

## 2021 Interim Financial Report

13 September 2021

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

### BY ELECTRONIC LODGEMENT

### 2021 Interim Financial Report

Please find attached for release to the market, Xanadu Mining Ltd's (**Xanadu**) Interim Financial Report for the period ended 30 June 2021.

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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](http://www.xanadumines.com)

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

# XANADU MINES



**Xanadu Mines Ltd (ASX: XAM)**

ABN 92 114 249 026

Interim Report - 30 June 2021

## Directors

Colin Moorhead - Independent Non-Executive Chairman  
Andrew Stewart - Chief Executive Officer  
Ganbayar Lkhagvasuren - Executive Director  
Michele Muscillo - Independent Non-Executive Director  
Tony Pearson - Independent Non-Executive Director (appointed 3 May 2021)

## Company secretary

Phil Mackey

## Registered Office - Australia

c/o Company Matters Pty Limited  
Level 12, 680 George Street  
Sydney NSW 2000  
Tel: +61 2 8280 7497  
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## Registered Office - Mongolia

Suite 23, Building 9B  
Olympic Street, Khoroo 1, Sukhbaatar District  
Ulaanbaatar 14240  
Tel: +976 11 7012 0211

## Share register

Computershare Investor Services Pty Limited  
Level 3, 60 Carrington Street  
Sydney NSW 2000  
Tel: +61 1300 855 080

## Auditor

Ernst and Young  
200 George Street  
Sydney NSW 2000

## Stock exchange listing

Xanadu Mines Ltd shares are listed on the Australian Securities Exchange and Toronto Stock Exchange (ASX and TSX code: XAM)

## Website

[www.xanadumines.com](http://www.xanadumines.com)

## ABN

92 114 249 026

## Corporate Governance Statement

The Company's Corporate Governance Statement can be found on the Company's website: [www.xanadumines.com/site/about/corporate-governance](http://www.xanadumines.com/site/about/corporate-governance)

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## General

This Management Discussion and Analysis (**MD&A**) is current to 30 June 2021 and is Management's assessment of the operations and the financial results together with prospects of Xanadu Mines. This MD&A should be read in conjunction with the Company's audited consolidated financial statements for the years ended 31 December 2020 and 2019 and notes thereto, prepared in accordance with International Financial Reporting Standards (**IFRS**). Management is responsible for the preparation of the financial statements and this MD&A.

All dollar figures in this MD&A are expressed in Australian dollars (\$) unless stated otherwise.

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](http://www.sedar.com), on the ASX Announcements platform under the Company's code **XAM** and on the Company's website at [www.xanadumines.com](http://www.xanadumines.com).

The information in this MD&A relating to the broader Kharmagtai project is supported by the technical report titled *Independent Technical Report on the Kharmagtai Property, Mongolia* prepared by Andrew Vigar and Rod Graham of Mining Associates Limited, dated 8 June 2018.

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 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. 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.

## Forward-looking statements

This MD&A contains **forward-looking statements**, which are based on certain assumptions and analyses made by the Company derived from its experience and perceptions. The forward-looking statements in this MD&A are subject to important risks, uncertainties, and assumptions, which are difficult to predict and which may affect the Company's operations 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. The words **believe, expect, anticipate, indicate, contemplate, target, plan, intends, continue, budget, estimate, may, will, schedule** and similar expressions identify forward-looking statements. The forward-looking statements included in this MD&A are made as of the date of this MD&A and other than as required by law, the Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

## Description of Business

- Xanadu is an Australian incorporated public company with its shares listed on the ASX and 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 two tenements: (a) the Kharmagtai copper-gold project; and (b) the Red Mountain copper-gold project (**Figure 1**).

