

Quarterly Activities Report and Appendix 5B - 31 March 2021

30 April 2021

ASX Markets Announcement Office
Exchange Centre
20 Bridge Street
Sydney NSW 2000

BY ELECTRONIC LODGEMENT

Quarterly Activities Report and Appendix 5B - 31 March 2021

Please find attached for release to the market, Xanadu Mining Ltd's *Quarterly Activities Report and Appendix 5B* for the quarter ended 31 March 2021.

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



QUARTERLY ACTIVITIES REPORT

for the three months ended 31 March 2021
(figures are unaudited and in A\$ except where stated)

March 2021 Quarter Highlights

- Xanadu continued to operate safely and efficiently through the quarter whilst working through a dynamic environment of COVID restrictions in Mongolia. A total of 7 holes for approximately 8,000 metres were completed at Kharmagtai and 6 holes for approximately 4,000 metres at Red Mountain.
- At Kharmagtai a significant expansion of the high-grade bornite rich zone under Stockwork Hill delivered much higher gold to copper ratios than previously seen. Follow up drilling to define the size of that zone is ongoing.
- At Red Mountain, shallow bornite rich copper mineralisation was intercepted in hole OUDDH100, highlighting potential for lower volume/higher-grade copper deposits in addition to larger volume, lower grade porphyries. Follow up drilling is planned pending lifting of travel restrictions.
- Subsequent to the quarter, Mr. Tony Pearson was appointed to the Xanadu Board, which now comprises a majority of Independent, Non-Executive Directors. Tony brings significant company director, industry executive, banking, and direct Mongolia experience to the Board.
- The Company is now well funded to execute its strategy with completion of an equity placement (**Placement**) of approximately **\$10.2 million**, which is expected to settle on Friday, 30 April with the new shares to be allocated and commence trading on Monday, 3 May 2021.
- Closing Cash at 31 March 2021 of **\$4.2 million**, increasing to **\$14.4 million** following the Placement.

Chief Executive Officer, Dr Andrew Stewart, said, “Xanadu drilling programs continued to deliver significant results, despite the global pandemic and challenges faced in Mongolia during their vaccination program. At Kharmagtai, the discovery of a high-grade, gold-rich bornite zone at depth moved us closer to our aspirational high-grade block of at least 100Mt at or greater than 0.8% CuEq. We consider this the target range to unlock development of Kharmagtai as a world class copper project. At our second project Red Mountain, the discovery of shallow, high-grade, bornite rich structures, shows the significant potential in this project and is leading us to rethink our exploration program. Following our recent ~\$10 million Placement, both exploration programs are fully funded, and we look forward to sharing more results in the coming quarter. We are managing our operations through the challenges of the pandemic and continue to deliver exciting results whilst maintaining Xanadu’s high health, safety and environmental standards”.

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Xanadu Mines Ltd (ASX:XAM | TSX:XAM) (**Xanadu** or the **Company**) is pleased to provide an update on exploration and associated activities undertaken during the quarter ended 31 March 2021.

Exploration Update

Kharmagtai Copper-Gold Project

Exploration at Kharmagtai focused on drilling the high-grade bornite zone at Stockwork Hill and completing the Phase 1 drilling at Zaraa. A total of 7,984m of diamond drilling was completed during the quarter in seven drill holes (**Figure 1** and **Table 2**).

STOCKWORK HILL DRILLING

Four diamond drill holes have been collared at Stockwork Hill targeting high-grade extensions to known mineralisation (**Figures 1 and 2**).

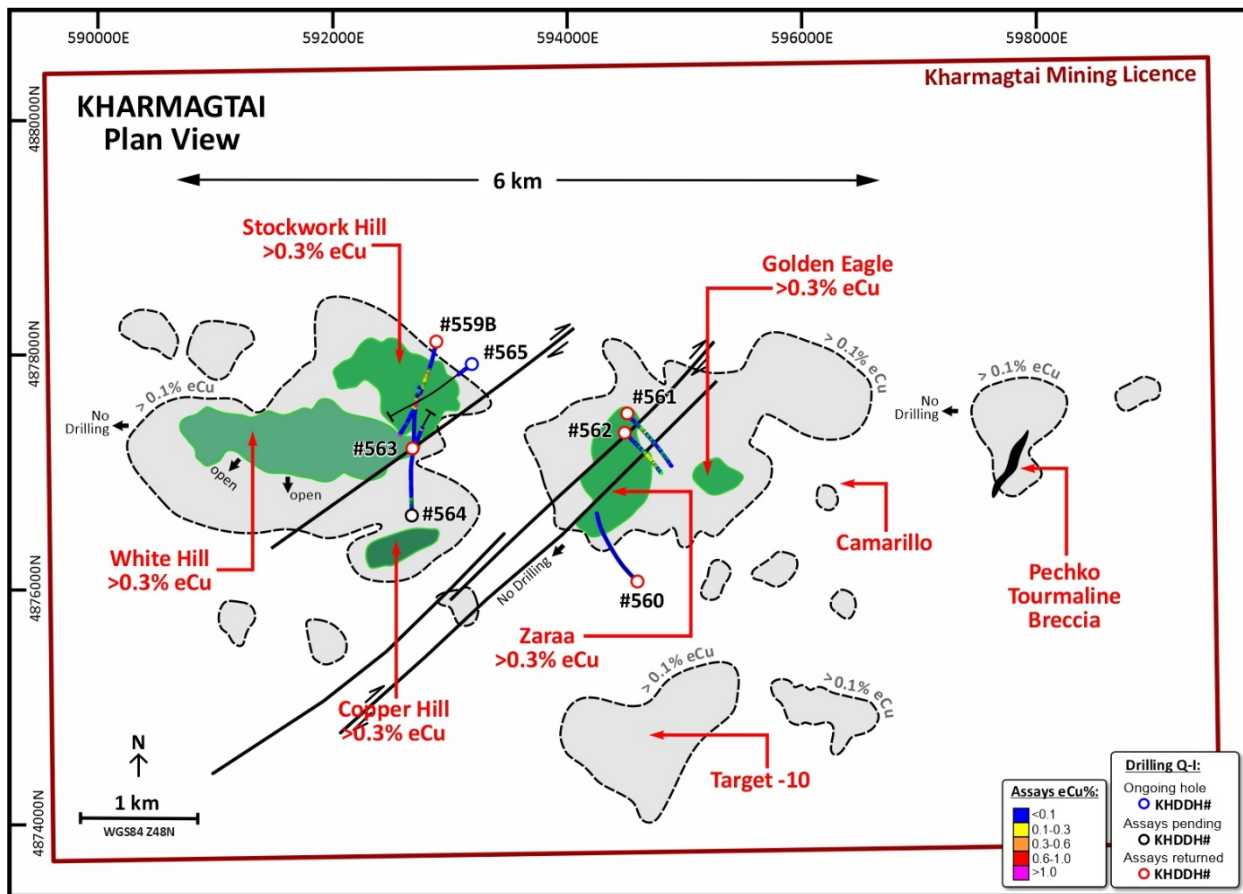


Figure 1. Kharmagtai Plan View showing location of drilling for Q1, 2021.

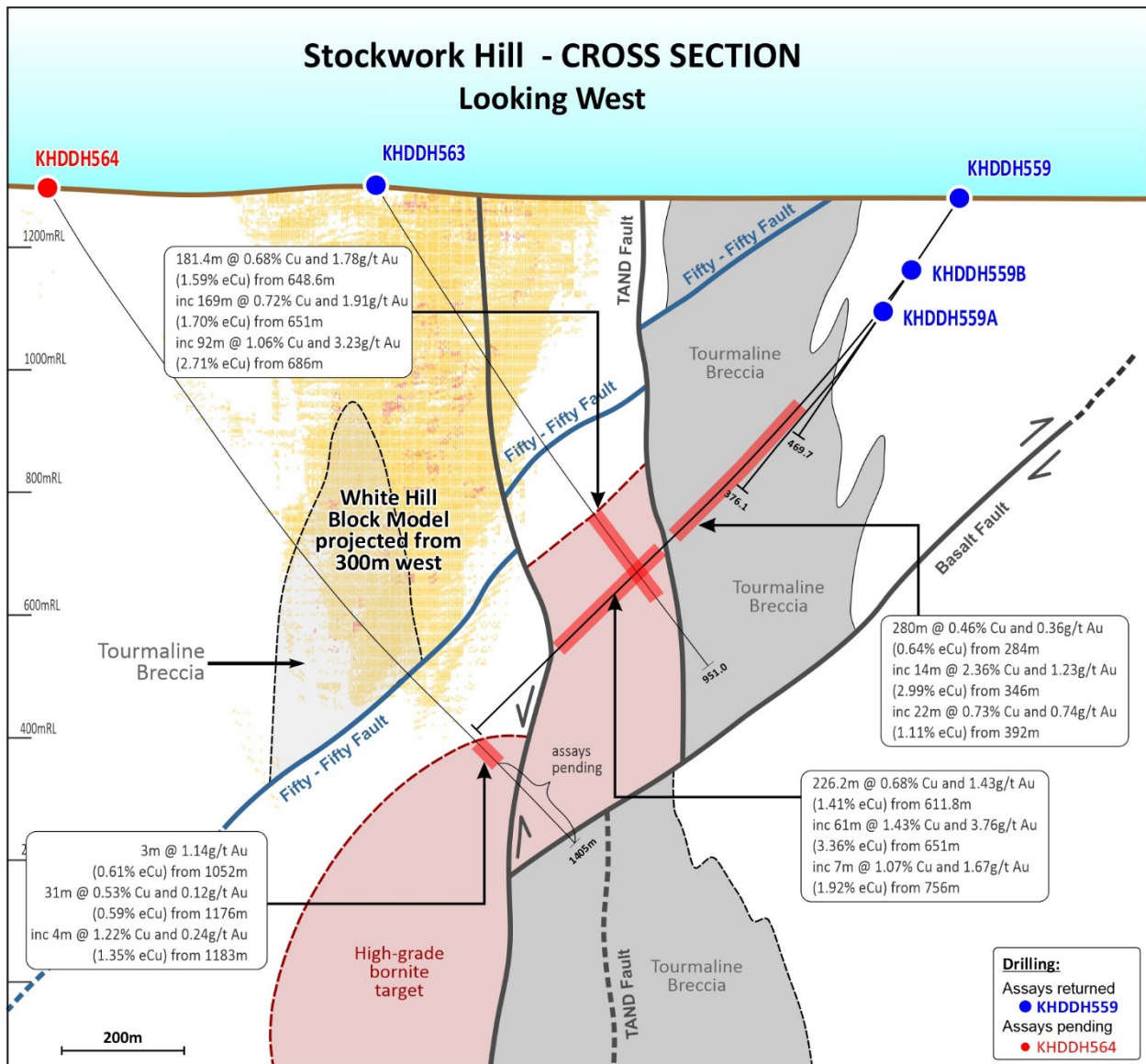


Figure 2. Cross section through Stockwork Hill showing drill holes KHDDH559B, KHDDH563 and KHDDH564.

