XANADU MINES

ASX/TSX ANNOUNCEMENT
By electronic lodgement

First Quarter 2021 Financial Statements and MD&A

13 May 2021

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

BY ELECTRONIC LODGEMENT

First Quarter 2021 Financial Statements and Management's Discussion & Analysis

Please find attached for release to the market, Xanadu Mining Ltd's *First Quarter 2021 Financial Statements and Management's Discussion & Analysis*, prepared in accordance with National Instrument 51-102 *Continuous Disclosure Obligations* and NI 51-102F1 M*anagement's Discussion and Analysis*, issued by the Canadian Securities Administrators, for lodgement on the Canadian *System for Electronic Document Analysis and Retrieval* (**SEDAR**).

-ENDS-

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About Xanadu Mines Ltd:

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 information on Xanadu visit: www.xanadumines.com

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

XANADU MINES

Xanadu Mines Ltd
First Quarter 2021 Report
Condensed Interim Consolidated Financial Statements

As at and for the three months ended March 31, 2021

Unaudited
(stated in Australian dollars, unless otherwise indicated)

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Unaudited Condensed Interim Consolidated Financial Statements

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102 *Continuous Disclosure Obligations* issued by the Canadian Securities Administrators, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Xanadu Mines Ltd (**Xanadu** or the **Company**) have been prepared by and are the responsibility of the Company's Management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by CPA Canada for a review of interim financial statements by an entity's auditor.

CONDENSED INTERIM CONSOLIDATED STATEMENTS PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(Unaudited - stated in thousands of Australian dollars, except share and per share amounts)

	Note	Consolidated	
		3 months ending Mar 31, 2021 A$'000	3 months ending Mar 31, 2020 A$'000
Revenue			
Other income		-	1
Expenses			
Other expenses	5	(1,187)	(688)
Depreciation and amortisation expense		(14)	(14)
Finance costs		(8)	(5)
Loss before income tax expense		**(1,209)**	**(706)**
Income tax expense		-	-
Loss after income tax expense for the period		**(1,209)**	**(706)**
Other comprehensive income profit/(loss)			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		519	5,315
Other comprehensive income profit/(loss) for the period, net of tax		519	5,315
Total comprehensive income profit/(loss) for the period		**(690)**	**4,609**
Profit/(loss) for the period is attributable to:			
Non-controlling interest		12	-
Owners of Xanadu Mines Ltd		(1,221)	(706)
		(1,209)	**(706)**
Total comprehensive income profit/(loss) for the period is attributable to:			
Non-controlling interest		67	(948)
Owners of Xanadu Mines Ltd		(757)	5,557
		(690)	**4,609**
		Cents	**Cents**
Basic earnings per share	11	(0.11)	(0.09)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited - stated in thousands of Australian dollars)

	Note	Consolidated Mar 31, 2021 A$'000	Consolidated Dec 31, 2020 A$'000
ASSETS			
Current Assets			
Cash and cash equivalents		4,226	7,687
Other receivables		92	145
Prepayments and other assets		209	201
Total current assets		4,527	8,033
Non-current Assets			
Property, plant and equipment		169	128
Right-of-use-assets		203	238
Deferred exploration and evaluation expenditure	6	45,448	43,317
Total non-current assets		45,820	43,683
Total Assets		**50,347**	**51,716**
LIABILITIES			
Current Liabilities			
Trade and other payables		182	547
Contract liabilities		-	306
Employee benefits		6	5
Lease liabilities		55	64
Total current liabilities		243	922
Non-current Liabilities			
Lease liabilities		88	88
Total non-current liabilities		88	88
Total Liabilities		**331**	**1,010**
Net Assets		**50,016**	**50,706**
EQUITY			
Issued capital	7	136,005	136,005
Reserves		(6,310)	(6,774)
Accumulated losses		(83,418)	(82,197)
Equity attributable to the owners of Xanadu Mines Ltd		46,277	47,034
Non-controlling interest		3,739	3,672
Total Equity		**50,016**	**50,706**

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited - stated in thousands of Australian dollars)

Consolidated	Issued capital A$'000	Share-based payments reserve A$'000	Foreign currency translation reserve A$'000	Transactions with owners' reserve A$'000	Accumulated losses A$'000	Non-controlling interest A$'000	Total equity A$'000
Balance at January 1, 2020	120,909	10,016	(10,843)	(537)	(79,265)	4,554	44,834
Loss after income tax expense for the period	-	-	-	-	(706)	-	(706)
Other comprehensive income profit/(loss) for the period, net of tax	-	-	6,263	-	-	(948)	5,315
Total comprehensive income profit/(loss) for the period	-	-	6,263	-	(706)	(948)	4,609
Transactions with owners in their capacity as owners:							
Share-based payments		-	-	-	-	-	-
Shares issued during the year	2,584	-	-	-	-	-	2,584
Transaction costs	-	-	-	-	-	-	-
Other		-	101	-			101
Balance at March 31, 2020	123,493	10,016	(4,479)	(537)	(79,971)	3,606	52,128

Consolidated	Issued capital A$'000	Share-based payments reserve A$'000	Foreign currency translation reserve A$'000	Transactions with owners' reserve A$'000	Accumulated losses A$'000	Non-controlling interest A$'000	Total equity A$'000
Balance at January 1, 2021	136,005	10,016	(16,253)	(537)	(82,197)	3,672	50,706
Loss after income tax expense for the period	-	-	-	-	(1,221)	12	(1,209)
Other comprehensive income loss for the period, net of tax	-	-	464	-	-	55	519
Total comprehensive income loss for the period	-	-	464	-	(1,221)	67	(690)
Transactions with owners in their capacity as owners:							
Share-based payments		-	-	-	-	-	-
Shares issued during the year	-	-	-	-	-	-	-
Transaction costs	-	-	-	-	-	-	-
Balance at March 31, 2021	136,005	10,016	(15,789)	(537)	(83,418)	3,739	50,016

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited - stated in thousands of Australian dollars)

	Note	Consolidated 3 months ending Mar 31, 2021 A$'000	Consolidated 3 months ending Mar 31, 2020 A$'000
Cash flows from operating activities			
Payments to suppliers and employees		(1,435)	(467)
Interest received		-	1
Net cash used in operating activities		(1,435)	(466)
Cash flows from investing activities			
Payment for exploration and evaluation expenditure	6	(1,696)	(760)
Payment for exploration and evaluation on behalf of JOGMEC	6	(832)	-
Proceeds from JOGMEC Red Mountain earn-in payments	6	526	-
Net cash used in investing activities		(2,002)	(760)
Cash flows from financing activities			
Proceeds from issue of shares		-	2,584
Repayment of lease liabilities		(9)	-
Interest and other finance costs paid		(8)	(5)
Net cash from/(used in) financing activities		(17)	2,579
Net increase/(decrease) in cash and cash equivalents		(3,449)	1,353
Cash and cash equivalents at the beginning of the financial period		7,687	1,209
Effects of exchange rate changes on cash and cash equivalents		(7)	52
Cash and cash equivalents at the end of the financial period		4,226	2,614

Notes to the Condensed Interim Consolidated Financial Statements

Note 1. Corporate information

Xanadu Mines Ltd (the **Company**) was incorporated on May 12, 2005 and is the ultimate holding company for the Xanadu group (**Group**). The unaudited financial statements of the Company and its controlled entities are for the period ended March 31, 2021. The nature of the operations and principal activities of the Group are described in the review of operations.

Note 2. Significant accounting policies

These general purpose financial statements for the interim reporting period ended March 31, 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Australian *Corporations Act 2001 (Cth)* (**Corporations Act**), as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended December 31, 2020 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (**AASB**) that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern basis of accounting

The Group has incurred net losses after tax of $1,209,000 and net cash outflows from operations of $1,435,000 for the period ended March 31, 2021. At period end, cash and cash equivalents were $4,226,000.

As the Group is in the exploration stage and does not generate operating cash inflows, the Group is dependent on further capital raises or external financing to maintain operations. While the Company has the ability to reduce costs, this would be at the expense of the exploration program, and as a result this is not the current intention of the Group.

Note that during the period ended December 31, 2020, the Company raised $15.1 million through equity issuances to fund the ongoing exploration program at Kharmagtai.

The Directors have assessed that the Group is and will remain a going concern and believes that the going concern basis of preparation of the accounts is appropriate, however is subject to Group's ability to implement the following potential actions:

- scale back or deferral of exploration expenditure;
- deferral of discretionary operating and capital expenditures if required;
- raising equity funds in capital markets, based on a history of successful equity raisings;
- raising of debt funding if required; and
- enter into farm-out, sell down or joint venture agreements, such as the Red Mountain earn-in agreement with Japan Oil, Gas and Metals National Corporation (**JOGMEC**) announced on March 24, 2020 (**Joint Exploration Agreement**).

Should the Group not be successful in managing its cashflow through the above means, there may be uncertainty whether the Group would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. This financial report does not include adjustments relating to the recoverability or classification of the recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission (**ASIC**), relating to 'rounding-off'. Amounts in this financial report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Carrying value of exploration assets

The Group applies judgements in determining the carrying value of exploration assets in particular in determining which exploration costs should be capitalised or expensed. The group assesses impairment of such assets at each reporting date by evaluating conditions specific to the Group.

Exploration and evaluation costs

Exploration and evaluation costs have been capitalised on the basis that the Group will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Note 4. Operating segments

Xanadu operates predominantly in the minerals exploration sector. The principal activity of the Company is exploration for copper and gold. Xanadu classifies these activities under a single operating segment, the Mongolian exploration projects. Regarding the exploration operating segment, the Chief Operating Decision Maker (determined to be the Board of Directors) receives information on the exploration expenditure incurred. This information is disclosed in deferred exploration expenditure note to the condensed interim consolidated financial statements. No segment revenues are disclosed, as all segment expenditure is capitalised, except for expenditure written off. The non-current assets of Xanadu, attributable to the parent entity, are in Mongolia.