## Review of Operations

During the six months to 30 June 2021, Xanadu exploration continued at both Kharmagtai and Red Mountain districts in the South Gobi Region of Mongolia (**Figure 1**). During the first quarter, Xanadu reported significant high-grade intercepts at Stockwork Hill, Kharmagtai District and at Stairy, Red Hill District. During the second quarter, the Company defined material additions to mineralisation at White Hill, Kharmagtai District, and identified multiple strong electromagnetic conductor anomalies at Stairy, Red Hill District. COVID-19 restrictions impacted operations; however, robust management plans enabled the Company to maintain exploration activity with high safety standards. A successful capital raise of \$10.2 million ensured Xanadu is well funded to execute its strategy.

## HIGHLIGHTS DURING THE PERIOD

### Kharmagtai District

- A total of 14 holes for 16,744 metres were completed using 3 diamond drill rigs. This includes 7,250 metres of the current 23,000 metre program, to be completed by Q4 of CY2021.
- 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 and shape of that zone is ongoing. <sup>1</sup>
- A large-scale extension of mineralisation was defined at White Hill (KHDDH569). <sup>2</sup>
- A potential new discovery was identified between Zaraa and Stockwork Hill (KHDDH574). <sup>2</sup>

### Red Mountain District

- A total of 6 holes for 4,039 metres was completed using 2 diamond drill rigs.
- Shallow bornite rich copper mineralisation was intercepted at Stairy, highlighting potential for lower volume/higher grade copper deposits in addition to larger volume, lower grade porphyries. Follow up drilling is planned to commence in August 2021. <sup>3</sup>
- Ground Moving Loop Electromagnetic (MLEM) survey completed at the Stairy prospect at Red Mountain, which identified several strong conductor anomalies. <sup>4</sup>

### Corporate

- Mr. Tony Pearson appointed to the Xanadu Board, bringing significant company director, industry executive, banking, and direct Mongolia experience to the Board. <sup>5</sup>
- Completed an equity placement (**Placement**) of **\$10.2 million** AUD provides the Company in strong financial position to deliver Kharmagtai exploration strategy. <sup>6</sup>
- Hybrid AGM held on 17 June 2021 in Sydney and online with all resolutions passed. <sup>7</sup>
- Closing Cash at 30 June 2021 of **\$10.8 million**.

<sup>1</sup> ASX/TSX Announcements 15 Feb 2021 – Gold-Rich High-Grade Zone extended at Kharmagtai and 24 Mar 2021 – Additional Gold-Rich High-Grade Copper Zone at Kharmagtai

<sup>2</sup> ASX/TSX Announcement 13 July 2021 – Large Scale Extension at White Hill