ABOUT KHDDH559B

Drill hole KHDDH559B was completed, and final assays returned during the quarter. The purpose of KHDDH559B was to test extensions of Stockwork Hill at depth. KHDDH559B was drilled from the northern edge of Stockwork Hill southwards across the deposit and was designed to expand the northern edge of the tourmaline breccia mineralisation and then expand the high-grade bornite zone towards the south (Figures 1 and 2).

KHDDH559B intersected two zones of mineralisation, an upper tourmaline breccia zone and a lower high-grade bornite zone. KHDDH559B entered tourmaline breccia mineralisation at 288m widening the main tourmaline breccia zone by 25m to the north. The drill hole entered high-grade bornite mineralisation at 617m, encountering a wide zone of very high-grade gold rich copper sulphide mineralisation (see Table 2) and expanding the bornite zone by 100m in total (50m to the north and 50m to the south) (Figure 1).

The upper tourmaline breccia zone in KHDDH559B intersected:

| Hole ID | From | Interval | Cu | Au | eCu |
|-----------|------|----------|-------|---------|-------|
| KHDDH559B | 284m | 280m | 0.46% | 0.36g/t | 0.64% |
| including | 346m | 14m | 2.36% | 1.23g/t | 2.99% |
| including | 392m | 22m | 0.73% | 0.74g/t | 1.11% |

The lower high-grade bornite zone in KHDDH599B intersected:

| Hole ID | From | Interval | Cu | Au | eCu |
|-----------|--------|----------|-------|---------|-------|
| KHDDH599B | 611.8m | 226.2m | 0.68% | 1.43g/t | 1.41% |
| including | 615m | 175m | 0.84% | 1.83g/t | 1.78% |
| including | 617m | 20m | 1.09% | 2.09g/t | 2.16% |
| including | 649m | 134m | 0.89% | 2.04g/t | 1.93% |
| including | 651m | 61m | 1.43% | 3.76g/t | 3.36% |
| including | 756m | 7m | 1.07% | 1.67g/t | 1.92% |

Of note is the gold tenor of the lower, high-grade bornite mineralisation with between 2-4 g/t Au for each percent in copper, as compared to 1-2 g/t Au observed in the upper, tourmaline breccia mineralisation.

Importantly, structural information from this hole and the surrounding drilling has aided in a new structural interpretation, identifying the potential repeat of high-grade bornite mineralisation south of the current drilling, towards the base of White Hill (**Figure 2**).

Additionally, the understanding of the relationship between grade and geology is advancing. The highest grades appear to be located on the margins of the tourmaline breccia, where larger fragments allow for more space for copper and gold to precipitate. This combined with the advancing structural framework has defined a clear drill target to the south and below White Hill.

ABOUT KHDDH563

The purpose of drilling KHDDH563 was to test extensions of Stockwork Hill at depth to inform the second phase of drilling focused on higher grade targets. KHDDH563 was drilled from south of Stockwork Hill towards the north, designed as a scissor hole to KHDDH559B (please see ASX/TSX Announcement dated 15 February 2021). KHDDH563 entered mineralisation at 648.6m, expanding the intercept in KHDDH559B 70m up-dip and to the south (Figures 1 and 2).

KHDDH563 intersected:

| Hole ID | From | Interval | Cu | Au | eCu |
|-----------|--------|----------|-------|---------|-------|
| KHDDH563 | 648.6m | 181.4m | 0.68% | 1.78g/t | 1.59% |
| including | 651m | 169m | 0.72% | 1.91g/t | 1.70% |
| including | 680m | 105.6m | 0.99% | 2.89g/t | 2.46% |
| including | 686m | 92m | 1.06% | 3.23g/t | 2.71% |

It is noteworthy that this maintains the gold tenor of the deeper, high-grade bornite mineralisation seen in KHDDH559B (previously announced), with between 2-4 g/t Au for each percent in copper.

Importantly, structural information from this hole and the surrounding drilling has aided in a new structural interpretation, identifying the potential repeat of high-grade bornite mineralisation southeast of the current drilling.

ABOUT KHDDH564

Drill hole KHDDH564 was designed as a large-scale step out (400m to the south), targeting a repeat of the high-grade bornite zone at Stockwork Hill (**Figure 1 and 2**). The hole has been completed and assays have been returned to 1,305m.

The visual mineralisation reported in March (please see ASX/TSX Announcement dated 23 March 2021) has returned assays showing that KHDDH564 has tagged the top of the next major discovery at Kharmagtai.

| Hole ID | From | Interval | Cu | Au | eCu |
|-----------|--------|----------|-------|---------|-------|
| KHDDH564 | 1,176m | 31m | 0.53% | 0.12g/t | 0.59% |
| including | 1,183m | 18m | 0.79% | 0.15g/t | 0.86% |
| including | 1,183m | 4m | 1.22% | 0.24g/t | 1.35% |
| and | 1,052m | 3m | 0.03% | 1.14g/t | 0.61% |

Final assays from KHDDH564 are expected in mid-May 2021. Additional drill holes are being planned to target this new zone of mineralisation.

About KHDDH565 (In Progress)

Drill hole KHDDH565 collared during the quarter and is designed as a long-strike or long section drill hole to provide the following:

- Target offsets - information about the faults at the eastern and western ends of the high-grade bornite zone.
- Grade continuity - detailed information along the strike of the high-grade bornite zone.
- Maximise data - reduce the amount of drilling required to incorporate the high-grade bornite zone into the next mineral resource estimate update.
- Extend west - assist in understanding the western extensions of the high-grade bornite zone where little drilling has occurred.
- Evaluate shallow, eastern targets - test tourmaline breccia targets suggested by broad spaced drilling to the east of Stockwork Hill.

Assays have been returned to 604m, just above where the hole entered the high-grade bornite zone. Interim assay results show that a new tourmaline breccia zone has been discovered along strike from the existing tourmaline breccia at Stockwork Hill (**Figures 3, 4, 5 and 6**).

This new tourmaline breccia zone has returned:

| Hole ID | From | Interval | Cu | Au | eCu |
|-----------|------|----------|-------|---------|-------|
| KHDDH565 | 323m | 159m | 0.31% | 0.21g/t | 0.41% |
| including | 361m | 66m | 0.52% | 0.37g/t | 0.70% |
| including | 369m | 26m | 0.77% | 0.56g/t | 1.06% |
| including | 389m | 8m | 1.18% | 0.64g/t | 1.51% |
| including | 409m | 16m | 0.48% | 0.40g/t | 0.68% |
| including | 445m | 8m | 0.83% | 0.37g/t | 1.02% |

KHDDH565 remains in progress at a depth of 1,300m. Final assays for the remainder of the drill hole are expected in mid-May.