Note 5. Other expenses

	Consolidated	
	3 months ending Mar 31, 2021 A$'000	**3 months ending Mar 31, 2020 A$'000**
Administration expenses	154	295
Wages and management fees	744	323
Consulting fees	289	70
	1,187	688

Note 6. Non-current assets - deferred exploration and evaluation expenditure

	Consolidated	
	Mar 31, 2021 A$'000	**Dec 31, 2020 A$'000**
Deferred exploration and evaluation expenditure	49,656	47,475
Less: Accumulated impairment [(a)]	(4,208)	(4,158)
	45,448	43,317

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial period are set out below:

Consolidated	Deferred exploration and evaluation expenditure A$'000
Balance at January 1, 2021	43,317
Additions [(i)]	1,626
Exchange differences	505
Balance at March 31, 2021	45,448

[(a)] The impairment relates to the following deferred exploration expenditure assets. Yellow Mountain has been fully impaired due to the Company's inability to explore on the tenement following implementation of forestry regulations. The Yellow Mountain license expired in May 2020 and the Company is seeking compensation, however no amount has been recognised for this potential future compensation. In relation to Red Mountain, the Company continues to assess options to fund further exploration and the asset has been written down based on the expected recoverable amount.

The March 2020 Joint Exploration Agreement requires JOGMEC to spend US$7.2 million over approximately 4 years to earn 51% of Red Mountain. Xanadu is the operator during the earn-in period, and exploration expenditure is funded by JOGMEC. Options payments are made in addition to exploration expenditure. Following completion of the earn-in, a Joint Venture will be formed in which JOGMEC owns 51%, Xanadu owns 44.1% and Enkh owns 4.9%.

(i) Made up of:
$1,696,000 cashflow payments for exploration and evaluation expenditure (see Statement of cash flows investing activities)
$ 832,000 cashflow payments for exploration and evaluation on behalf of JOGMEC (see Statement of cash flows investing activities)
($ 526,000) proceeds from JOGMEC Red Mtn earn-in payments (see Statement of cash flows from investing activities)
($ 306,000) movement in JOGMEC Red Mtn earn-in payments received in advance
($ 70,000) movement in trade payable relating to exploration and evaluation expenditure
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$1,626,000

The Company held interests in two tenements during the period:
(a) the Kharmagtai copper-gold project; and
(b) the Red Mountain copper-gold project.

Kharmagtai Copper-Gold Project
The Kharmagtai copper-gold project is located within the South Gobi porphyry copper province of Mongolia, approximately 440 kilometres (**km**) south-southwest of the capital, Ulaanbaatar and 120km north of Turquoise Hill's Oyu Tolgoi copper-gold mine. Access from Ulaanbaatar to Kharmagtai is via sealed highway for 450km and then along a well-used gravel road for 70km. The project holds a 30-year mining license and Xanadu owns 76.5% with two minority partners. Exploration during 2020 consisted of geophysics and 26,650 metres drilling, with up to two rigs stepping out from known higher grade zones and up to two testing new undercover porphyry targets in the east.

Red Mountain Copper-Gold Project
Xanadu's Red Mountain porphyry copper-gold project is located within the Dornogovi Province of southern Mongolia, approximately 420km southeast of Ulaanbaatar, and 70km west from the provincial centre of Sainshand. The project holds a 30-year mining licence and Xanadu owns 90% with its minority partner. The project is subject to a Joint Exploration Agreement with JOGMEC, dated March 2020, in which JOGMEC may earn 51% interest by sole funding US$7.2 million of expenditure over four years. Exploration during 2020 consisted of geophysics and 4,321 metres drilling. As at March 31, 2020, JOGMEC contributed $2.353 million (US$1.720 million) on behalf of Red Mountain exploration, including $115 thousand received as option payments.

Yellow Mountain Copper-Gold Project
The early stage Yellow Mountain project is no longer included in the Xanadu portfolio, 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.

Note 7. Equity - issued capital

	Consolidated			
	Mar 31, 2021 Shares	Dec 31, 2020 Shares	Mar 31, 2021 A$'000	Dec 31,2020 A$'000
Ordinary shares - fully paid (net of transaction costs)	1,091,841,522	1,091,841,522	136,005	136,005

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll, each share shall have one vote.

Share buy-back
There is no current on-market share buy-back.

Capital risk management
Xanadu's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the Condensed Interim Consolidated Statements of Financial Position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

Management effectively manages Xanadu's capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of expenditure and debt levels, distributions to shareholders and share and option issues.

Note 8. Equity - dividends
There were no dividends paid, recommended, or declared during the current or previous financial period.

Note 9. Contingent liabilities
There are no material contingent liabilities relating to the Company.

Note 10. Events after the reporting period
On April 23, 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 (**Placement**). Argonaut Securities Pty Limited (**Argonaut**) and CLSA Australia Pty Ltd (**CLSA**) acted as Joint Lead Managers and bookrunners to the Placement. The Placement settled on April 30, 2021 and new shares were allotted and commenced trading on May 3, 2021, after which the Company now has 1,255,617,750 fully paid shares on issue and approximately $14.4 million in cash.

On April 9, 2021, Xanadu announced the appointment of Tony Pearson as a new Non-Executive Director, commencing May 3, 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.

No other matter or circumstance has arisen since March 31, 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's situation in future financial years.

Note 11. Earnings per share

	Consolidated	
	3 months ending Mar 31, 2021 A$'000	**3 months ending Mar 31, 2020 A$'000**
Loss after income tax	(1,209)	(706)
Non-controlling interest	(12)	-
Loss after income tax attributable to the owners of Xanadu Mines Ltd	(1,221)	(706)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share income	1,091,841,522	773,960,281
	Cents	**Cents**
Basic earnings per share	(0.11)	(0.09)

XANADU MINES

Xanadu Mines Ltd
First Quarter 2021 Report
Management's Discussion & Analysis

March 31, 2021

(stated in Australian dollars, unless otherwise stated)

Management's Discussion and Analysis

This *Management's Discussion and Analysis* (**MD&A**) dated May 13, 2021, relates to the financial condition and results of the consolidated operations of Xanadu Mines Ltd (**Xanadu**, **Xanadu Mines** or the **Company**) for the three months ended March 31, 2021. This is Management's assessment of the operations and the financial results together with future prospects of Xanadu Mines and should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2020 and 2019 and notes thereto. The accompanying Condensed Interim Consolidated Financial Statements for the three months ended March 31, 2021, have been prepared in accordance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting', and all dollar figures in this MD&A are expressed in Australian dollars (**$**) unless stated otherwise.

Management is responsible for the preparation of the financial statements and this MD&A. This MD&A contains forward-looking statements and should be read in conjunction with the risk factors described in the *Risks and Uncertainties* and the *Cautionary Note Regarding Forward-Looking Information* sections at the end of this MD&A.

Additional information relating to the Company, including the Company's most recent financial reports, are available on the Canadian *System for Electronic Document Analysis and Retrieval* (**SEDAR**) at www.sedar.com, on the Australian Securities Exchange (**ASX**) Announcements platform under the Company's code 'XAM' and on the Company's website at www.xanadumines.com.

The information in this MD&A relating to the broader Kharmagtai copper-gold project is supported by the technical report titled *NI 43-101 Technical Report on the Kharmagtai Copper-Gold Project Mineral Resource Update, Mongolia* prepared by Warren Potma, Dmitry Pertel and Andy Holloway of CSA Global Pty Ltd (**CSA**), with dated December 18, 2018 (**2018 Mineral Resource Upgrade**).

The information in this MD&A 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, Quality Assurance / Quality Control (**QA/QC**) and geological interpretation and information. Dr Stewart, who is an employee of Xanadu and is a Member of the Australian 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 of Exploration Results, Mineral Resources and Ore Reserves* and the National Instrument 43-101 *Standards of Disclosure for Mineral Projects*. 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.

BUSINESS OVERVIEW

Xanadu is an Australian incorporated public company with its shares listed on the ASX and the Toronto Stock Exchange (**TSX**) under the code XAM. The principal activity of the Company (and its subsidiaries) is copper-gold exploration in Mongolia. The Company holds interests in three tenements: the Kharmagtai copper-gold project; the Red Mountain copper-gold project; and the Yellow Mountain copper project.

HIGHLIGHTS DURING THE MARCH 2021 QUARTER

- 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 compromises 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 AUD, which settled on Friday, 30 April with the new shares allocated and commenced trading on Monday, May 3, 2021.
- Closing Cash at March 31, 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."*

REVIEW OF OPERATIONS

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**).