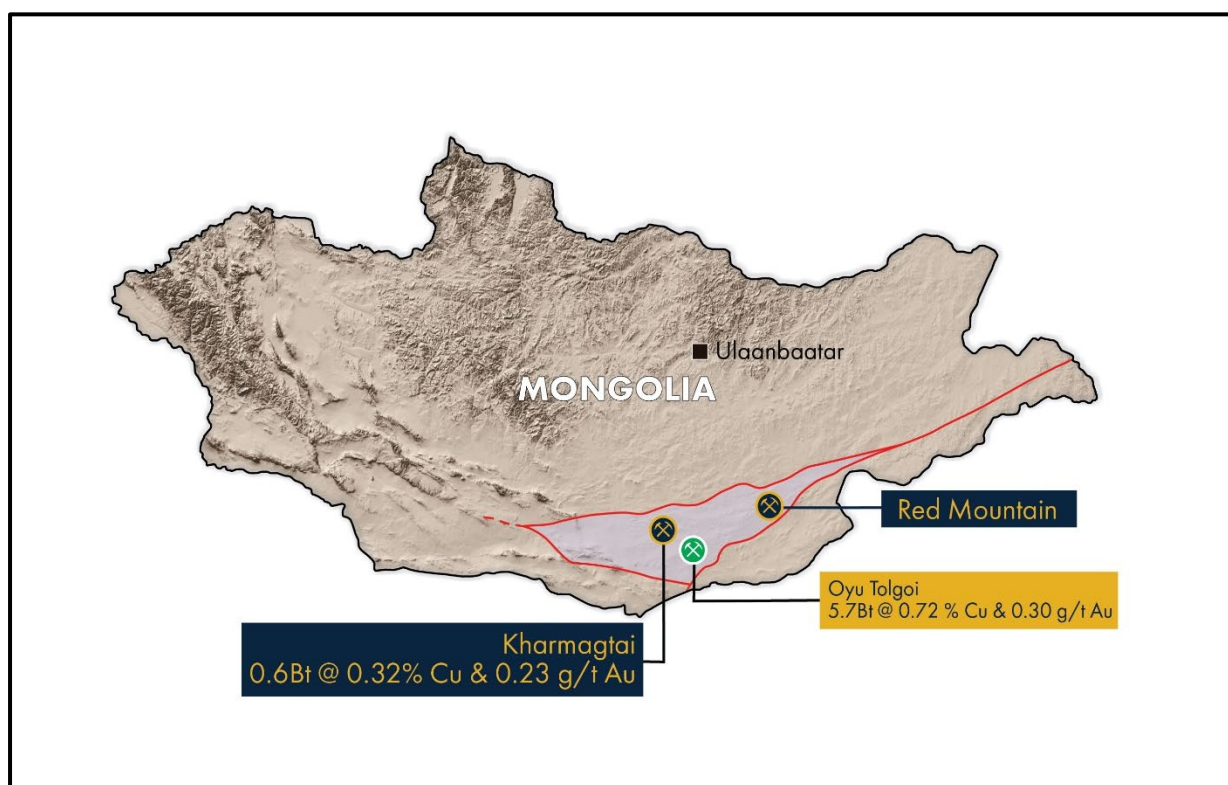
<sup>3</sup> ASX/TSX Announcement 23 Mar 2021 – Shallow Bornite-Rich Copper Mineralisation at Red Mountain

<sup>4</sup> ASX/TSX Announcement 16 June 2021 - Multiple Strong MLEM Conductors Detected at Stairy

<sup>5</sup> ASX/TSX Announcement 9 Apr 2021 - Board Addition at Xanadu

<sup>6</sup> ASX/TSX Announcement 23 April 2021 - \$10.2 million Placement for Kharmagtai High Grade Exploration

<sup>7</sup> ASX/TSX Announcement 17 Jun 2021 – Results of AGM



**FIGURE 1: Location of Xanadu's copper-gold projects**

## Exploration Update

### Kharmagtai Copper-Gold Project

Exploration at Kharmagtai focused on drilling the high-grade bornite zone at Stockwork Hill. A total of 16,744 metres of diamond drilling was completed during the six months in 14 drill holes (**Figure 2**).

Xanadu has set a goal targeting an increase of the combined Kharmagtai resource to >1 billion tonnes @  $\geq 0.5\%$  copper equivalent (CuEq) including >100 million tonnes @  $\geq 0.8\%$  CuEq, with the aim to provide both scale and high grade and enable future development of the Kharmagtai District.

Following a successful capital raising in April, 2021, the Company mobilised a third diamond drill rig to commence a 23,000 metre diamond drilling program with anticipated completion by Q4 of CY2021. The program will encapsulate three key components which will drive the Company towards its scale and high grade goals at Kharmagtai: <sup>8</sup>

- High-Grade Definition Program - define scale and tenor of gold-rich, bornite zone underneath current Stockwork Hill, White Hill and Copper Hill resources
- Discovery Drilling Program - drilling of priority targets to identify new discoveries within the Kharmagtai District; and
- Resource Upgrade Program - targeting a resource upgrade beneath the current resource and including large-scale mineralisation at Zaraa

### STOCKWORK HILL DRILLING

Results were received from fourteen diamond drill holes at Stockwork Hill during the quarter targeted high-grade extensions to known mineralisation (**Figures 2, 3 and 4**).