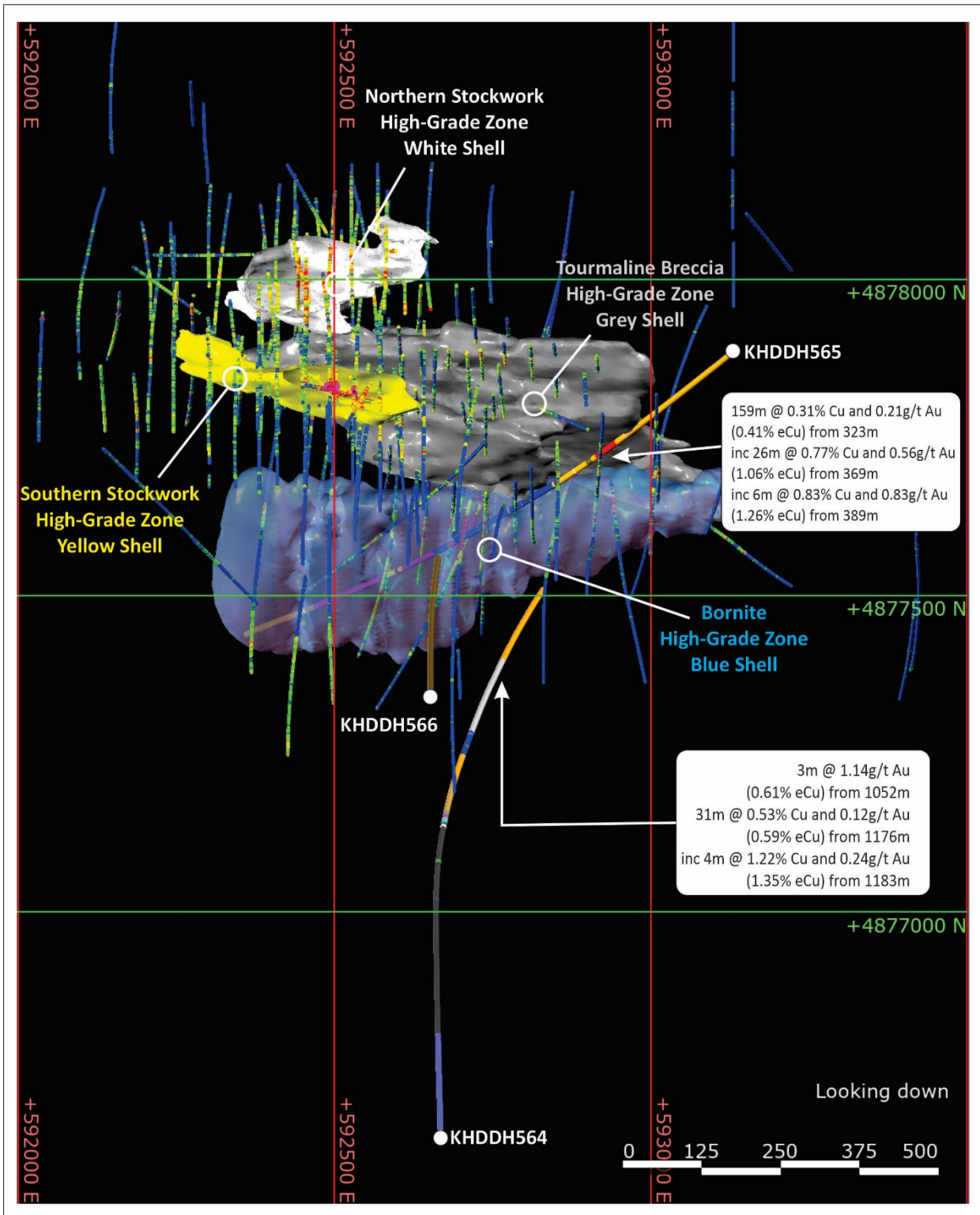


Figure 3. 3D plan view of Stockwork Hill showing the main high-grade zones and currently reported drill holes (colour code highlights mineral zone).

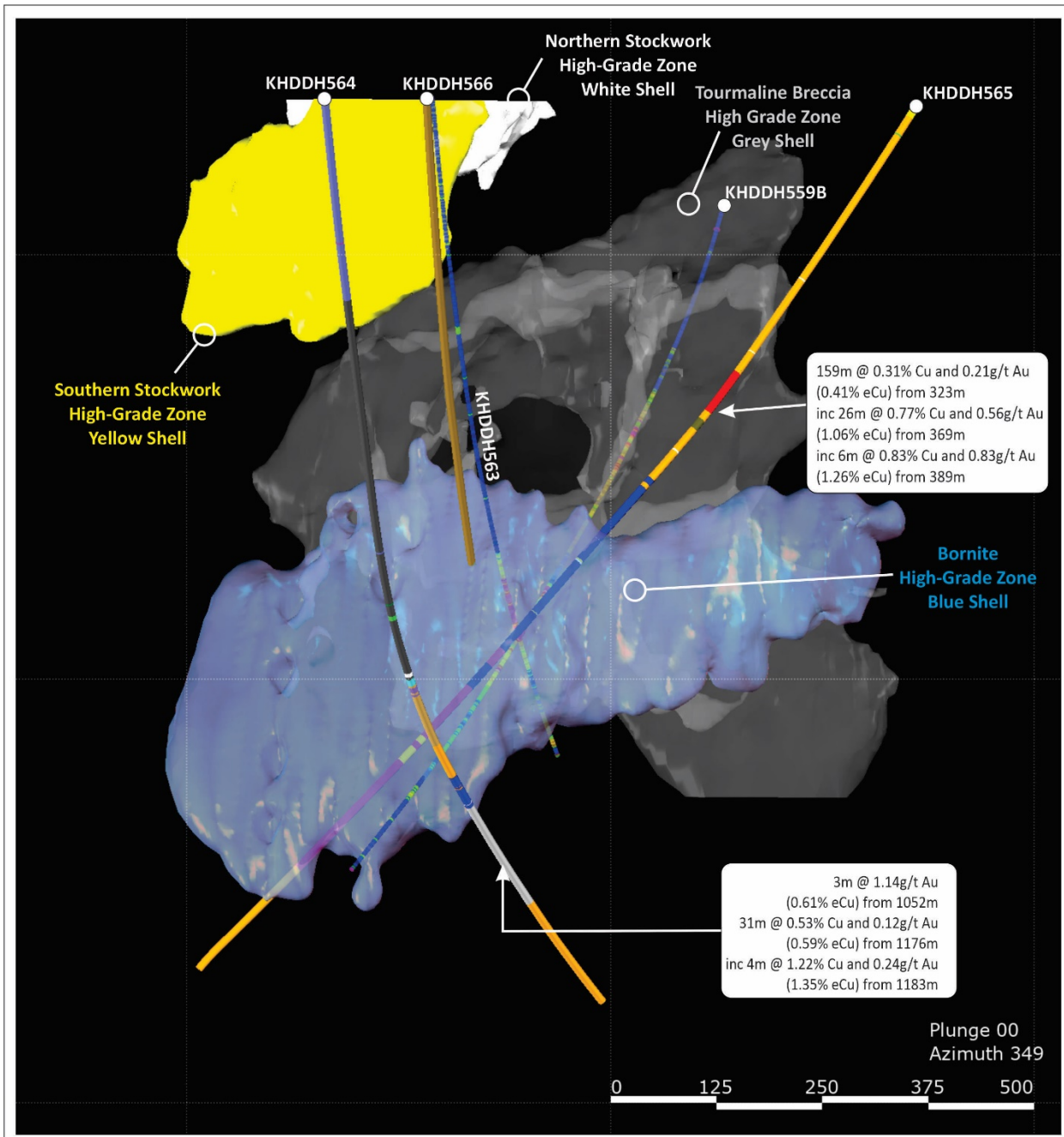


Figure 4. 3D oblique view of Stockwork Hill showing the main high-grade zones and currently reported drill holes and 2021 drilling (colour code highlights mineral zone).

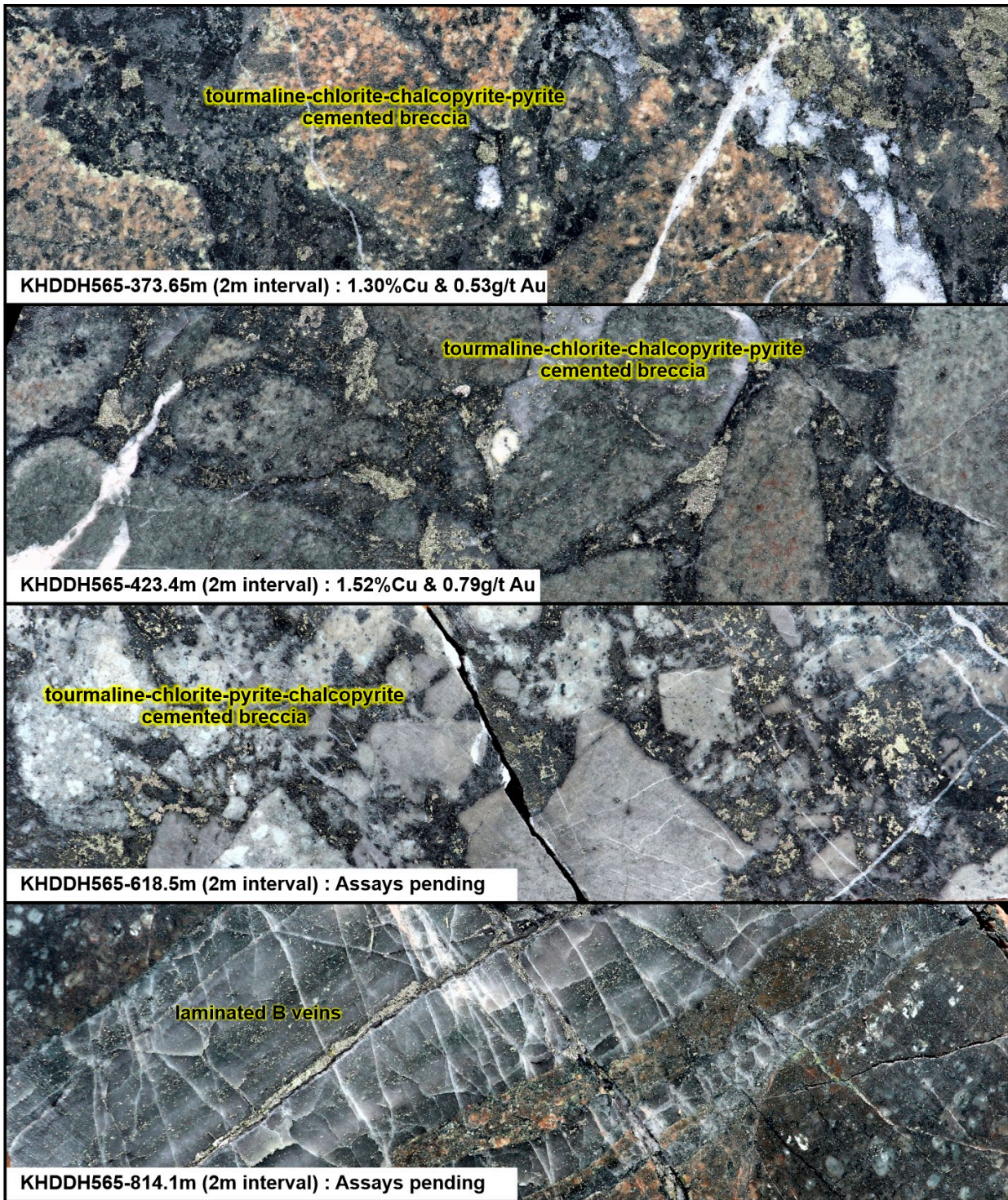


Figure 5. Slab images from KHDDH565, each slab is halved HQ core and 4.36cm tall.