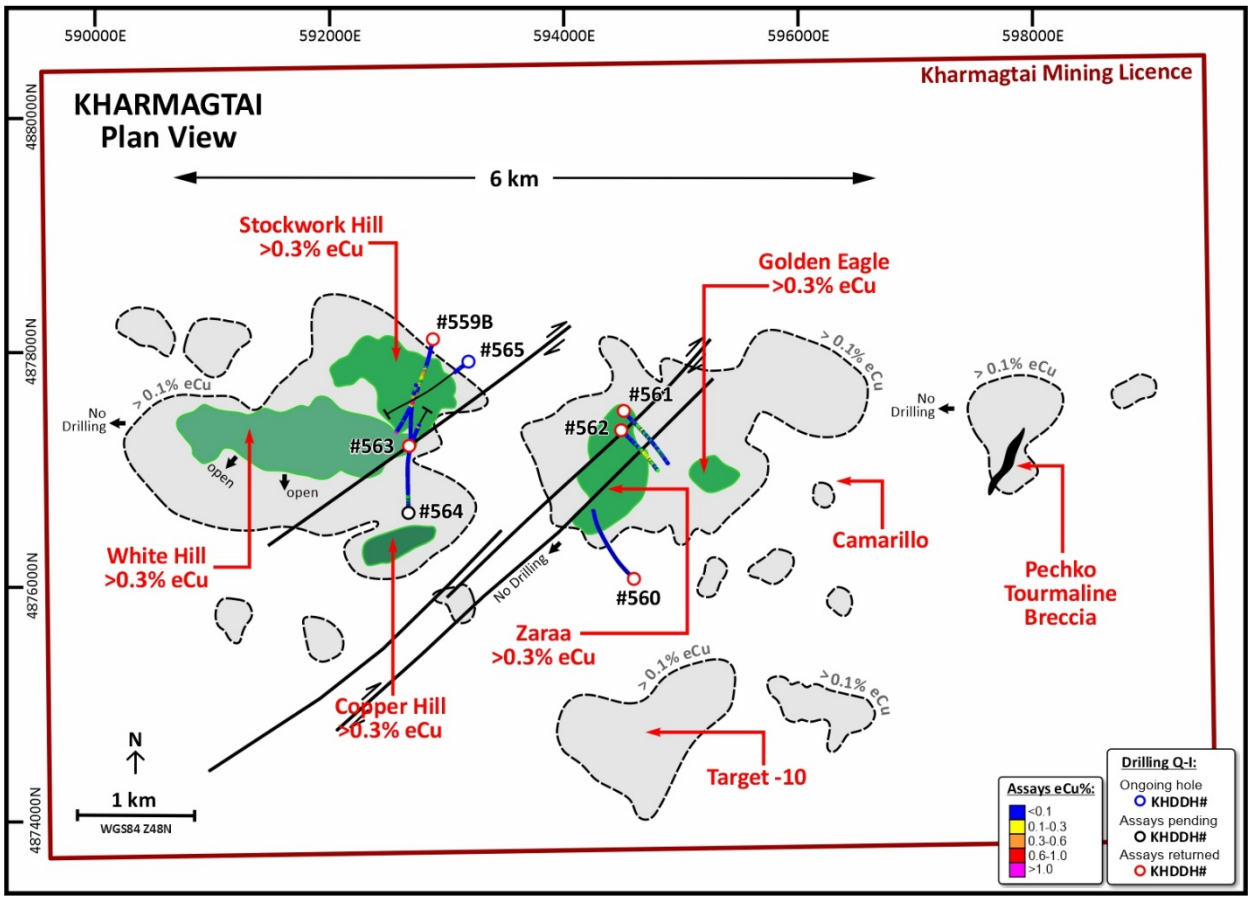

Figure 1. Kharmagtai Plan View showing location of drilling for Q1, 2021.

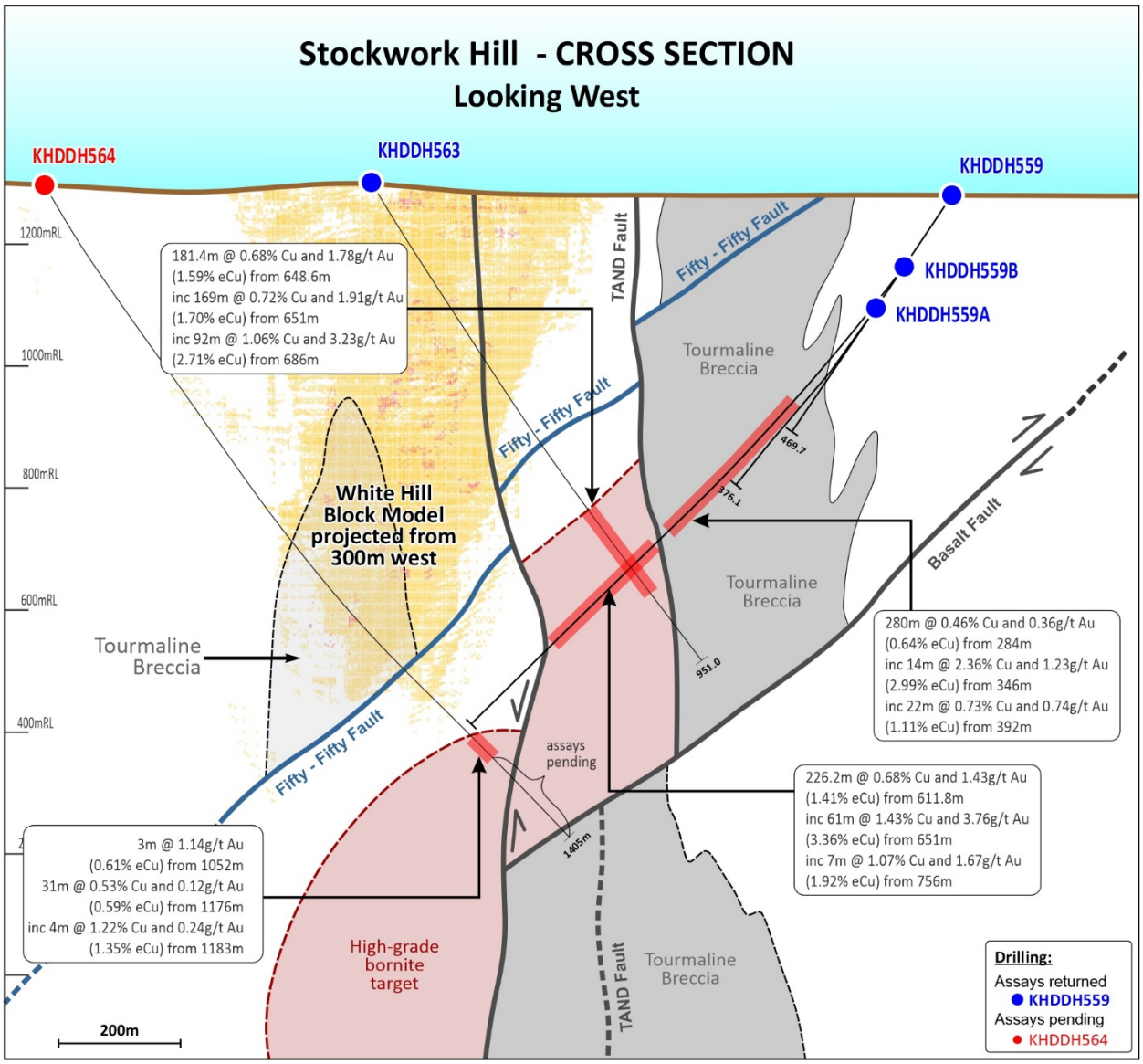

Figure 2. Cross section through Stockwork Hill showing drill holes KHDDH559B, KHDDH563 and KHDDH564.

ABOUT KHDDH559B

Drill hole KHDDH559B was completed, and final assays returned during the quarter. The purpose of KHDDH599B was to test extensions of Stockwork Hill at depth. KHDDH599B 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 February 15, 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 (**Figures 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 March 23, 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 2021.

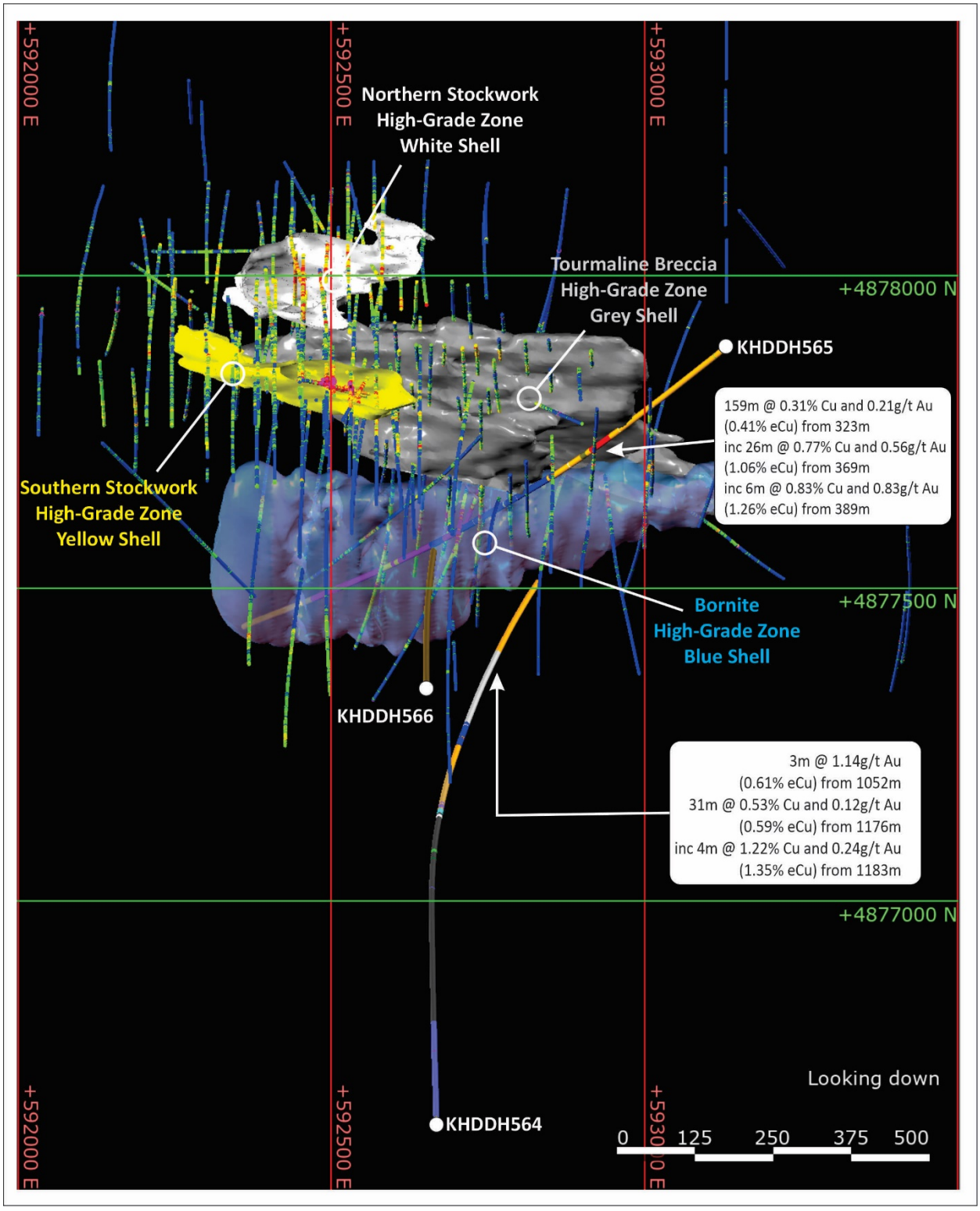

Figure 3. 3D plan view of Stockwork Hill showing the main high-grade zones and currently reported drill holes (colour code highlights mineral zone).