<sup>8</sup> ASX/TSX Announcement 3 Jun 2021 – Xanadu Accelerates 2021 Exploration Program



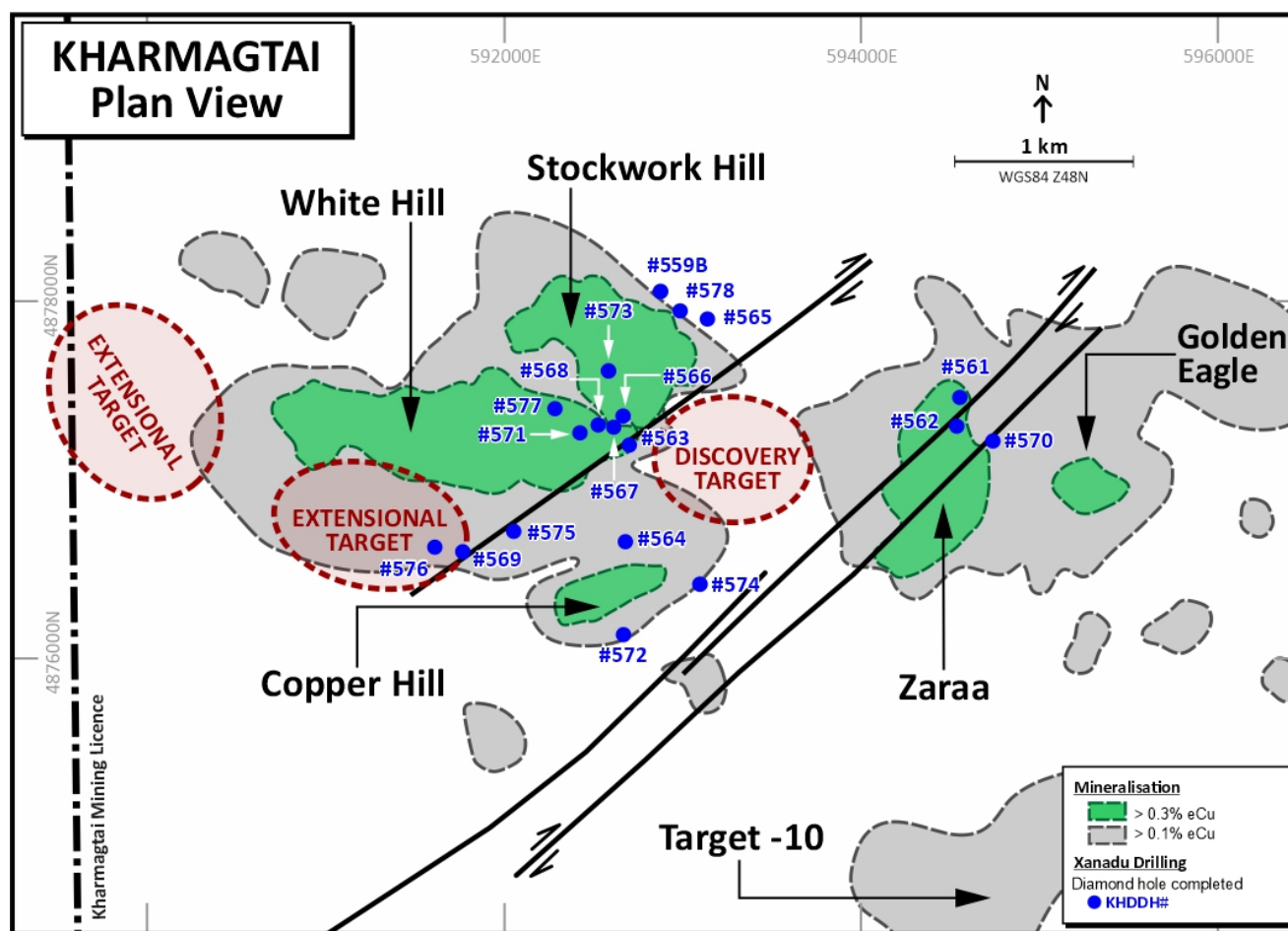


Figure 2: Kharmagtai plan view showing location of drilling for H1, 2021.