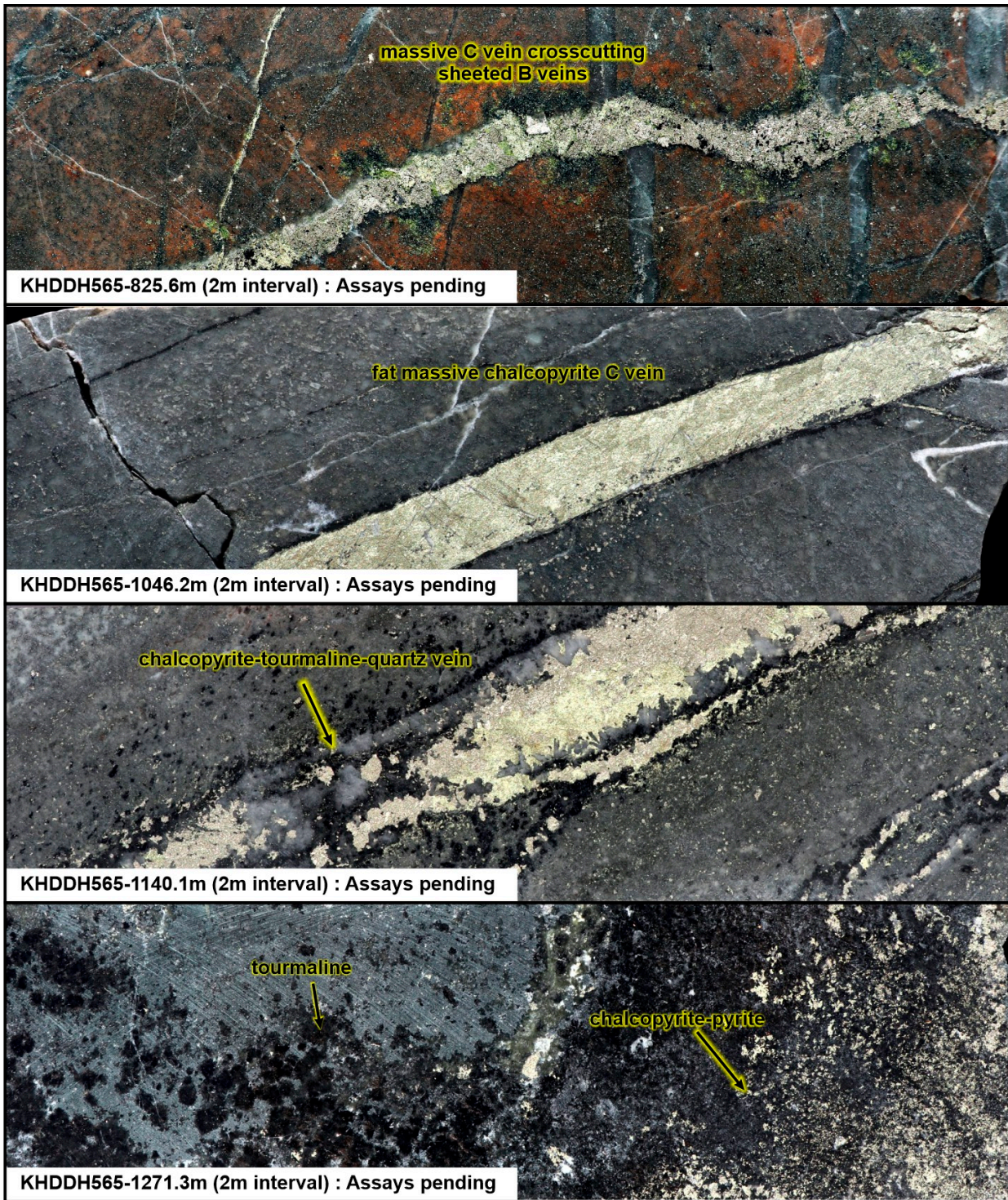


Figure 6. Slab images from KHDDH565, each slab is halved HQ core and 4.36cm tall.

Zaraa Drilling

Three diamond drill holes were completed at Zaraa in March, but assays were delayed as Stockwork Hill drill holes took priority at the laboratory. These holes (KHDDH560, 561, 562) were designed to fill gaps in the drill pattern at Zaraa to allow it to be added to the next Mineral Resource Upgrade. All holes returned low to medium grade porphyry mineralisation indicative of the edges of the Zaraa system. Hole details can be found in **Table 2**.

Red Mountain Copper-Gold Project

During the quarter, Xanadu and the Japan Oil, Gas and Metals National Corporation (**JOGMEC**) continued exploration activities at Red Mountain. During the quarter 4,039m of diamond drilling was completed in six drill holes (**Figure 7**).

The current exploration program has now completed approximately 4,300m of drilling, targeting high-grade porphyry mineralisation. Assay results have been returned for the whole program (**Tables 2 and 3**).

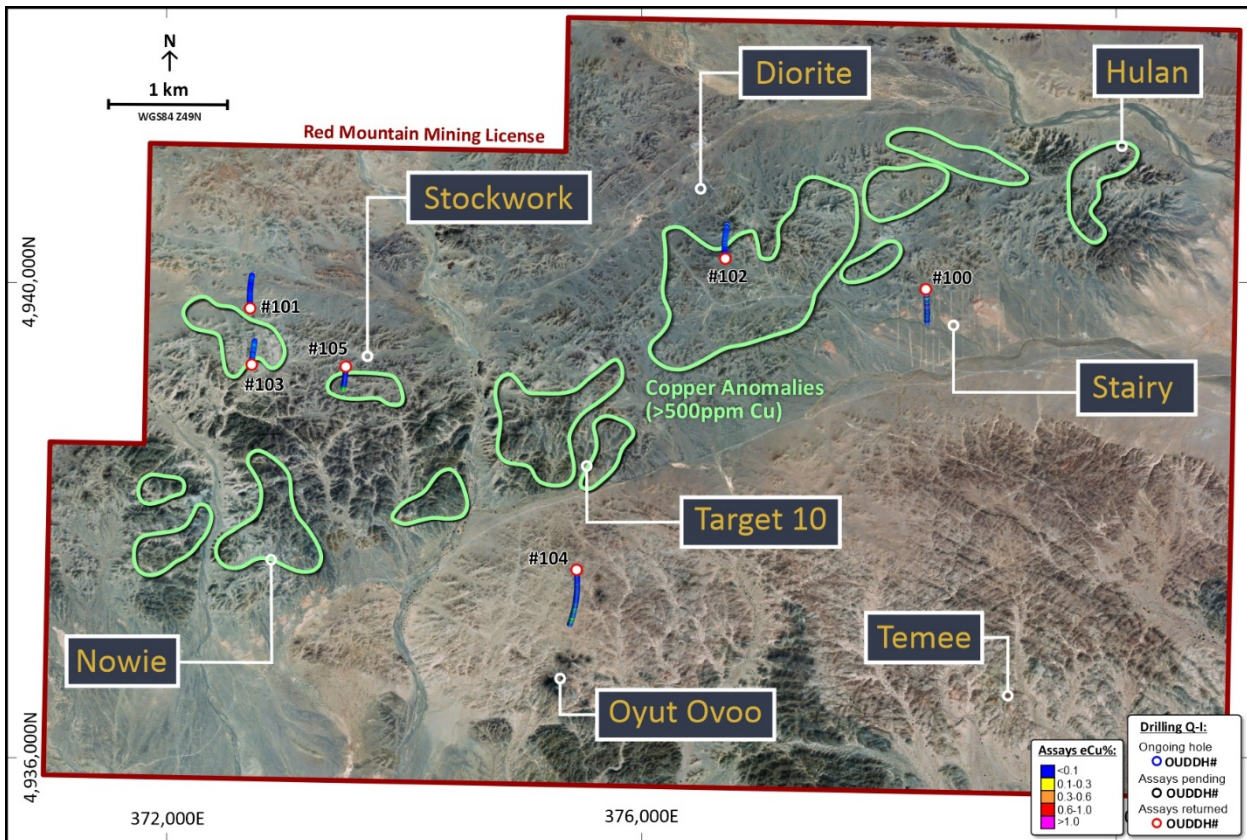


Figure 7. Plan map of the Red Mountain Project showing drilling for the quarter.

Stairy Drilling

Significant results were returned from the Stairy Prospect.

Assay results and geological interpretation from hole drill hole OUDDH100 at the Stairy prospect indicates multiple copper bearing structures with various orientations (**Figure 8**) with local high-grade mineralisation including the highest copper grades yet drilled at Stairy.

The Stairy prospect consists of a 1.5km by 1km zone of sheeted mineralised structures hosted within the Stairy Intrusive in the central east of the Red Mountain Mining Lease. These structures are interpreted to be sub-vertical, up to 24m wide and can extend for over 1km. Copper mineralisation at Stairy consists of bornite and chalcopyrite sulphide with quartz carbonate fill. The current geological interpretations suggest these sheeted structures may be linked to a large-scale porphyry system at depth.

Drill hole OUDDH100 encountered a zone of very high-grade bornite mineralisation (**Figure 8**) from 54m and has returned:

| Hole ID | From | Interval | Cu |
|-----------|------|----------|--------|
| OUDDH100 | 54m | 16m | 4.09% |
| including | 55m | 4m | 15.89% |
| and | 172m | 26m | 0.31% |

The results from this drilling will be compiled and interpreted and follow-up drilling will be planned for second and third quarter of 2021.