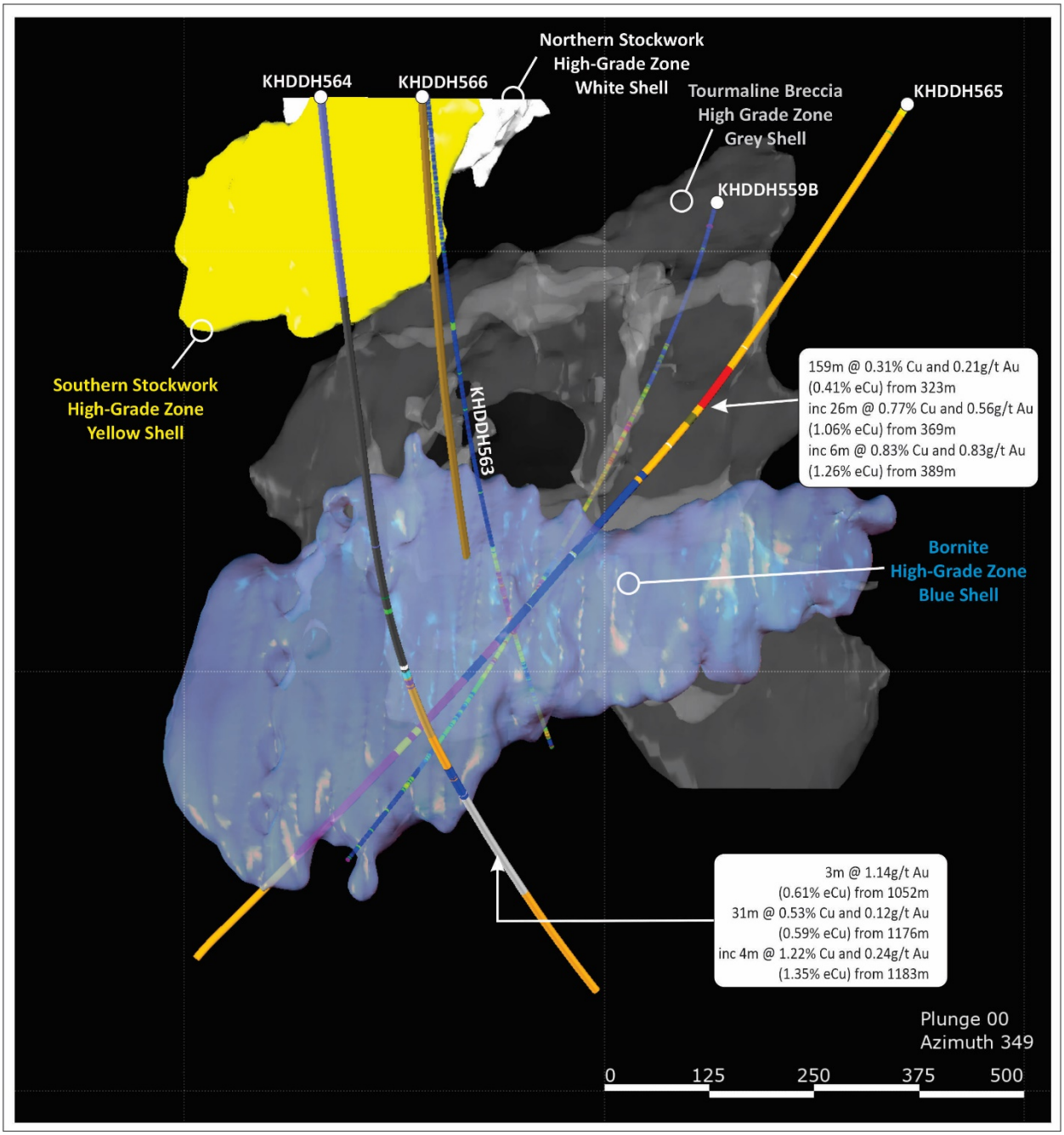

Figure 4. 3D oblique view of Stockwork Hill showing the main high-grade zones and currently reported drill holes and 2021 drilling (colour code highlights mineral zone).

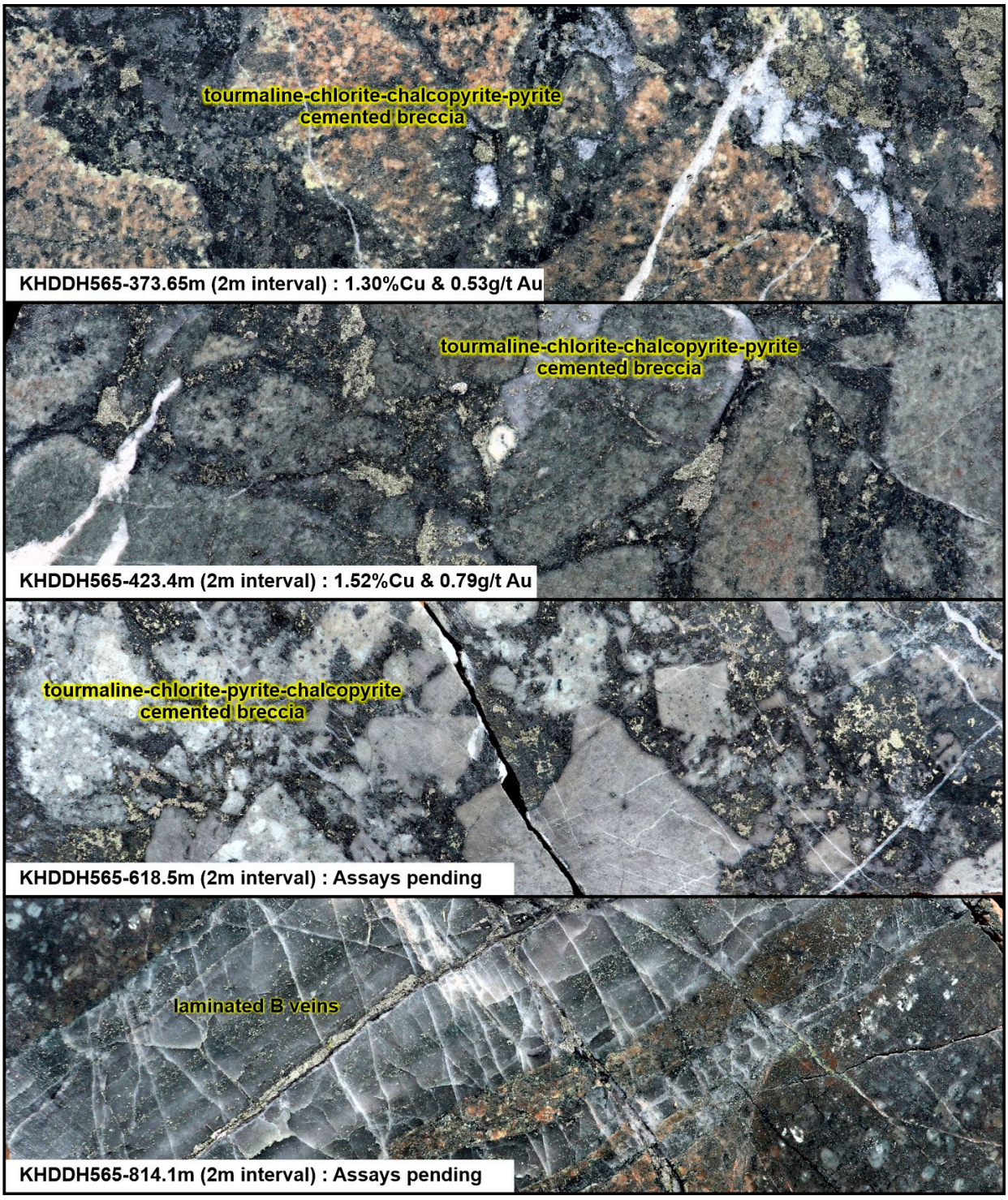

Figure 5. Slab images from KHDDH565, each slab is halved HQ core and 4.36cm tall.

