interest in Mongol Metals LLC, which has 90% interest in Oyut Ulaan LLC. The remaining 10% in Oyut Ulaan LLC is owned by Quincunx (BVI) Ltd (“Quincunx”). The Mongolian Minerals Law (2006) and Mongolian Land Law (2002) govern

Criteria	JORC Code explanation	Commentary																																				
	<i>impediments to obtaining a licence to operate in the area.</i>	exploration, mining and land use rights for the project.																																				
Exploration done by other parties	<ul style="list-style-type: none"> Acknowledgment and appraisal of exploration by other parties. 	<ul style="list-style-type: none"> Detailed exploration was conducted by Quincunx Ltd, Ivanhoe Mines Ltd and Turquoise Hill Resources Ltd including extensive surface mapping, trenching, diamond drilling, surface geochemistry and geophysics. 																																				
Geology	<ul style="list-style-type: none"> Deposit type, geological setting and style of mineralisation. 	<ul style="list-style-type: none"> 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 throughout 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 prospects at Kharmagtai are atypical in that they are associated with intermediate intrusions of diorite to quartz diorite composition; however the deposits are significant in terms of gold:copper ratio, and similar to other gold-rich porphyry deposits. 																																				
Drill hole Information	<ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Diamond holes, RC holes and trenches are the principal source of geological and grade data for the Project. <table border="1" data-bbox="901 1473 1465 1697"> <thead> <tr> <th>Timing</th> <th>RC Holes</th> <th>Metre</th> <th>DDH Holes</th> <th>Metre</th> <th>RC & DDH</th> <th>Metre</th> <th>Trench</th> <th>Metre</th> </tr> </thead> <tbody> <tr> <td>Drilling <2015</td> <td>155</td> <td>24553</td> <td>252</td> <td>88511</td> <td>0</td> <td>0</td> <td>106</td> <td>39774</td> </tr> <tr> <td>Drilling >2015</td> <td>68</td> <td>13107</td> <td>116</td> <td>57876</td> <td>22</td> <td>5323</td> <td>17</td> <td>5618</td> </tr> <tr> <td>Total</td> <td>223</td> <td>37660</td> <td>368</td> <td>146387</td> <td>22</td> <td>5323</td> <td>123</td> <td>45392</td> </tr> </tbody> </table> <ul style="list-style-type: none"> See figures in main report. 	Timing	RC Holes	Metre	DDH Holes	Metre	RC & DDH	Metre	Trench	Metre	Drilling <2015	155	24553	252	88511	0	0	106	39774	Drilling >2015	68	13107	116	57876	22	5323	17	5618	Total	223	37660	368	146387	22	5323	123	45392
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Criteria	JORC Code explanation	Commentary
Data aggregation methods	<ul style="list-style-type: none"> <i>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.</i> <i>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.</i> <i>The assumptions used for any reporting of metal equivalent values should be clearly stated.</i> 	<ul style="list-style-type: none"> Weighted averages have not been used in this work Some compositing has been used in this resource but with statistically relevant techniques that do not include internal dilution <p>The copper equivalent (eCu) calculation represents the total metal value for each metal, multiplied by the conversion factor, summed and expressed in equivalent copper percentage with a metallurgical recovery factor applied. The copper equivalent calculation used is based off the eCu calculation defined by CSA in the 2018 Mineral Resource Upgrade.</p> <p>Copper equivalent (CuEq or eCu) grade values were calculated using the following formula:</p> $eCu \text{ or } CuEq = Cu + Au * 0.62097 * 0.8235,$ <p>Gold Equivalent (eAu) grade values were calculated using the following formula:</p> $eAu = Au + Cu / 0.62097 * 0.8235.$ <p>Where:</p> <p>Cu - copper grade (%) Au - gold grade (g/t) 0.62097- conversion factor (gold to copper) 0.8235 - relative recovery of gold to copper (82.35%)</p> <p>The copper equivalent formula was based on the following parameters (prices are in USD):</p> <ul style="list-style-type: none"> Copper price - 3.1 \$/lb (or 6834 \$/t) Gold price - 1320 \$/oz Copper recovery - 85% Gold recovery - 70% <p>Relative recovery of gold to copper = 70% / 85% = 82.35%.</p>
Relationship between mineralisation widths and	<ul style="list-style-type: none"> <i>These relationships are particularly important in the reporting of Exploration Results.</i> <i>If the geometry of the mineralisation</i> 	<ul style="list-style-type: none"> 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

Criteria	JORC Code explanation	Commentary
Intercept lengths	<p>with respect to the drill hole angle is known, its nature should be reported.</p> <ul style="list-style-type: none"> If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known'). 	<p>possible to true widths.</p> <ul style="list-style-type: none"> 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.
Diagrams	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> See figures in main report.
Balanced reporting	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Extensive work in this area has been done and is reported separately. See the company website for significant announcements and milestones. Work that has been done includes; relogging of core, structural studies, alteration studies, geotechnical studies and preliminary metallurgical test works. The project has been subject to various geophysical studies including aeromagnetic, radiometric surveys and electromagnetic surveys over discrete targets.
Further work	<ul style="list-style-type: none"> The nature and scale of planned further work (e.g. 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. 	<ul style="list-style-type: none"> 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 is on-going.

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

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

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

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