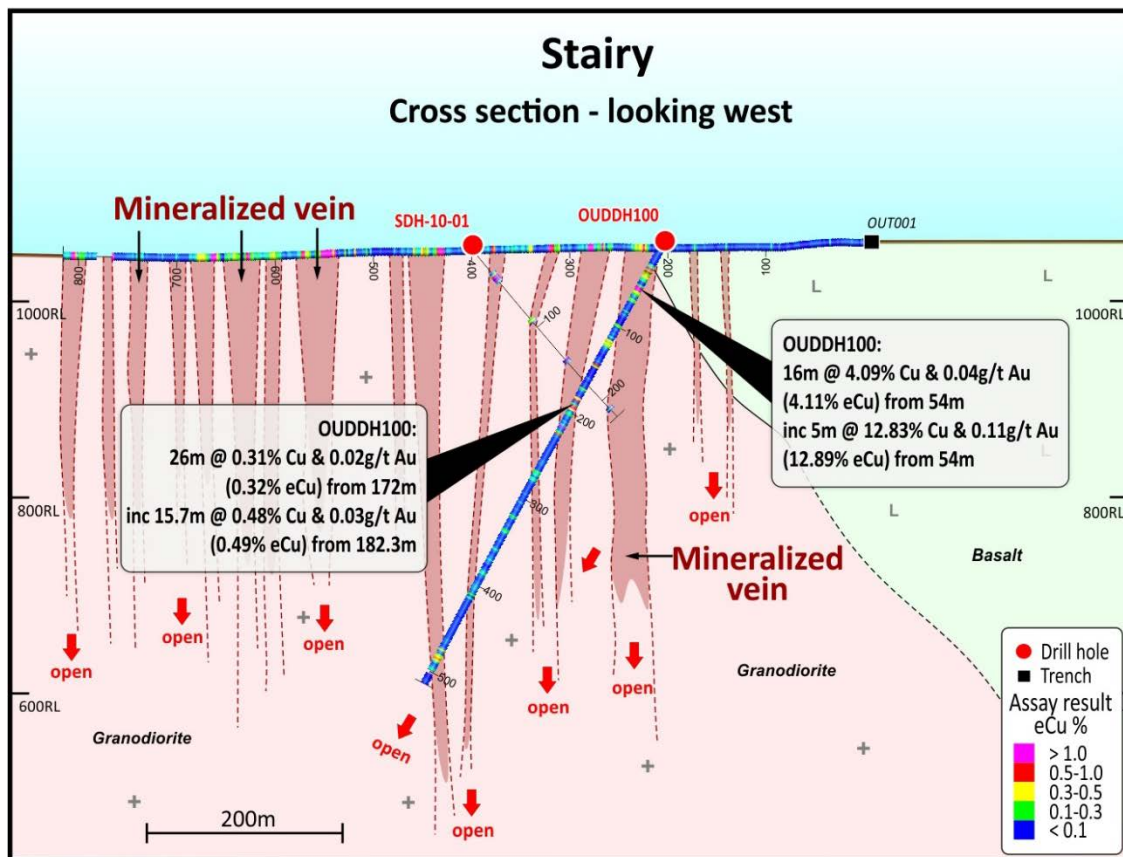


Figure 8. Cross section from the Stairy prospect showing drill hole OUDDH100.

Results of Operations

Table 1. Selected Quarterly Information

| | 31 Mar 2021 \$'000 | Quarter Ended | | 30 Jun 2020 \$'000 |
|---|-----------------------|--------------------------|-----------------------|--------------------------|
| | | 31 Dec 2020 \$'000 | 30 Sep 2020 \$'000 | |
| Gross Exploration Expenditure | | | | |
| Kharmagtai | 1,626 | 2,457 | 1,534 | 538 |
| Red Mountain * | 832 | 242 | 832 | 233 |
| Exploration expenditures capitalised | 1,626 | 2,345 | 1,545 | 540 |
| Impairment of deferred exploration expenditure | - | - | - | - |
| Corporate general and administration | 1,187 | 939 | 937 | 766 |
| Share-based payments | - | - | - | - |
| Depreciation and amortisation | 14 | 15 | 12 | 14 |
| Loss after income tax attributable to owners of XAM | 1,221 | 931 | 642 | 653 |
| Basic loss per share | 0.11 | 0.09 | 0.07 | 0.08 |
| Diluted loss per share | 0.11 | 0.09 | 0.07 | 0.08 |
| Kharmagtai drill metres | 7,984 | 14,380 | 7,209 | 2,598 |
| Red Mountain drill metres | 4,039 | 393 | 3,627 | 301 |

* Red Mountain exploration was funded by JOGMEC Joint Venture and not capitalised

Finance and Corporate

On 31 March 2021, the Company had 1,091,841,522 fully paid ordinary shares on issue and approximately \$4.2 million in cash.

The Company's cash balance increased to approximately \$14.4 million following completion of the recent capital raising in April 2021.

Events Subsequent to the Quarter

On 23 April 2021, Xanadu announced a \$10.2 million Placement to fund drilling at Kharmagtai via issue of 163,776,228 fully-paid ordinary shares at A\$0.062 each. Argonaut Securities Pty Limited (**Argonaut**) and CLSA Australia Pty Ltd (**CLSA**) acted as Joint Lead Managers and bookrunners to the Placement. The Placement is expected to settle on 30 April 2021 and new shares to be allotted and commence trading on 3 May 2021, after which the Company will have 1,255,617,750 fully paid shares on issue and approximately \$14.4 million in cash.

On 9 April 2021, Xanadu announced the appointment of Tony Pearson as a new Non-Executive Director, commencing 3 May 2021. Tony brings significant company director, industry executive, banking and Mongolia experience to the Board, and following this appointment, the Xanadu Board is made up of a majority Independent, Non-Executive Directors.

COVID-19 in Mongolia

The Government of Mongolia has taken a conservative approach to managing COVID-19, and as a result the economy of Mongolia has fared better than many others. Mongolia has already vaccinated a large portion of its population, and as at the date of this report has implemented what may be its final lockdown to help control transmission during the vaccination roll-out.

Mining and exploration facilities have been able to continue operation through this period, and assay lab capacity in Ulaanbaatar has largely operated at normal levels. Assay labs are currently operating at reduced capacity during this final lockdown period.

The Kharmagtai operation continues exploration activities, currently operating two diamond drill rigs. The Red Mountain Stage 2 exploration program was completed in the March quarter, and planning is currently underway between Xanadu and its JV partner JOGMEC for the next stage of drilling.

About Xanadu Mines

Xanadu is an ASX and TSX listed Exploration company operating in Mongolia. We give investors exposure to globally significant, large scale copper-gold discoveries and low-cost inventory growth. Xanadu maintains a portfolio of exploration projects and remains one of the few junior explorers on the ASX or TSX who control an emerging Tier 1 copper-gold deposit in our flagship Kharmagtai project.

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

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

APPENDIX 1: TABLES

Table 2. Drill hole details from the quarter (KH prefix = Kharmagtai, OU prefix = Red Mountain)

| Hole ID | Prospect | East | North | RL | Azimuth (°) | Inc (°) | Depth (m) |
|-----------|----------------|--------|---------|------|-------------|---------|-----------|
| KHDDH559B | Stockwork Hill | 592867 | 4878060 | 1163 | 211 | -35 | 1120.1 |
| KHDDH560 | Zaraa | 594600 | 4876067 | 1289 | 315 | -65 | 1296.5 |
| KHDDH561 | Zaraa | 594547 | 4877457 | 1270 | 135 | -70 | 1330.7 |
| KHDDH562 | Zaraa | 594530 | 4877299 | 1271 | 135 | -70 | 1045.5 |
| KHDDH563 | Stockwork Hill | 592690 | 4877190 | 1296 | 0 | -60 | 951.0 |
| KHDDH564 | Stockwork Hill | 592668 | 4876649 | 1299 | 0 | -60 | 1405.0 |
| KHDDH565 | Stockwork Hill | 593133 | 4877888 | 1280 | 233 | -55 | 1200.0 |
| OUDDH100 | Stairy | 378390 | 4939900 | 1062 | 180 | -60 | 513.6 |
| OUDDH101 | Target 42 | 372700 | 4939800 | 1060 | 0 | -70 | 800.0 |
| OUDDH102 | Bavuu | 376700 | 4940200 | 1073 | 0 | -65 | 700.0 |
| OUDDH103 | Stockwork | 372719 | 4939333 | 1093 | 0 | -65 | 400.0 |
| OUDDH104 | Breccia Hill | 375450 | 4937550 | 1041 | 180 | -60 | 800.0 |
| OUDDH105 | Stockwork | 373506 | 4939259 | 1085 | 180 | -60 | 318.4 |

Table 3. Significant drill results from the quarter (KH prefix = Kharmagtai, OU prefix = Red Mountain)

| Hole ID | Prospect | From (m) | To (m) | Interval (m) | Au (g/t) | Cu (%) | CuEq (%) | AuEq (g/t) |
|-----------|------------------|----------|--------|--------------|----------|--------|----------|------------|
| KHDDH559B | Stockwork Hill | 218 | 226 | 8 | 0.14 | 0.11 | 0.18 | 0.35 |
| | <i>and</i> | 236 | 248 | 12 | 0.09 | 0.06 | 0.10 | 0.20 |
| | <i>and</i> | 284 | 564 | 280 | 0.36 | 0.46 | 0.64 | 1.26 |
| | <i>including</i> | 290 | 294 | 4 | 0.19 | 0.28 | 0.38 | 0.74 |
| | <i>including</i> | 308 | 554 | 246 | 0.40 | 0.51 | 0.71 | 1.39 |
| | <i>including</i> | 318 | 336 | 18 | 0.28 | 0.67 | 0.81 | 1.58 |
| | <i>including</i> | 346 | 472 | 126 | 0.50 | 0.70 | 0.96 | 1.87 |
| | <i>including</i> | 346 | 360 | 14 | 1.23 | 2.36 | 2.99 | 5.84 |
| | <i>including</i> | 370 | 374 | 4 | 0.53 | 1.11 | 1.37 | 2.69 |
| | <i>including</i> | 392 | 414 | 22 | 0.74 | 0.73 | 1.11 | 2.17 |
| | <i>including</i> | 510 | 518 | 8 | 0.97 | 0.27 | 0.76 | 1.49 |
| | <i>including</i> | 534 | 546 | 12 | 0.34 | 0.41 | 0.58 | 1.14 |
| | <i>and</i> | 611.8 | 838 | 226.2 | 1.43 | 0.68 | 1.41 | 2.75 |
| | <i>including</i> | 615 | 790 | 175 | 1.83 | 0.84 | 1.78 | 3.47 |
| | <i>including</i> | 617 | 637 | 20 | 2.09 | 1.09 | 2.16 | 4.22 |
| | <i>including</i> | 617 | 635 | 18 | 2.28 | 1.15 | 2.32 | 4.53 |
| | <i>including</i> | 649 | 783 | 134 | 2.04 | 0.89 | 1.93 | 3.77 |
| | <i>including</i> | 651 | 712 | 61 | 3.76 | 1.43 | 3.36 | 6.57 |
| | <i>including</i> | 756 | 763 | 7 | 1.67 | 1.07 | 1.92 | 3.76 |
| | <i>and</i> | 848 | 908 | 60 | 0.05 | 0.09 | 0.11 | 0.22 |