Drilling at Stockwork hill was focused on extending and defining the high-grade bornite zone. Ten drill holes were collared during the reporting period and results returned for eight holes. Key intercepts were returned from drill holes KHDDH559B, KHDDH563, KHDDH565 and KHDDH573. Full details on all holes drilled can be found in quarterly reports for March and June.<sup>9,10</sup>

**ABOUT KHDDH559B**

The purpose of KHDDH559B was to test extensions of Stockwork Hill at depth. KHDDH559B was drilled from the northern edge of Stockwork Hill southwards across the deposit and was designed to expand the northern edge of the tourmaline breccia mineralisation and then expand the high-grade bornite zone towards the south (Figures 2, 3 and 4).

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 and expanding the bornite zone by 100m in total (50m to the north and 50m to the south) (Figures 2, 3 and 4).<sup>11</sup>

KHDDH559B encountered from the bornite zone;

Hole ID	Interval	Cu	Au	eCu	From
KHDDH559B	226.2m	0.68%	1.43g/t	1.41%	611.8m
including	175m	0.84%	1.83g/t	1.78%	615m
including	61m	1.43%	3.76g/t	3.36%	651m

<sup>9</sup> ASX/TSX Announcement 30 Apr 2021 – Quarterly Activities Report and Appendix 5B – 31 Mar 2021

<sup>10</sup> ASX/TSX Announcement 29 Jul 2021 – Quarterly Activities Report and Appendix 5B – 30 June 2021

<sup>11</sup> ASX/TSX Announcement 15 Feb 2021 – Gold-Rich High-Grade Zone Extended at Kharmagtai



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 4**).

## 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. KHDDH563 entered mineralisation at 648.6m, expanding the intercept in KHDDH559B 70m up-dip and to the south (**Figures 2, 3 and 4**).<sup>12</sup>

KHDDH563 intersected;

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

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.

## About KHDDH565

Drill hole KHDDH565 was designed to identify the structure bounding the high-grade bornite zone to the east and to test the western extensions of the high-grade bornite zone.<sup>13</sup>

A small offsetting fault was located on the eastern margin of the mineralised zone and this structure is being modelled in 3D to determine the location of the eastern extensions to mineralisation. Mineralisation in the bornite zone was extended some 200m to the west and follow up drilling is planned to test these extensions. Minor structures oblique to the drill hole orientation pushed KHDDH565 slightly offline, and the hole passed through the outside halo of mineralisation rather than directly through the highest-grade zone. These zones of higher-grade gold illustrate potential to extend the bornite zone to the west. (**Figures 2, 3 and 4**).

KHDDH565 returned;

Hole ID	From	Interval	Cu	Au	eCu
KHDDH565	656m	499m	0.31%	0.39g/t	0.51%
including	686m	235m	0.36%	0.48g/t	0.60%
including	728m	101m	0.45%	0.52g/t	0.72%
including	783m	10m	0.57%	0.92g/t	1.04%
including	878m	15m	0.41%	1.10g/t	0.98%
including	1,024m	23m	0.80%	1.23g/t	1.43%
and	1,345.5m	17.5m	0.19%	1.09g/t	0.74%
Including	1,348m	4m	0.26%	2.59g/t	1.59%
and	1,427m	12m	0.18%	1.08g/t	0.73%

<sup>12</sup> ASX/TSX Announcement 24 Mar 2021 – New Extension to Gold-Rich High-Grade Copper Zone at Kharmagtai