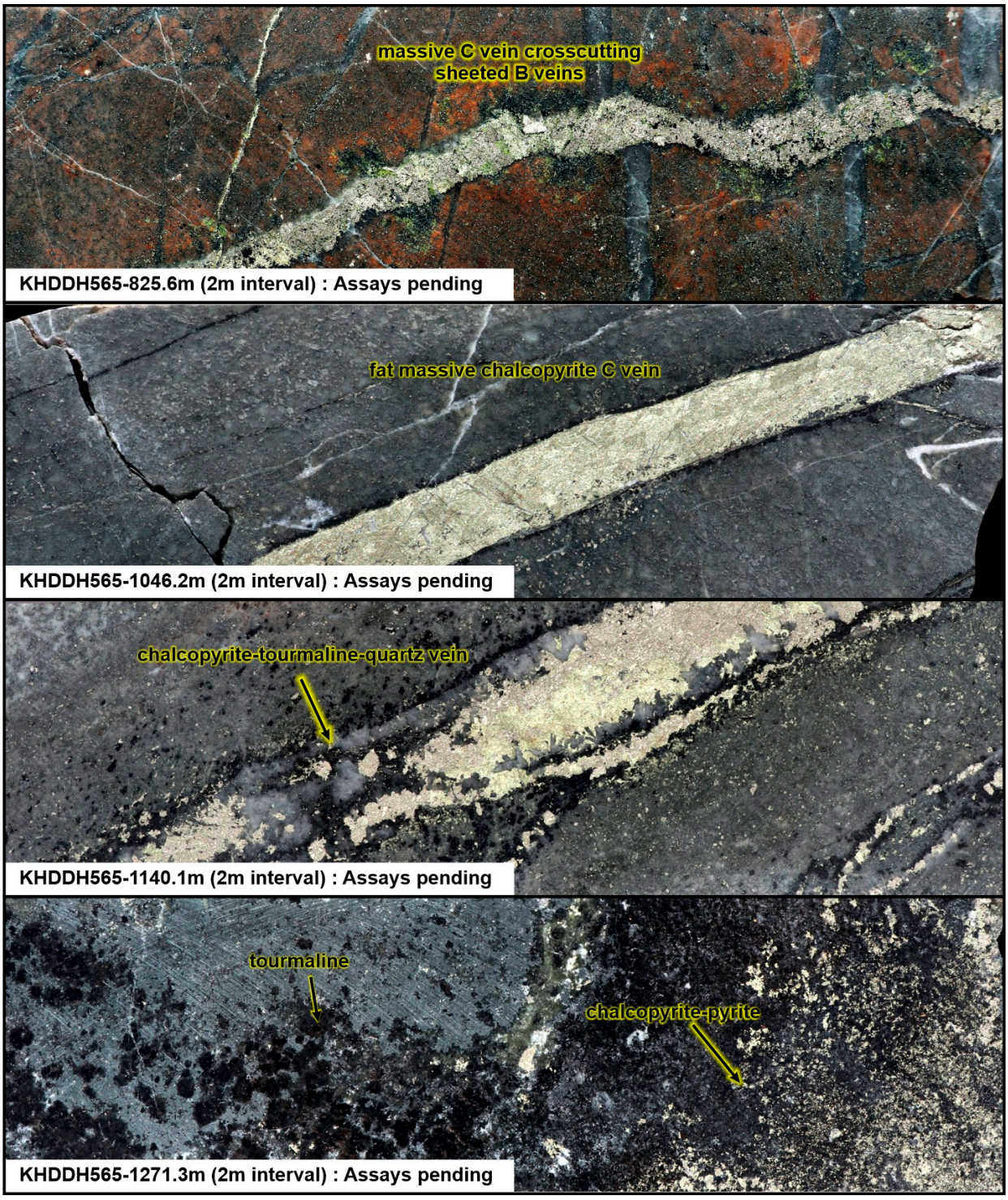

Figure 6. Slab images from KHDDH565, each slab is halved HQ core and 4.36cm tall.

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**).

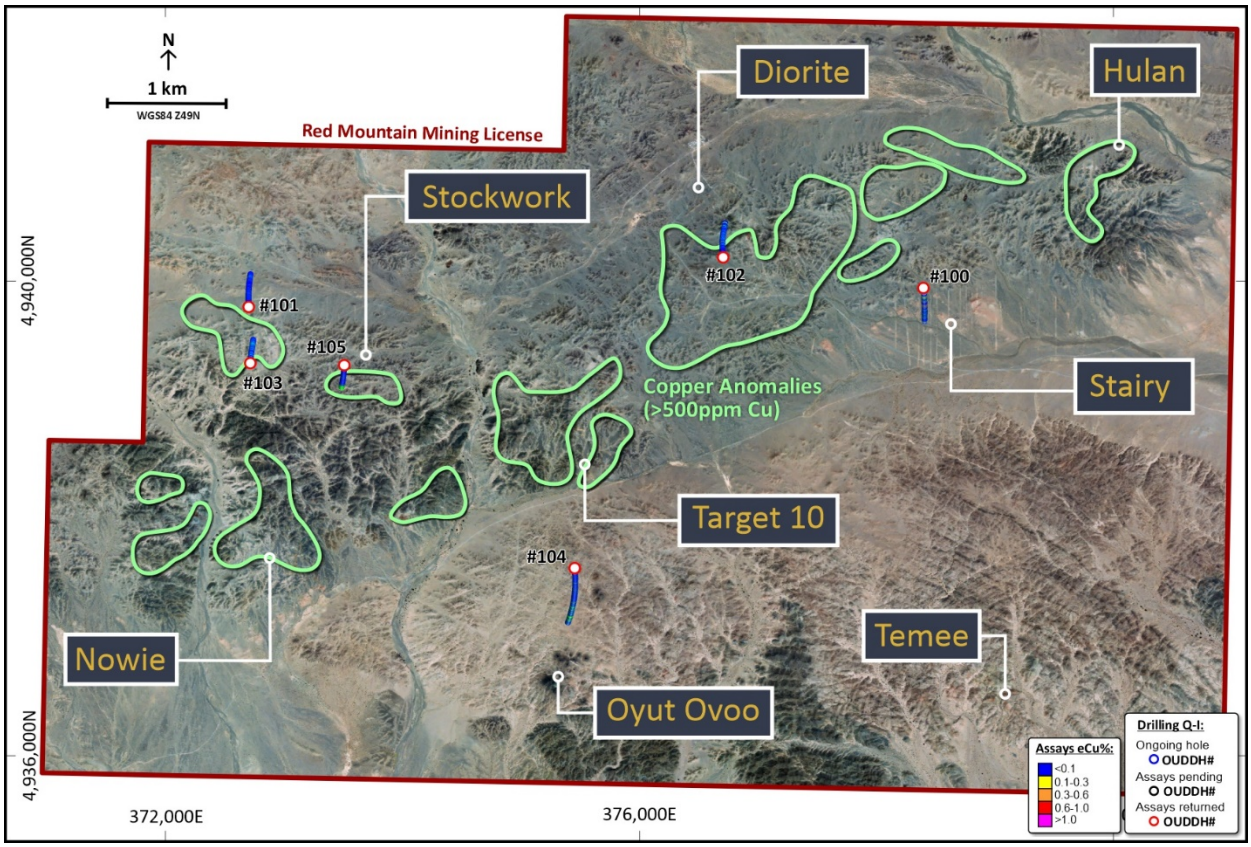

Figure 7. Plan map of the Red Mountain Project showing drilling for the quarter.

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.

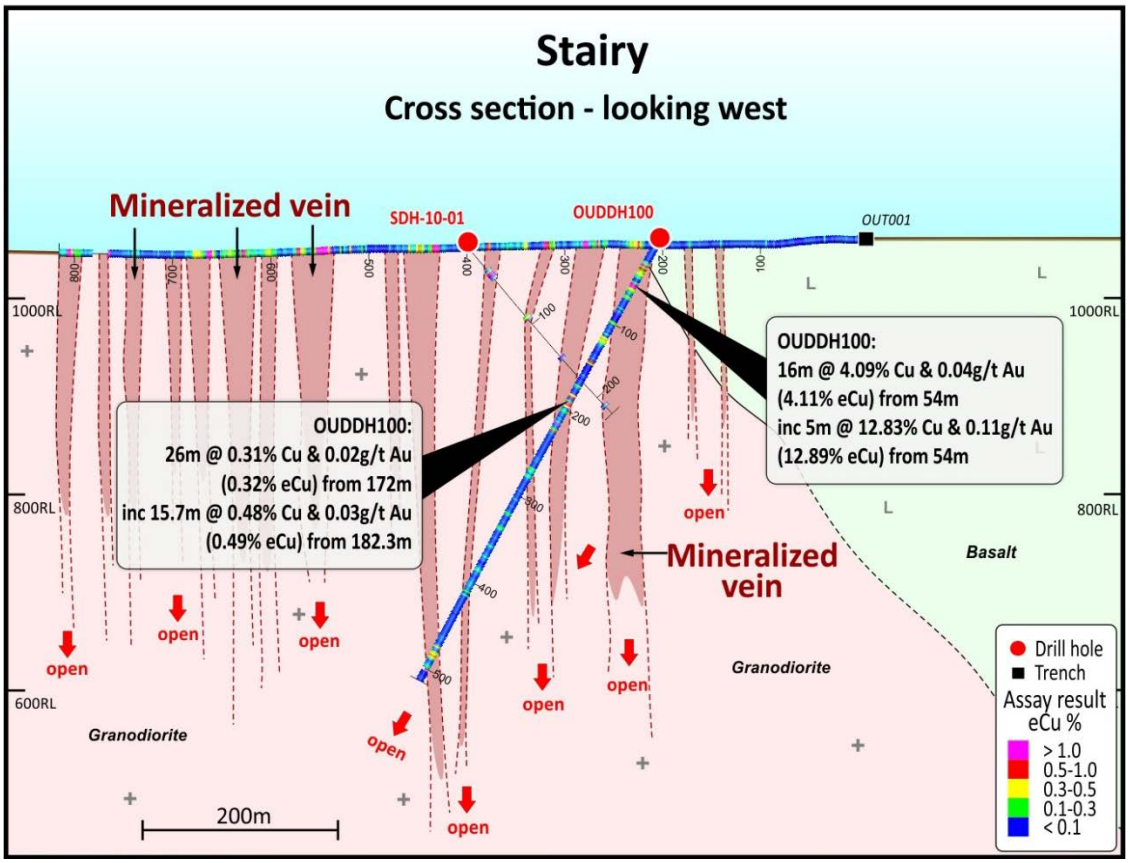

Figure 8. Cross section from the Stairy prospect showing drill hole OUDDH100.

Corporate Activity

Subsequent to the quarter on April 9, 2021, Xanadu announced the appointment of Tony Pearson as a new Non-Executive Director, commencing May 3, 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.

COVID19 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 2021 quarter, and planning is currently underway between Xanadu and its JV partner JOGMEC for the next stage of drilling.

RESULTS OF OPERATIONS

Three months ended March 31, 2021 compared to the three months ended March 31, 2020

The Company reported a loss after income tax expense of $1.2 million during the three-month period ended March 31, 2021 as compared to a loss after income tax of $0.7 million during the comparative three-month period ended March 31, 2020. The primary driver for this difference is payment of a Short Term Incentive (**STI**) bonus to key management in the first quarter of 2021.

Summary of results

The following table sets out selected three-month unaudited interim condensed consolidated financial information of the Company and is derived from unaudited interim condensed consolidated financial statements prepared by the Company's management.

Table 1. Selected Quarterly Information

	Quarter Ended				
	Mar 31, 2021 $'000	Dec 31, 2020 $'000	Sep 30, 2020 $'000	Jun 30, 2020 $'000	Mar 31, 2020 $'000
Gross Exploration Expenditure					
Kharmagtai	1,626	2,457	1,534	538	723
Red Mountain *	832	242	832	233	37
Exploration expenditures capitalized *	1,626	2,345	1,545	540	760
Corporate general and administration	1,187	939	937	766	688
Share-based payments	-	-	-	-	-
Depreciation and amortisation	14	15	12	14	14
Loss after income tax attributable to owners of XAM	1,221	931	642	653	706
Basic loss per share	0.11	0.09	0.07	0.08	0.09
Diluted loss per share	0.11	0.09	0.07	0.08	0.09
Kharmagtai drill metres	7,984	14,380	7,209	2,598	2,081
Red Mountain drill metres	4,039	393	3,627	301	-

* Commencing April 2020, Red Mountain exploration was funded by JOGMEC Joint Venture and not capitalized.