| Hole ID | Prospect | From (m) | To (m) | Interval (m) | Au (g/t) | Cu (%) | CuEq (%) | AuEq (g/t) |
|------------------|----------------|----------|--------|--------------|----------|--------|----------|------------|
| <i>and</i> | | 928 | 938 | 10 | 0.05 | 0.08 | 0.11 | 0.21 |
| <i>and</i> | | 970.3 | 994 | 23.7 | 0.13 | 0.10 | 0.16 | 0.32 |
| <i>and</i> | | 1115 | 1120.1 | 5.1 | 1.13 | 0.05 | 0.62 | 1.22 |
| KHDDH560 | Zaraa | 239 | 243 | 4 | 0.06 | 0.18 | 0.21 | 0.40 |
| <i>and</i> | | 255 | 259 | 4 | 0.06 | 0.29 | 0.32 | 0.63 |
| <i>and</i> | | 1003.2 | 1017 | 13.8 | 0.09 | 0.05 | 0.10 | 0.19 |
| <i>and</i> | | 1105 | 1109 | 4 | 0.03 | 0.17 | 0.19 | 0.37 |
| <i>and</i> | | 1282.6 | 1296.5 | 13.9 | 0.03 | 0.12 | 0.13 | 0.26 |
| KHDDH561 | Zaraa | 21 | 35 | 14 | 0.18 | 0.03 | 0.12 | 0.24 |
| <i>and</i> | | 45 | 55 | 10 | 0.20 | 0.04 | 0.14 | 0.28 |
| <i>and</i> | | 67 | 137 | 70 | 0.07 | 0.07 | 0.10 | 0.20 |
| <i>and</i> | | 147 | 177 | 30 | 0.20 | 0.12 | 0.22 | 0.43 |
| <i>including</i> | | 159 | 163 | 4 | 0.47 | 0.36 | 0.60 | 1.18 |
| <i>and</i> | | 189 | 259 | 70 | 0.15 | 0.12 | 0.19 | 0.38 |
| <i>and</i> | | 269 | 512 | 243 | 0.21 | 0.19 | 0.30 | 0.59 |
| <i>including</i> | | 297 | 299 | 2 | 0.12 | 0.28 | 0.34 | 0.67 |
| <i>including</i> | | 315 | 358 | 43 | 0.24 | 0.25 | 0.37 | 0.72 |
| <i>including</i> | | 371 | 401 | 30 | 0.36 | 0.23 | 0.41 | 0.81 |
| <i>including</i> | | 411 | 421 | 10 | 0.27 | 0.20 | 0.33 | 0.65 |
| <i>including</i> | | 453.5 | 504.2 | 50.7 | 0.32 | 0.29 | 0.45 | 0.88 |
| <i>including</i> | | 463 | 475 | 12 | 0.39 | 0.33 | 0.53 | 1.04 |
| <i>and</i> | | 532 | 1256 | 724 | 0.07 | 0.15 | 0.19 | 0.37 |
| <i>including</i> | | 532 | 548 | 16 | 0.19 | 0.14 | 0.24 | 0.46 |
| <i>including</i> | | 562 | 572 | 10 | 0.35 | 0.17 | 0.35 | 0.69 |
| <i>including</i> | | 582 | 594 | 12 | 0.14 | 0.23 | 0.30 | 0.58 |
| <i>including</i> | | 680 | 686 | 6 | 0.14 | 0.23 | 0.30 | 0.59 |
| <i>including</i> | | 778 | 795 | 17 | 0.13 | 0.22 | 0.29 | 0.56 |
| <i>including</i> | | 934 | 952 | 18 | 0.09 | 0.24 | 0.29 | 0.57 |
| <i>including</i> | | 1028 | 1045 | 17 | 0.11 | 0.31 | 0.37 | 0.72 |
| <i>including</i> | | 1057 | 1079 | 22 | 0.11 | 0.23 | 0.28 | 0.55 |
| <i>including</i> | | 1185 | 1195 | 10 | 0.10 | 0.31 | 0.36 | 0.71 |
| <i>and</i> | | 1281 | 1325 | 44 | 0.10 | 0.11 | 0.16 | 0.32 |
| <i>including</i> | | 1289 | 1297 | 8 | 0.30 | 0.16 | 0.31 | 0.61 |
| KHDDH562 | Stockwork Hill | 32 | 54 | 22 | 0.18 | 0.04 | 0.13 | 0.26 |
| <i>and</i> | | 72 | 86 | 14 | 0.12 | 0.04 | 0.10 | 0.20 |
| <i>and</i> | | 120 | 138 | 18 | 1.21 | 0.05 | 0.67 | 1.31 |
| <i>including</i> | | 120 | 124 | 4 | 1.42 | 0.05 | 0.78 | 1.52 |
| <i>including</i> | | 134 | 138 | 4 | 3.55 | 0.12 | 1.93 | 3.78 |
| <i>and</i> | | 148 | 204 | 56 | 0.17 | 0.05 | 0.13 | 0.26 |
| <i>and</i> | | 219 | 772.4 | 553.4 | 0.19 | 0.22 | 0.32 | 0.62 |
| <i>including</i> | | 441 | 447 | 6 | 0.26 | 0.24 | 0.37 | 0.73 |
| <i>including</i> | | 467 | 491 | 24 | 0.16 | 0.20 | 0.28 | 0.55 |

| Hole ID | Prospect | From (m) | To (m) | Interval (m) | Au (g/t) | Cu (%) | CuEq (%) | AuEq (g/t) |
|-----------------------|----------------|----------|--------|--------------|----------|--------|----------|------------|
| <i>including</i> | | 507 | 550 | 43 | 0.24 | 0.24 | 0.36 | 0.70 |
| <i>including</i> | | 566 | 772.4 | 206.4 | 0.31 | 0.36 | 0.52 | 1.02 |
| <i>including</i> | | 572.7 | 623 | 50.3 | 0.50 | 0.45 | 0.70 | 1.37 |
| <i>including</i> | | 659 | 663 | 4 | 0.34 | 0.57 | 0.74 | 1.45 |
| <i>including</i> | | 720 | 755 | 35 | 0.37 | 0.42 | 0.61 | 1.18 |
| <i>and</i> | | 782 | 1045.5 | 263.5 | 0.17 | 0.22 | 0.31 | 0.60 |
| <i>including</i> | | 784 | 842 | 58 | 0.24 | 0.34 | 0.46 | 0.90 |
| <i>including</i> | | 784 | 810.6 | 26.6 | 0.33 | 0.41 | 0.58 | 1.13 |
| <i>including</i> | | 865 | 869 | 4 | 0.32 | 0.49 | 0.66 | 1.28 |
| <i>including</i> | | 888 | 922 | 34 | 0.32 | 0.38 | 0.54 | 1.06 |
| <i>including</i> | | 888 | 902 | 14 | 0.47 | 0.53 | 0.77 | 1.51 |
| <i>including</i> | | 969 | 982.4 | 13.4 | 0.10 | 0.20 | 0.25 | 0.48 |
| <i>including</i> | | 1002 | 1006 | 4 | 0.75 | 0.18 | 0.57 | 1.11 |
| KHDDH563 | Stockwork Hill | 322 | 332 | 10 | 0.06 | 0.12 | 0.15 | 0.29 |
| <i>and</i> | | 648.6 | 830 | 181.4 | 1.78 | 0.68 | 1.59 | 3.11 |
| <i>including</i> | | 651 | 820 | 169 | 1.91 | 0.72 | 1.70 | 3.32 |
| <i>including</i> | | 664 | 668 | 4 | 0.40 | 0.52 | 0.72 | 1.41 |
| <i>including</i> | | 680 | 785.6 | 105.6 | 2.89 | 0.99 | 2.46 | 4.82 |
| <i>including</i> | | 686 | 778 | 92 | 3.23 | 1.06 | 2.71 | 5.30 |
| <i>and</i> | | 860 | 937.1 | 77.1 | 0.10 | 0.19 | 0.24 | 0.47 |
| <i>including</i> | | 888 | 892 | 4 | 0.07 | 0.30 | 0.34 | 0.66 |
| <i>including</i> | | 906 | 936 | 30 | 0.16 | 0.27 | 0.35 | 0.69 |
| <i>including</i> | | 928 | 934 | 6 | 0.38 | 0.42 | 0.62 | 1.20 |
| <i>and</i> | | 947.5 | 951 | 3.5 | 0.05 | 0.35 | 0.38 | 0.74 |
| KHDDH564 | Stockwork Hill | 45 | 95 | 50 | 0.05 | 0.13 | 0.16 | 0.31 |
| <i>and</i> | | 129 | 286.2 | 157.2 | 0.05 | 0.17 | 0.20 | 0.39 |
| <i>including</i> | | 129 | 136 | 7 | 0.06 | 0.26 | 0.29 | 0.57 |
| <i>including</i> | | 242 | 246 | 4 | 0.09 | 0.31 | 0.35 | 0.69 |
| <i>including</i> | | 257 | 265 | 8 | 0.08 | 0.26 | 0.30 | 0.59 |
| <i>and</i> | | 965 | 971 | 6 | 0.04 | 0.14 | 0.16 | 0.32 |
| <i>and</i> | | 1052 | 1055 | 3 | 1.14 | 0.03 | 0.61 | 1.19 |
| <i>and</i> | | 1176 | 1207 | 31 | 0.12 | 0.53 | 0.59 | 1.15 |
| <i>including</i> | | 1183 | 1201 | 18 | 0.15 | 0.79 | 0.86 | 1.68 |
| <i>including</i> | | 1183 | 1187 | 4 | 0.24 | 1.22 | 1.35 | 2.63 |
| <i>Assays pending</i> | | | | | | | | |
| KHDDH565 | Stockwork Hill | 69 | 79 | 10 | 0.12 | 0.05 | 0.12 | 0.23 |
| <i>and</i> | | 183 | 215 | 32 | 0.19 | 0.12 | 0.22 | 0.43 |
| <i>including</i> | | 197 | 211 | 14 | 0.32 | 0.17 | 0.33 | 0.65 |
| <i>and</i> | | 247 | 263 | 16 | 0.05 | 0.07 | 0.10 | 0.19 |
| <i>and</i> | | 323 | 482 | 159 | 0.21 | 0.31 | 0.41 | 0.81 |
| <i>including</i> | | 361 | 427 | 66 | 0.37 | 0.52 | 0.70 | 1.38 |
| <i>including</i> | | 369 | 395 | 26 | 0.56 | 0.77 | 1.06 | 2.07 |