<sup>13</sup> ASX/TSX Announcement 28 May 2021 – Exploration Update

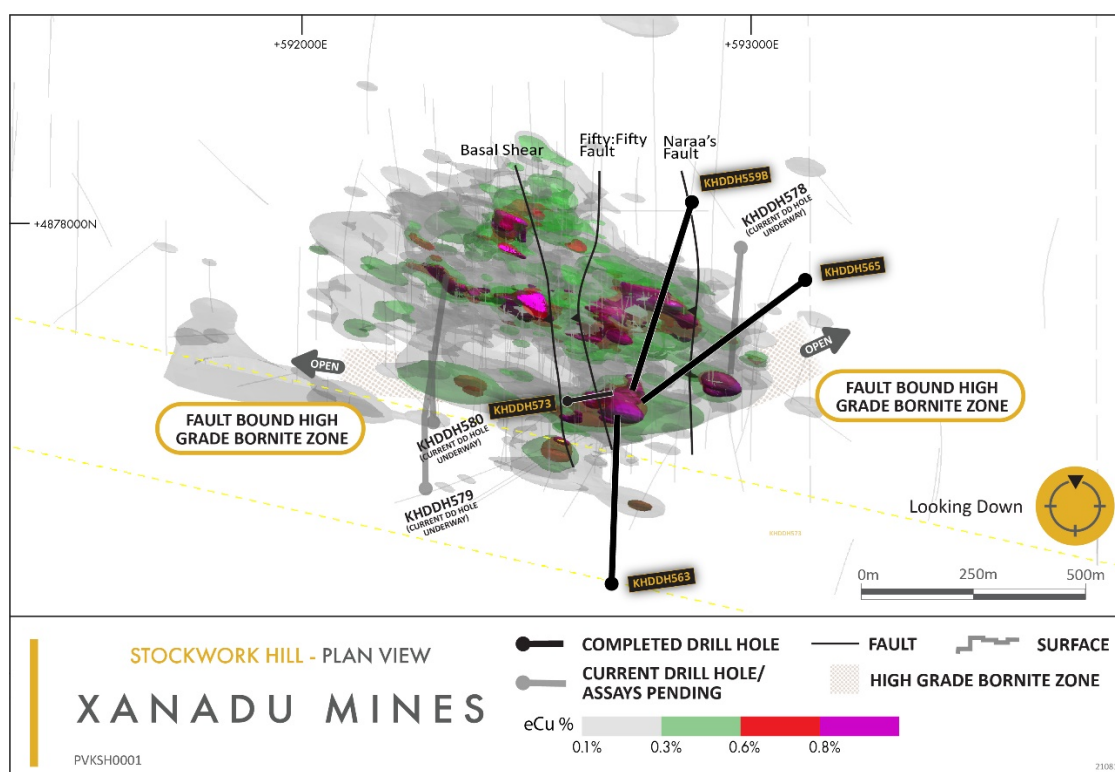
## About KHDDH573

Drill hole KHDDH573 (see **Figure 2, 3 and 4**) was designed to target vertical extensions to the higher-grade core at the Stockwork Hill deposit, largely dominated by gold-rich bornite mineralisation.

KHDDH573 returned;

Hole ID	Interval	Cu	Au	eCu	From
KHDDH573	240m	0.72%	1.24g/t	1.36%	474m
including	130m	0.94%	1.58g/t	1.75%	534m
including	26m	0.91%	2.56g/t	2.22%	678m

Drill hole KHDDH573 extended the higher-grade bornite zone (>1% eCu) by 40 metres up-dip and 40 metres down-dip at Stockwork Hill, which represents an increase to the interpreted tonnage of higher-grade material at Stockwork Hill. Current drill holes have been adapted to consider a greater vertical distribution of bornite. Furthermore, future drill program design and geological modelling will ensure vertical extent of bornite mineralisation is a key consideration.