Liquidity and capital resources
On March 31, 2021, the Company had cash and cash equivalents on hand of $4.2 million (December 31, 2020: $7.7 million).

The primary use of funds for the year will be the continuation of exploration activities at the Company's Kharmagtai copper-gold project and for working capital purposes. The Company may need to raise additional capital for its exploration activities or seek joint venture partners. There is a risk that capital or joint venture partners may not be available or available on acceptable terms. Capital management is a priority of Management, and the Company retains the flexibility to reduce its cost base while preserving its exploration projects if required.

Other than as discussed herein, the Company is not aware of any trends, demands, commitments, events or uncertainties that may result in the Company's liquidity or capital resources materially increasing or decreasing at present or in the foreseeable future. Material increases or decreases in the Company's liquidity and capital resources will be substantially determined by the results of the Company's exploration programs and its ability to obtain sufficient equity financing.

Outstanding Share Capital
On March 31, 2021, the Company had an unlimited number of ordinary shares authorized, with 1,091,841,522 fully paid shares outstanding.

Subsequent to the quarter, on April 23, 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 (**Placement**). Argonaut Securities Pty Limited (**Argonaut**) and CLSA Australia Pty Ltd (**CLSA**) acted as Joint Lead Managers and bookrunners to the Placement. The Placement settled on April 30, 2021 and new shares were allotted and commenced trading on May 3, 2021. The Company now has 1,255,617,750 fully paid shares on issue.

Unlisted options
As at March 31, 2020, there were no unlisted options outstanding.

Off balance sheet arrangements
The Company has not entered into any off-balance sheet transactions.

Operating segment
Xanadu operates in the minerals exploration sector. The Company's principal activity is exploration for copper and gold. Xanadu classifies these activities under a single operating segment - the Mongolian exploration projects. Regarding the exploration operating segment, the Chief Operating Decision Maker (determined to be the Board of Directors) receives information on the exploration expenditure incurred. This information is disclosed in deferred exploration expenditure note to the condensed interim consolidated financial statements. No segment revenues are disclosed as all segment expenditures are capitalised, with the exception of expenditures that have been written off. The non-current assets of the Company are located in Mongolia.

Contractual commitments
The following summarizes the Company's contractual obligations at March 31, 2021 ($'000):

- Trade payables $182 due in 30 days
- Ulaanbaatar office rent $57 to the end of the year
- Vehicle leases $143 due over 27 months

Critical accounting estimates
The preparation of the condensed interim consolidated financial statements in conformity with International Financial Reporting Standards (**IFRS**) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the condensed interim consolidated financial statements and the reported amounts of income and expenses for the reporting period. Refer to the Company's audited annual financial statements for the years ended December 31, 2020 and December 31, 2019 and the notes thereto for information on the Company's significant judgements in applying accounting policies as well as significant accounting estimates and assumptions.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Board of Directors is responsible for the determination of the Company's risk management objectives and policies. The Board has delegated to the Company's management the authority for designing and operating processes that ensure the effective implementation of the objectives and policies.

The overall objective of the Board is to set policies that seek to reduce risk as much as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of four types of risk: foreign currency risk, interest rate risk, commodity price risk and equity price risk.

- *Foreign currency risk:* The Company is exposed to foreign exchange fluctuations with respect to Australian Dollars (**A$**), United States Dollars (**US$**), Mongolian Tughrik **(MNT**), and Canadian Dollars (**C$**). The Company's financial results are reported in A$. Salaries for certain local employees in Mongolia may be paid in MNT. The Company's operations are in Mongolia and some of its payment commitments and exploration expenditures under the various agreements governing its rights are denominated in MNT and US$. As a result, the Company's financial position and results are impacted by the exchange rate fluctuations among A$, US$, MNT and C$. Such fluctuations may materially affect the Company's financial position and results.

- *Interest Rate Risk:* Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings at variable rates. Interest rate risk is limited to potential decreases on the interest rate offers on cash and cash equivalents held with chartered financial institutions. The Company considers this risk to be immaterial.

- *Commodity Price Risk:* Even if commercial quantities of mineral deposits are discovered, there is no guarantee that a profitable market will exist for the sale of the metals produced. Factors beyond the control of the Company may affect the marketability of any minerals discovered. The prices of various metals have experienced significant movement over short periods of time, and are affected by numerous factors beyond the control of the Company, including, among other things, international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods. The Company is particularly exposed to the risk of movement in the price of copper and gold.

- *Equity Price Risk:* Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company is exposed to this risk through its equity holdings.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash and amounts receivable. Cash is maintained with financial institutions of reputable credit and may be redeemed upon demand.

The Company's maximum exposure to credit risk at the reporting date is the carrying value of its cash and cash equivalents of $4.2 million at March 31, 2021 (December 31, 2020: $7.7 million).

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The primary source of funds available to the Company is from equity financing. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis, to support its exploration plans, and to ensure that it will have sufficient liquidity to meet its liabilities when due. To the extent the Company does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through equity or debt transactions.

The Company does not have unlimited financial resources and there is no assurance that sufficient additional funding or financing will be available to the Company or its direct and indirect subsidiaries on acceptable terms, or at all, for further exploration or development of its properties or to fulfill its obligations under any applicable agreements.

Failure to obtain such additional funding could result in the delay or indefinite postponement of the exploration and development of the Company's properties.

Other business risks

A summary of the business risks is highlighted below and should be read in conjunction with the Company's audited annual financial statements for the year ended December 31, 2020.

Political and Legal Risks

The Company's mineral projects are located in Mongolia, where mineral exploration and mining activities may be affected in varying degrees by political instability, economic conditions, expropriation or nationalization of property and changes in government regulations such as foreign investment laws, tax laws, business laws, environmental laws and mining laws, affecting the Company's business in that country. Government policy may change to discourage foreign investment, nationalization of the mining industry may occur and other government limitations, restrictions or requirements may be implemented. There can be no assurance that the Company's assets will not be subject to nationalization, requisition, expropriation or confiscation, whether legitimate or not, by any authority or body.

The regulatory environment is in a state of continuing change, and new laws, regulations and requirements may be retroactive in their effect and implementation. There can be no assurance that Mongolian laws protecting foreign investments will not be amended or abolished or that existing laws will be enforced or interpreted to provide adequate protection against any or all of the risks described above.

License Risks

The Company's most significant licenses are the license covering the Kharmagtai project and the license covering the Red Mountain project. The Government of Mongolia could revoke either of these licenses if the Company fails to satisfy its obligations, including payment of royalties and taxes to the Government of Mongolia and the satisfaction of certain mining, environmental, health and safety requirements. A termination of the Company's mining licenses covering the Kharmagtai project or the Red Mountain project by the Government of Mongolia could materially and adversely affect the Company's reputation, business, prospects, financial conditions and results of operations. In addition, the Company would require additional licenses or permits to conduct the Company's mining or exploration operations in Mongolia. There can be no assurance that the Company will be able to obtain and maintain such licenses or permits on terms favorable to it, or at all, for the Company's future intended mining or exploration targets in Mongolia, or that such terms would not be subject to various changes.

Mineral Resource Assumptions Risk

The Company's mineral resource and mineral reserve estimates for the Kharmagtai project are based on a number of assumptions. There are numerous uncertainties inherent in estimating quantities of mineral reserves and grades of mineralization, including many factors beyond the control of the Company. There can be no assurance that the mineral resources and mineral reserve estimates will be recovered in the quantities, qualities or yields presented in this prospectus or set out in the Kharmagtai Technical Report.

Copper and gold mineral resource and mineral reserve estimates are inherently prone to variability. They involve expressions of judgment with regard to the presence and quality of mineralization and the ability to extract and process the mineralization economically. These judgments are based on a variety of factors, such as knowledge, experience and industry practice.

Environmental Risk

Existing and possible future environmental legislation, regulations and actions could cause significant expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted and which may well be beyond the capacity of the Company to fund. Failure to comply with applicable environmental laws and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions.

Operational Risk

The Company's activities are subject to a number of operational risks and hazards, some of which are beyond its control. These risks and hazards include unexpected maintenance or technical problems, periodic interruptions due to inclement or hazardous weather conditions, natural disasters such as earthquakes, industrial accidents, power, water or fuel supply interruptions or the increase in the price of such supplies, critical equipment failure, malfunction and breakdowns of information management systems, fires, and unusual or unexpected variations in mineralization, geological or mining conditions.

Contractual Risk

Xanadu's key project (the Kharmagtai project) is held pursuant to a joint venture arrangement. Additionally, the Company may wish to develop its projects or future projects through further joint venture arrangements.

As in any contractual relationship, the ability for Xanadu to ultimately receive benefits from these contracts is dependent upon the relevant third party complying with its contractual obligations. Specifically, Xanadu's ability to further its flagship Kharmagtai project therefore depends upon the strength and enforceability of these contracts and the ability to enforce them against the relevant counterparties, under relevant laws.

Further, the under the terms of the Company's original acquisition of the Kharmagtai project, the Company agreed to assume certain royalty obligations, the precise terms of which are unclear or not in existence. There is therefore some doubt as to the precise nature of the Company's obligations to the extent they exist.

In respect of these agreements and obligations, it may be necessary for Xanadu to enforce its rights under any of the contracts or pursue legal action to clarify their terms. Such legal action may be costly, and no guarantee can be given by Xanadu that a legal remedy will ultimately be granted on appropriate terms.