| Hole ID | Prospect | From (m) | To (m) | Interval (m) | Au (g/t) | Cu (%) | CuEq (%) | AuEq (g/t) |
|-----------------------|--------------|----------|--------|--------------|----------|--------|----------|------------|
| <i>including</i> | | 369 | 377 | 8 | 0.64 | 1.18 | 1.51 | 2.94 |
| <i>including</i> | | 389 | 395 | 6 | 0.83 | 0.83 | 1.26 | 2.46 |
| <i>including</i> | | 409 | 425 | 16 | 0.40 | 0.48 | 0.68 | 1.33 |
| <i>including</i> | | 445 | 453 | 8 | 0.37 | 0.83 | 1.02 | 2.00 |
| <i>including</i> | | 445 | 451 | 6 | 0.40 | 0.97 | 1.17 | 2.30 |
| <i>and</i> | | 522 | 538 | 16 | 0.33 | 0.23 | 0.40 | 0.78 |
| <i>including</i> | | 526 | 538 | 12 | 0.41 | 0.29 | 0.50 | 0.99 |
| <i>and</i> | | 558 | 604 | 46 | 0.03 | 0.10 | 0.11 | 0.22 |
| <i>Assays pending</i> | | | | | | | | |
| OUDDH100 | Stairy | 30 | 44 | 14 | 0.02 | 0.37 | 0.38 | 0.75 |
| <i>including</i> | | 32 | 42 | 10 | 0.02 | 0.44 | 0.45 | 0.87 |
| <i>and</i> | | 54 | 70 | 16 | 0.04 | 4.09 | 4.11 | 8.04 |
| <i>including</i> | | 54 | 59 | 5 | 0.11 | 12.83 | 12.89 | 25.20 |
| <i>including</i> | | 55 | 59 | 4 | 0.12 | 15.85 | 15.91 | 31.11 |
| <i>and</i> | | 116 | 124 | 8 | 0.02 | 0.22 | 0.23 | 0.46 |
| <i>including</i> | | 116 | 122 | 6 | 0.02 | 0.25 | 0.26 | 0.51 |
| <i>and</i> | | 144 | 148 | 4 | 0.03 | 0.34 | 0.36 | 0.70 |
| <i>and</i> | | 172 | 198 | 26 | 0.02 | 0.31 | 0.32 | 0.62 |
| <i>including</i> | | 182.3 | 198 | 15.7 | 0.03 | 0.48 | 0.49 | 0.97 |
| <i>and</i> | | 216 | 226 | 10 | 0.03 | 0.30 | 0.31 | 0.61 |
| <i>and</i> | | 474 | 488 | 14 | 0.01 | 0.21 | 0.21 | 0.42 |
| <i>including</i> | | 474 | 486 | 12 | 0.01 | 0.21 | 0.21 | 0.42 |
| OUDDH102 | Bavuu | 266 | 270 | 4 | 0.16 | 0.38 | 0.46 | 0.90 |
| <i>and</i> | | 654 | 668 | 14 | 0.04 | 0.14 | 0.16 | 0.32 |
| OUDDH104 | Breccia Hill | 467 | 471 | 4 | 0.02 | 0.34 | 0.35 | 0.69 |
| <i>and</i> | | 534 | 540 | 6 | 0.01 | 0.11 | 0.12 | 0.22 |
| <i>and</i> | | 578 | 581.4 | 3.4 | 0.01 | 0.15 | 0.15 | 0.30 |
| <i>and</i> | | 675 | 695 | 20 | 0.01 | 0.11 | 0.12 | 0.23 |
| <i>and</i> | | 725 | 735 | 10 | 0.01 | 0.15 | 0.16 | 0.31 |
| OUDDH105 | Stockwork | 254 | 318.4 | 64.4 | 0.02 | 0.09 | 0.10 | 0.21 |

APPENDIX 2: STATEMENTS AND DISCLAIMERS

MINERAL RESOURCES AND ORE RESERVES REPORTING REQUIREMENTS

The 2012 Edition of the *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves* (the **JORC Code 2012**) sets out minimum standards, recommendations and guidelines for Public Reporting in Australasia of Exploration Results, Mineral Resources and Ore Reserves. The Information contained in this Announcement has been presented in accordance with the JORC Code 2012.

MINERAL RESOURCES AND ORE RESERVES

The previously reported resource estimates for Kharmagtai have not changed. For information regarding these resources please see the Company's ASX/TSX Announcement dated 31 October 2018.

MINING ACTIVITIES

There were no mine production or development activities during the quarter.

LIST OF TENEMENTS

Xanadu held licenses for the following tenements during the quarter. The early stage Yellow Mountain project is no longer listed, as the license expired in May 2020. Following a Mongolia Appellate Court decision during the December quarter of 2020 and due to overlap with environmentally protected areas, Xanadu no longer expects the Yellow Mountain license to be renewed. No new farm-in or farm-out agreements were entered into during the quarter.

Table 4. Licenses and Projects Held by Xanadu

| Project Name | Tenement Name | Beneficial Ownership Start of Quarter | Beneficial Ownership End of Quarter | Location |
|----------------|---------------|---------------------------------------|-------------------------------------|--|
| Red Mountain * | Red Mountain | 90% | 90% | Mongolia, Dornogobi province, Saikhandulaan soum |
| Kharmagtai | Kharmagtai | 76.5% | 76.5% | Mongolia, Umnugobi province, Tsogttsetsii soum |

* Red Mountain is subject to a Joint Exploration Agreement with Japan Oil and Gas Exploration Company (JOGMEC), under which JOGMEC may earn a 51% interest in the project by sole funding USD7.2 million of exploration over four years. Xanadu is the operator during the earn-in period.

COMPETENT 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 JORC Code 2012 and the National Instrument 43-101 *Standards of Disclosure for Mineral Projects*, issued by the Ontario Securities Commission. Dr Stewart consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

COPPER EQUIVALENT CALCULATIONS

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 Global Pty Ltd (**CSA**) in the 2018 Mineral Resource Upgrade.

Copper equivalent (**eCu**) grade values were calculated using the following formula:

$$eCu = Cu + Au * 0.62097 * 0.8235,$$

Where Cu = copper grade (%); Au = gold grade (gold per tonne (**g/t**)); 0.62097 = conversion factor (gold to copper); and 0.8235 = relative recovery of gold to copper (82.35%).

The copper equivalent formula was based on the following parameters (prices are in USD): Copper price = 3.1 \$/lb (or 6,834 \$ per tonne (**\$/t**)); Gold price = 1,320 \$ per ounce (**\$/oz**); Copper recovery = 85%; Gold recovery = 70%; and Relative recovery of gold to copper = 70% / 85% = 82.35%.

RELATED PARTIES

As set out in section 6.1 of the attached Appendix 5B, *Mining exploration entity or oil and gas exploration entity quarterly cash flow report*, payments made to related parties and their associates was \$518k in the quarter ended 31 March 2021. The amounts relate to salary, superannuation and bonus payments to Directors; legal fees paid to HopgoodGanim Lawyers (a company associated with Xanadu Non-Executive Director Michele Muscillo) for legal services; rent paid to Xanadu Executive Director Ganbayar Lkhagvasuren in relation to Xanadu's Ulaanbaatar office; rent and consulting fees paid to Colin Moorhead & Associates (a company associated with Xanadu Chairman Colin Moorhead) in relation to Xanadu's Melbourne office, geology and sustainability consultants; and rent paid to Bastion Minerals (a company in which Xanadu CEO and Executive Director Dr Andrew Stewart is a Non-Executive Director) in relation to Xanadu's Sydney office.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Announcement, including information as to the future financial or operating performance of Xanadu and its projects may also include statements which are 'forward-looking statements' that may include, amongst other things, statements regarding targets, estimates and assumptions in respect of mineral reserves and mineral resources and anticipated grades and recovery rates, production and prices, recovery costs and results, capital expenditures and are or may be based on assumptions and estimates related to future technical, economic, market, political, social and other conditions. These 'forward-looking statements' are necessarily based upon a number of estimates and assumptions that, while considered reasonable by Xanadu, are inherently subject to significant technical, business, economic, competitive, political and social uncertainties and contingencies and involve known and unknown risks and uncertainties that could cause actual events or results to differ materially from estimated or anticipated events or results reflected in such forward-looking statements.

Xanadu disclaims any intent or obligation to update publicly or release any revisions to any forward-looking statements, whether as a result of new information, future events, circumstances or results or otherwise after the date of this Announcement or to reflect the occurrence of unanticipated events, other than required by the *Corporations Act 2001 (Cth)* and the Listing Rules of the Australian Securities Exchange (**ASX**) and Toronto Stock Exchange (**TSX**). The words 'believe', 'expect', 'anticipate', 'indicate', 'contemplate', 'target', 'plan', 'intends', 'continue', 'budget', 'estimate', 'may', 'will', 'schedule' and similar expressions identify forward-looking statements.