KEY MANAGEMENT COMPENSATION

Key management personnel include directors and officers of the entity and the compensation comprises:

	Three Months Ended March 31, 2021 $'000	Three Months Ended March 31, 2020 $'000
Salaries and fees	387	339
STI Bonus	467	-
Superannuation	13	7
Share based payments	-	-
	868	**346**

The Company had no performance rights on March 31, 2021, and no new performance rights were granted during the reporting quarter. Shareholders in December 2020 approved the grant of Options to Directors under the Company's *Employee Share and Option Plan* as follows. It is anticipated that these Options will be granted in the second quarter of 2021.

Colin Moorhead	6,840,000
Michele Muscillo	3,420,000
Andrew Stewart	12,750,000
Ganbayar Lkhagvasuren	8,500,000

TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are disclosed in Note 27 of the Company's audited annual financial statements for the period ended December 31, 2020. Additional transactions during the first quarter of 2021 are described below.

Payments made to related parties and their associates was $518k in the quarter ended March 31, 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.

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

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	1,120.1
KHDDH560	Zaraa	594600	4876067	1289	315	-65	1,296.5
KHDDH561	Zaraa	594547	4877457	1270	135	-70	1,330.7
KHDDH562	Zaraa	594530	4877299	1271	135	-70	1,045.5
KHDDH563	Stockwork Hill	592690	4877190	1296	0	-60	951.0
KHDDH564	Stockwork Hill	592668	4876649	1299	0	-60	1,405.0
KHDDH565	Stockwork Hill	593133	4877888	1280	233	-55	1,200.0
OUDDH100	Stariy	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
and		236	248	12	0.09	0.06	0.10	0.20
and		284	564	280	0.36	0.46	0.64	1.26
including		290	294	4	0.19	0.28	0.38	0.74
including		308	554	246	0.40	0.51	0.71	1.39
including		318	336	18	0.28	0.67	0.81	1.58
including		346	472	126	0.50	0.70	0.96	1.87
including		346	360	14	1.23	2.36	2.99	5.84
including		370	374	4	0.53	1.11	1.37	2.69
including		392	414	22	0.74	0.73	1.11	2.17
including		510	518	8	0.97	0.27	0.76	1.49
including		534	546	12	0.34	0.41	0.58	1.14
and		611.8	838	226.2	1.43	0.68	1.41	2.75
including		615	790	175	1.83	0.84	1.78	3.47
including		617	637	20	2.09	1.09	2.16	4.22
including		617	635	18	2.28	1.15	2.32	4.53
including		649	783	134	2.04	0.89	1.93	3.77
including		651	712	61	3.76	1.43	3.36	6.57
including		756	763	7	1.67	1.07	1.92	3.76
and		848	908	60	0.05	0.09	0.11	0.22
and		928	938	10	0.05	0.08	0.11	0.21
and		970.3	994	23.7	0.13	0.10	0.16	0.32
and		1,115	1,120.1	5.1	1.13	0.05	0.62	1.22
KHDDH560	Zaraa	239	243	4	0.06	0.18	0.21	0.40
and		255	259	4	0.06	0.29	0.32	0.63
and		1,003.2	1,017	13.8	0.09	0.05	0.10	0.19
and		1105	1,109	4	0.03	0.17	0.19	0.37
and		1,282.6	1,296.5	13.9	0.03	0.12	0.13	0.26
KHDDH561	Zaraa	21	35	14	0.18	0.03	0.12	0.24
and		45	55	10	0.20	0.04	0.14	0.28
and		67	137	70	0.07	0.07	0.10	0.20
and		147	177	30	0.20	0.12	0.22	0.43
including		159	163	4	0.47	0.36	0.60	1.18
and		189	259	70	0.15	0.12	0.19	0.38
and		269	512	243	0.21	0.19	0.30	0.59
including		297	299	2	0.12	0.28	0.34	0.67
including		315	358	43	0.24	0.25	0.37	0.72
including		371	401	30	0.36	0.23	0.41	0.81
including		411	421	10	0.27	0.20	0.33	0.65
including		453.5	504.2	50.7	0.32	0.29	0.45	0.88

Hole ID	Prospect	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (%)	CuEq (%)	AuEq (g/t)
including		463	475	12	0.39	0.33	0.53	1.04
and		532	1256	724	0.07	0.15	0.19	0.37
including		532	548	16	0.19	0.14	0.24	0.46
including		562	572	10	0.35	0.17	0.35	0.69
including		582	594	12	0.14	0.23	0.30	0.58
including		680	686	6	0.14	0.23	0.30	0.59
including		778	795	17	0.13	0.22	0.29	0.56
including		934	952	18	0.09	0.24	0.29	0.57
including		1,028	1,045	17	0.11	0.31	0.37	0.72
including		1,057	1,079	22	0.11	0.23	0.28	0.55
including		1,185	1,195	10	0.10	0.31	0.36	0.71
and		1,281	1,325	44	0.10	0.11	0.16	0.32
including		1,289	1,297	8	0.30	0.16	0.31	0.61
KHDDH562	Stockwork Hill	32	54	22	0.18	0.04	0.13	0.26
and		72	86	14	0.12	0.04	0.10	0.20
and		120	138	18	1.21	0.05	0.67	1.31
including		120	124	4	1.42	0.05	0.78	1.52
including		134	138	4	3.55	0.12	1.93	3.78
and		148	204	56	0.17	0.05	0.13	0.26
and		219	772.4	553.4	0.19	0.22	0.32	0.62
including		441	447	6	0.26	0.24	0.37	0.73
including		467	491	24	0.16	0.20	0.28	0.55
including		507	550	43	0.24	0.24	0.36	0.70
including		566	772.4	206.4	0.31	0.36	0.52	1.02
including		572.7	623	50.3	0.50	0.45	0.70	1.37
including		659	663	4	0.34	0.57	0.74	1.45
including		720	755	35	0.37	0.42	0.61	1.18
and		782	1,045.5	263.5	0.17	0.22	0.31	0.60
including		784	842	58	0.24	0.34	0.46	0.90
including		784	810.6	26.6	0.33	0.41	0.58	1.13
including		865	869	4	0.32	0.49	0.66	1.28
including		888	922	34	0.32	0.38	0.54	1.06
including		888	902	14	0.47	0.53	0.77	1.51
including		969	982.4	13.4	0.10	0.20	0.25	0.48
including		1,002	1,006	4	0.75	0.18	0.57	1.11
KHDDH563	Stockwork Hill	322	332	10	0.06	0.12	0.15	0.29
and		648.6	830	181.4	1.78	0.68	1.59	3.11
including		651	820	169	1.91	0.72	1.70	3.32
including		664	668	4	0.40	0.52	0.72	1.41
including		680	785.6	105.6	2.89	0.99	2.46	4.82
including		686	778	92	3.23	1.06	2.71	5.30

Hole ID	Prospect	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (%)	CuEq (%)	AuEq (g/t)
and		860	937.1	77.1	0.10	0.19	0.24	0.47
including		888	892	4	0.07	0.30	0.34	0.66
including		906	936	30	0.16	0.27	0.35	0.69
including		928	934	6	0.38	0.42	0.62	1.20
and		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
and		129	286.2	157.2	0.05	0.17	0.20	0.39
including		129	136	7	0.06	0.26	0.29	0.57
including		242	246	4	0.09	0.31	0.35	0.69
including		257	265	8	0.08	0.26	0.30	0.59
and		965	971	6	0.04	0.14	0.16	0.32
and		1,052	1,055	3	1.14	0.03	0.61	1.19
and		1,176	1,207	31	0.12	0.53	0.59	1.15
including		1,183	1,201	18	0.15	0.79	0.86	1.68
including		1,183	1,187	4	0.24	1.22	1.35	2.63
				Assays pending				
KHDDH565	Stockwork Hill	69	79	10	0.12	0.05	0.12	0.23
and		183	215	32	0.19	0.12	0.22	0.43
including		197	211	14	0.32	0.17	0.33	0.65
and		247	263	16	0.05	0.07	0.10	0.19
and		323	482	159	0.21	0.31	0.41	0.81
including		361	427	66	0.37	0.52	0.70	1.38
including		369	395	26	0.56	0.77	1.06	2.07
including		369	377	8	0.64	1.18	1.51	2.94
including		389	395	6	0.83	0.83	1.26	2.46
including		409	425	16	0.40	0.48	0.68	1.33
including		445	453	8	0.37	0.83	1.02	2.00
including		445	451	6	0.40	0.97	1.17	2.30
and		522	538	16	0.33	0.23	0.40	0.78
including		526	538	12	0.41	0.29	0.50	0.99
and		558	604	46	0.03	0.10	0.11	0.22
				Assays pending				
OUDDH100	Stariy	30	44	14	0.02	0.37	0.38	0.75
including		32	42	10	0.02	0.44	0.45	0.87
and		54	70	16	0.04	4.09	4.11	8.04
including		54	59	5	0.11	12.83	12.89	25.20
including		55	59	4	0.12	15.85	15.91	31.11
and		116	124	8	0.02	0.22	0.23	0.46
including		116	122	6	0.02	0.25	0.26	0.51
and		144	148	4	0.03	0.34	0.36	0.70
and		172	198	26	0.02	0.31	0.32	0.62

Hole ID	Prospect	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (%)	CuEq (%)	AuEq (g/t)
including		182.3	198	15.7	0.03	0.48	0.49	0.97
and		216	226	10	0.03	0.30	0.31	0.61
and		474	488	14	0.01	0.21	0.21	0.42
including		474	486	12	0.01	0.21	0.21	0.42
OUDDH102	Bavuu	266	270	4	0.16	0.38	0.46	0.90
and		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
and		534	540	6	0.01	0.11	0.12	0.22
and		578	581.4	3.4	0.01	0.15	0.15	0.30
and		675	695	20	0.01	0.11	0.12	0.23
and		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

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 ASX/TSX announcement dated October 31, 2018. Xanadu is not aware of any new information or data that materially affects the information included in the ASX & TSX Announcements referenced in this MD&A, and all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

MINING ACTIVITIES

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

COMPETENT PERSON STATEMENT

The information in this MD&A 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. 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 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%.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A, 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 Australian *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.

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 April 11, 2019.