All 'forward-looking statements' made in this Announcement are qualified by the foregoing cautionary statements. Investors are cautioned that 'forward-looking statements' are not guarantee of future performance and accordingly investors are cautioned not to put undue reliance on 'forward-looking statements' due to the inherent uncertainty therein.

For further information please visit the Xanadu Mines web site www.xanadumines.com.

APPENDIX 3: 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 11 April 2019.

JORC TABLE 1 - SECTION 1 –SAMPLING TECHNIQUES AND DATA

| Criteria | Commentary |
|---|---|
| Sampling techniques | <ul style="list-style-type: none"> Representative 2 metre samples were taken from ½ HQ diamond core. Only assay results from recognised, independent assay laboratories were used after QAQC was verified. |
| Drilling techniques | <ul style="list-style-type: none"> Diamond Drill Hole (DDH) drilling has been the primary drilling method. Some RC (reverse circulation) is conducted. RC holes are denoted by the KHRC prefix. Diamond Drill Holes are denoted by the KHDDH prefix. |
| Drill sample recovery | <ul style="list-style-type: none"> DDH core recoveries have been very good, averaging between 95% 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 and RC 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 | <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> 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 generally a constant 2m interval down-hole in length unless subdivided at geological contacts. 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 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 | <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 limit (LDL) of 0.01 ppm. All samples were submitted to ALS Mongolia for the package ME-ICP61 using a four acid digest. 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. |

| Criteria | Commentary |
|--|---|
| | <ul style="list-style-type: none"> • 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 QA/QC 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 as soon as practicable. |
| Verification of sampling and assaying | <ul style="list-style-type: none"> • All assay data QA/QC is checked prior to loading into the Geobank data base. • The data is managed by Xanadu geologists. • The database and geological interpretation is collectively managed by Xanadu. |
| Location of data points | <ul style="list-style-type: none"> • Diamond drill holes 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 digital terrain model (DTM) is based on 1m contours with an accuracy of $\pm 0.01m$. |
| Data spacing and distribution | <ul style="list-style-type: none"> • CSAMT receiver nodes were place at 200m spacings to allow a potential maximum depth penetration of 1000m. • 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 both porphyry, tourmaline breccia and epithermal target types. |
| Orientation of data in relation to geological structure | <ul style="list-style-type: none"> • Drilling is conducted in a predominantly regular grid to allow unbiased interpretation and targeting. • Sample lines for the CSAMT survey were conducted roughly perpendicular to the gross geological trend |
| Sample security | <ul style="list-style-type: none"> • 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 | <ul style="list-style-type: none"> • CSAMT data from the survey was reviewed and audited by Barry de Wet, an external consultant. • Internal audits of sampling techniques and data management on a regular basis, to ensure industry best practice is employed at all times. |

JORC TABLE 1 - SECTION 2 - REPORTING OF EXPLORATION RESULTS

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

| Criteria | Commentary |
|--|--|
| Mineral tenement and land tenure status | <ul style="list-style-type: none"> The Project comprises 2 Mining Licences (MV-17129A Oyut Ulaan and (MV-17387A Kharmagtai) <ul style="list-style-type: none"> Xanadu now owns 90% of Vantage LLC, the 100% owner of the Oyut Ulaan mining licence. 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 exploration, mining and land use rights for the project. |
| Exploration done by other parties | <ul style="list-style-type: none"> Previous exploration at Kharmagtai was conducted by Quincunx Ltd, Ivanhoe Mines Ltd and Turquoise Hill Resources Ltd including extensive drilling, surface geochemistry, geophysics, mapping. Previous exploration at Red Mountain (Oyut Ulaan) was conducted by Ivanhoe Mines. |
| Geology | <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 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 | <ul style="list-style-type: none"> Diamond drill holes are the principal source of geological and grade data for the Project. See figures in this ASX/TSX Announcement. |
| Data Aggregation methods | <ul style="list-style-type: none"> A nominal cut-off of 0.1% eCu is used in copper dominant systems for identification of potentially significant intercepts for reporting purposes. Higher grade cut-offs are 0.3%, 0.6% and 1% eCu. A nominal cut-off of 0.1g/t eAu is used in gold dominant systems like Golden Eagle for identification of potentially significant intercepts for reporting purposes. Higher grade cut-offs are 0.3g/t, 0.6g/t and 1g/t eAu. Maximum contiguous dilution within each intercept is 9m for 0.1%, 0.3%, 0.6% and 1% eCu. Most of the reported intercepts are shown in sufficient detail, including maxima and subintervals, to allow the reader to make an assessment of the balance of high and low grades in the intercept. Informing samples have been composited to two metre lengths honouring the geological domains and adjusted where necessary to ensure that no residual sample lengths have been excluded (best fit). |

| Criteria | Commentary |
|---|--|
| | <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 (%)</p> <p>Au - gold grade (g/t)</p> <p>0.62097 - conversion factor (gold to copper)</p> <p>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% • Relative recovery of gold to copper = 70% / 85% = 82.35%. |
| <p>Relationship between mineralisation on widths and intercept lengths</p> | <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 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. |
| <p>Diagrams</p> | <ul style="list-style-type: none"> • See figures in the body of the report. |
| <p>Balanced reporting</p> | <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. |
| <p>Other substantive exploration data</p> | <ul style="list-style-type: none"> • Extensive work in this area has been done and is reported separately. |

| Criteria | Commentary |
|---------------------|---|
| Further Work | <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 RLI) shows widths and grades potentially suitable for underground extraction.• Exploration on going. |

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

Section 3 is not included, as this Announcement contains no new Mineral Resources and no material changes to existing Mineral Resources.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

| |
|-------------------------|
| Xanadu Mines Ltd |
|-------------------------|

ABN

| |
|-----------------------|
| 92 114 249 026 |
|-----------------------|

Quarter ended ("current quarter")

| |
|----------------------|
| 31 March 2021 |
|----------------------|

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|---|------------------------------------|--|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | | |
| 1.2 Payments for | | |
| (a) exploration & evaluation | | |
| (b) development | | |
| (c) production | | |
| (d) staff costs | (744) | (744) |
| (e) administration and corporate costs | (691) | (691) |
| 1.3 Dividends received (see note 3) | | |
| 1.4 Interest received | | |
| 1.5 Interest and other costs of finance paid | | |
| 1.6 Income taxes paid | | |
| 1.7 Government grants and tax incentives | | |
| 1.8 Other (provide details if material) | | |
| 1.9 Net cash from / (used in) operating activities | (1,435) | (1,435) |
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire or for: | | |
| (a) entities | | |
| (b) tenements | | |
| (c) property, plant and equipment | | |
| (d) exploration & evaluation | (2,528) | (2,528) |
| (e) investments | | |
| (f) other non-current assets | | |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|--------------------------------------|---|----------------------------|---------------------------------------|
| 2.2 | Proceeds from the disposal of: | | |
| | (a) entities | | |
| | (b) tenements | | |
| | (c) property, plant and equipment | | |
| | (d) investments | | |
| | (e) 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) <i>proceeds from JOGMEC Red Mountain Earn-In payments</i> | 526 | 526 |
| 2.6 | Net cash from / (used in) investing activities | (2,002) | (2,002) |

| | | | |
|-------------|--|-------------|-------------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | | |
| 3.2 | Proceeds from issue of convertible debt securities | | |
| 3.3 | Proceeds from exercise of options | | |
| 3.4 | Transaction costs related to issues of equity securities or convertible debt securities | | |
| 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) <i>repayment of leases and other finance cost paid</i> | (17) | (17) |
| 3.10 | Net cash from / (used in) financing activities | (17) | (17) |

| | | | |
|-----------|--|---------|---------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 7,687 | 7,687 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (1,435) | (1,435) |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|---|--|------------------------------------|--|
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (2,002) | (2,002) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | (17) | (17) |
| 4.5 | Effect of movement in exchange rates on cash held | (7) | (7) |
| 4.6 | Cash and cash equivalents at end of period | 4,226 | 4,226 |

| 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 | 4,226 | 7,687 |
| 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) | 4,226 | 7,687 |

| 6. | Payments to related parties of the entity and their associates | Current quarter \$A'000 |
|---|---|------------------------------------|
| 6.1 | Aggregate amount of payments to related parties and their associates included in item 1 | 518 |
| 6.2 | Aggregate amount of payments to related parties and their associates included in item 2 | - |
| <i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i> | | |

| 7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i> | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|---|---|--|
| 7.1 Loan facilities | - | - |
| 7.2 Credit standby arrangements | - | - |
| 7.3 Other (please specify) | - | - |
| 7.4 Total financing facilities | - | - |
| 7.5 Unused financing facilities available at quarter end | | - |
| 7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well. | | |

| 8. Estimated cash available for future operating activities | \$A'000 |
|---|----------------|
| 8.1 Net cash from / (used in) operating activities (item 1.9) | (1,435) |
| 8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d)) | (2,528) |
| 8.3 Total relevant outgoings (item 8.1 + item 8.2) | (3,963) |
| 8.4 Cash and cash equivalents at quarter end (item 4.6) | 4,226 |
| 8.5 Unused finance facilities available at quarter end (item 7.5) | - |
| 8.6 Total available funding (item 8.4 + item 8.5) | 4,226 |
| 8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3) | 1.1 |
| <i>Note: if the entity has reported positive relevant outgoings (i.e. a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i> | |
| 8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions: | |
| 8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not? | |
| Answer: Xanadu expects to continue at similar levels of cash flow. | |
| 8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful? | |
| Answer: Xanadu announced a \$10.2 million equity placement on 23 April 2021 to fund continued operations, which is expected to settle on 30 April 2021. | |

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Xanadu will be able to continue operations per its business strategy following recently announced \$10.2 million equity placement.

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

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.

Date: 30 April 2021

Authorised by: By the board

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee - e.g. Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.