JORC TABLE 1 - SECTION 1 –SAMPLING TECHNIQUES AND DATA

Criteria	Commentary
Sampling techniques	• 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	• 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	• 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	• 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	• 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	• 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
	• 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	• 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	• 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 ±0.01m.
Data spacing and distribution	• Controlled-source Audio-frequency Magnetotellurics (**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	• 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	• 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	• 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	• The Project comprises 2 Mining Licences (MV-17129A Oyut Ulaan and (MV-17387A Kharmagtai)
	  • 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	• 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	• The mineralisation is characterised as porphyry copper-gold type. • Porphyry copper-gold deposits are formed from magmatic hydrothermal fluids typically associated with felsic intrusive stocks that have deposited metals as sulphides both within the intrusive and the intruded host rocks. Quartz stockwork veining is typically associated with sulphides occurring both within the quartz veinlets and disseminated thought out the wall rock. Porphyry deposits are typically large tonnage deposits ranging from low to high grade and are generally mined by large scale open pit or underground bulk mining methods. The deposits at Kharmagtai are atypical in that they are associated with intermediate intrusions of diorite to quartz diorite composition; however, the deposits are in terms of contained gold significant, and similar gold-rich porphyry deposits.
Drill hole Information	• Diamond drill holes are the principal source of geological and grade data for the Project. • See figures in this MD&A.
Data Aggregation methods	• 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). 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. Copper equivalent (**CuEq** or **eCu**) grade values were calculated using the following formula: eCu or CuEq = Cu + Au * 0.62097 * 0.8235,

Criteria	Commentary
	Gold Equivalent (**eAu**) grade values were calculated using the following 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 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%.
Relationship between mineralisation on widths and intercept lengths	• 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.
Diagrams	• See figures in the body of this MD&A.
Balanced reporting	• 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	• Extensive work in this area has been done and is reported separately.
Further Work	• 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 RLl) shows widths and grades potentially suitable for underground extraction. • Exploration on going.

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

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

Criteria	Commentary
Database integrity	• The database is a Geobank data base system. • Data is logged directly into an Excel spread sheet logging system with drop down field lists. • Validation checks are written into the importing program ensures all data is of high quality. • Digital assay data is obtained from the Laboratory, QAQC checked and imported • Geobank exported to Access and connected directly to the GemcomSurpac Software. • Data was validated prior to resource estimation by the reporting of basic statistics for each of the grade fields, including examination of maximum values, and visual checks of drill traces and grades on sections and plans.
Site visits	• Andrew Vigar of Mining Associates visited site from October 24 and 25, 2014. • The site visit included a field review of the exploration area, an inspection of core, sample cutting and logging procedures and discussions of geology and mineralisation with exploration geologists.
Geological interpretation	• Mineralisation resulted in the formation of comprises quartz-chalcopyrite-pyrite-magnetite stockwork veins and minor breccias. • The principle ore minerals of economic interest are chalcopyrite, bornite and gold, which occur primarily as infill within these veins. Gold is intergrown with chalcopyrite and bornite. • The ore mineralised zones at Stockwork Hill, White Hill and Copper Hill are associated with a core of quartz veins that were intensely developed in and the quartz diorite intrusive stocks and/or dykes rocks. These vein arrays can be described as stockwork, but the veins have strong developed preferred orientations. • Sulphide mineralisation is zoned from a bornite-rich core that zone outwards to chalcopyrite-rich and then outer pyritic haloes, with gold closely associated with bornite. • Drilling indicates that the supergene profile has been oxidised to depths up to 60 metres below the surface. The oxide zone comprises fracture controlled copper and iron oxides; however there is no obvious depletion or enrichment of gold in the oxide zone.
Dimensions	• Stockwork Hill comprises two main mineralised zones, northern and southern stockwork zones (**SH-N** and **SH-S**) which are approximately 100 metres apart and hosted in diorite and quartz diorite porphyries. • The SH-S is at least 550 metres long, 600 metres deep and contains strong quartz-chalcopyrite-pyrite stockwork veining and associated high grade copper-gold mineralisation. The stockwork zone widens eastward from a 20 to 70 metres wide high-grade zone in the western and central sections to a 200 metres wide medium-grade zone in the eastern most sections. Mineralisation remains open at depth and along strike to the east. • The SH-N consists of a broad halo of quartz that is 250 metres long, 150 metres wide long and at least 350 metres deep.

Criteria	Commentary
	• WH consists of a broad halo of quartz veins that is 850 metres long, 550 metres wide long and at least 500 metres deep, and forms a pipe like geometry. • CH forms a sub vertical body of stockwork approximately 350 × 100 metres by at least 200 metres and plunges to the southeast.
Estimation and modelling techniques	• The estimate Estimation Performed using Ordinary Kriging. • Variograms are reasonable along strike. • Minimum & Maximum Informing samples is 5 and 20 (1st pass), Second pass is 3 and 20. • Copper and Gold Interpreted separately on NS sections and estimated as separate domains. • Halo mineralisation defined as 0.12% Cu and 0.12g/t Au Grade. • The mineralised domains were manually digitised on cross sections defining mineralisation. Three-dimensional grade shells (wireframes) for each of the metals to be estimated were created from the sectional interpretation. Construction of the grade shells took into account prominent lithological and structural features. For copper, grade shells were constructed for each deposit at a cut-off of 0.12% and 0.3% Cu. For gold, wireframes were constructed at a threshold of 0.12g/t and 0.3 g/t. These grade shells took into account known gross geological controls in addition to broadly adhering to the above mentioned thresholds. • Cut off grades applied are copper-equivalent (**CuEq**) cut off values of 0.3% for appropriate for a large bulk mining open pit and 0.5% for bulk block caving underground. • A set of plans and cross-sections that displayed colour coded drill holes were plotted and inspected to ensure the proper assignment of domains to drill holes. • The faulting interpreted to have had considerable movement, for this reason, the fault surface was used to define two separate structural domains for grade estimation. • Six metre down-hole composites were chosen for statistical analysis and grade estimation of Cu and Au. Compositing was carried out downhole within the defined mineralisation halos. Composite files for individual domains were created by selecting those samples within domain wireframes, using a fix length and 50% minimum composite length. • A total of 4,428 measurements for specific gravity are recorded in the database, all of which were determined by the water immersion method. The average density of all samples is 2.74 t/m3. In detail there are some differences in density between different rock types, but since the model does not include geological domains a single pass Inverse Distance (**ID2**) interpolation was applied. • Primary grade interpolation for the two metals was by ordinary kriging of capped 6m composites. A two-pass search approach was used, whereby a cell failing to receive a grade estimate in a previous pass would be resubmitted in a subsequent and larger search pass. • The Mineral Resource Estimate meets the requirements of JORC 2012 and has been reported considering geological characteristics, grade and quantity, prospects for eventual economic extraction and location and extents. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories using relevant copper-equivalent cut-off values.

Criteria	Commentary
	• 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. • Copper equivalent (**CuEq** or **eCu**) grade values were calculated using the following formula: eCu or CuEq = Cu + Au * 0.62097 * 0.8235, Gold Equivalent (**eAu**) grade values were calculated using the following 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 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%.
Moisture	• All tonnages are reported on a dry basis.
Cut-off parameters	• Cut off grades applied are copper-equivalent (**CuEq**) cut off values of 0.3% for possible open pit and 0.5% for underground.
Mining factors or assumptions	• No mining factors have been applied to the in-situ grade estimates for mining dilution or loss due to the grade control or mining process. • The deposit is amenable to large scale bulk mining. • The Mineral Resource is reported above an optimised pit shell. (Lerch Grossman algorithm), mineralisation below the pit shell is reported at a higher cut-off to reflect the increased costs associated with block cave underground mining
Metallurgical factors or assumptions	• No metallurgical factors have been applied to the in-situ grade estimates.
Environmental factors or assumptions	• An environmental baseline study was completed in 2003 by Eco Trade Co. Ltd. of Mongolia in cooperation with Sustainability Pty Ltd of Australia. The baseline study report was produced to meet the requirements for screening under the Mongolian Environmental Impact Assessment (**EIA**) Procedures administered by the Mongolian Ministry for Nature and Environment (**MNE**).
Bulk density	• A total of 4,428 measurements for specific gravity are recorded in the database, all of which were determined by the water immersion method.

Criteria	Commentary
	• The average density of all samples is approximately 2.74 t/m3. In detail there are some differences in density between different rock types, but since the model does not include geological domain, an ID2 was applied to a density attribute. • There is no material impact on global tonnages, but it should be noted that density is a function of both lithology and alteration (where intense magnetite/sulphide is present).
Classification	• The Mineral Resource classification protocols, for drilling and sampling, sample preparation and analysis, geological logging, database construction, interpolation, and estimation parameters are described in the ASX/TSX Announcement above have been used to classify the 2015 resource. • The Mineral Resource statement relates to global estimates of in situ tonnes and grade. • The Mineral Resource Estimate has been classified in accordance with the JORC Code, 2012 Edition using a qualitative approach. The classifications reflect the competent person's view of the Kharmagtai Copper Gold Project.
Audits or reviews	• Xanadu's internal review and audit of the Mineral Resource Estimate consisted of data analysis and geological interpretation of individual cross-sections, comparing drill-hole data with the resource estimate block model. • Good correlation of geological and grade boundaries was observed • 2013 - Mining Associates Ltd. was engaged to conduct an Independent Technical Report to review drilling, sampling techniques, QA/QC and previous Resource estimates. Methods were found to conform to international best practice.
Discussion of relative Accuracy / confidence	• An approach to the resource classification was used which combined both confidence in geological continuity (domain wireframes) and statistical analysis. The level of accuracy and risk is therefore reflected in the allocation of the measured, indicated, and inferred resource categories. • Resource categories were constrained by geological understanding, data density and quality, and estimation parameters. It is expected that further work will extend this considerably. • Resources estimates have been made on a global basis and relates to in situ grades. • Confidence in the Indicated Mineral Resources is sufficient to allow application of Modifying Factors within a technical and economic study. The confidence in Inferred Mineral Resources is not sufficient to allow the results of the application of technical and economic parameters. • The deposits are not currently being mined. • There is surface evidence of historic artisanal workings. • No production data is available.