**Figure 3: Stockwork Hill plan showing drill holes KHDDH559B, KHDDH563, KHDDH565 and KHDDH573**

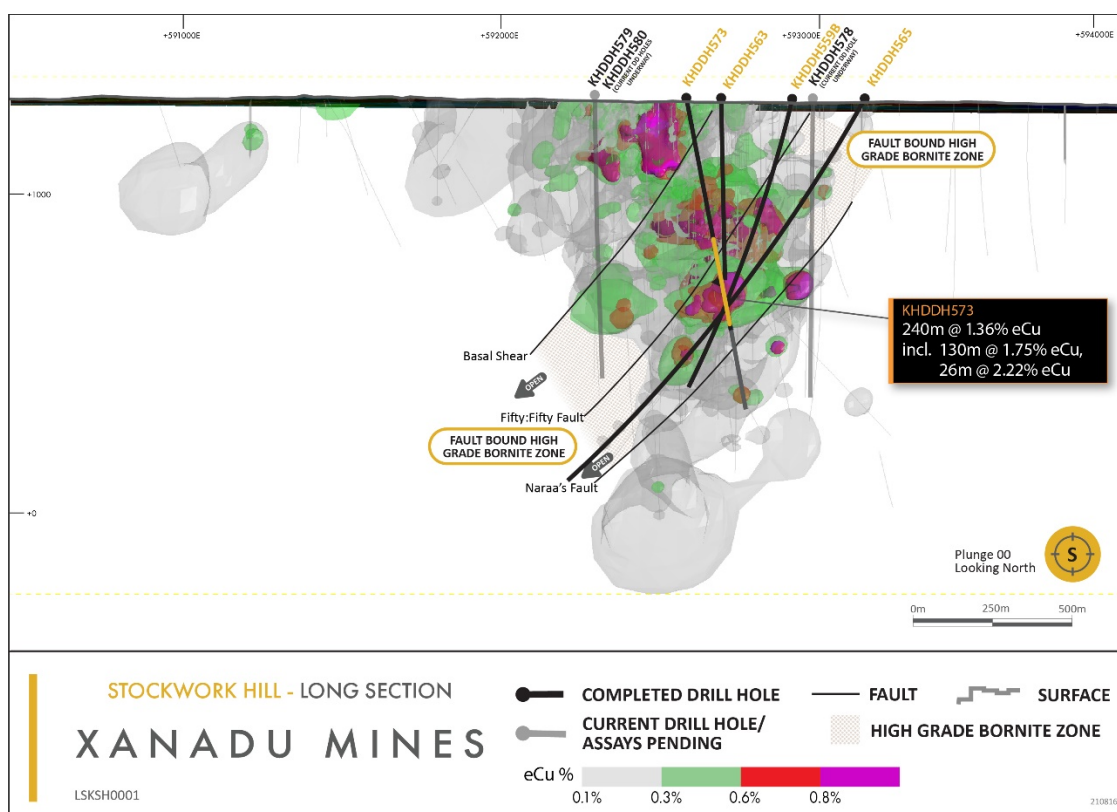


Figure 4: Stockwork Hill long section showing drill holes KHDDH559B, KHDDH563, KHDDH565 and KHDDH573

**WHITE HILL DRILLING**

Drilling at White Hill during the reporting period was focused on expanding the resource there to the south, where mineralisation remains open. Three diamond drill holes were collared during the period and results for one hole (KHDDH569) has been returned.<sup>14</sup>

**About KHDDH569**

KHDDH569 was drilled targeting the southern extensions of the White Hill deposit. The hole encountered mineralisation over 300m outside the current mineral resource estimate boundary and has returned a significant 697m intercept (**Figures 2 and 5**). KHDDH569 returned;

Hole ID	Interval	Cu	Au	eCu	From
KHDDH569	697m	0.29%	0.18g/t	0.38%	443m
including	172m	0.31%	0.38g/t	0.51%	570m
and	208m	0.44%	0.18g/t	0.52%	754m
Including	32m	0.62%	0.22g/t	0.73%	811m
and	42m	0.59%	0.21g/t	0.69%	904m
and	60m	0.35%	0.15g/t	0.43%	972m
and	22m	0.47%	0.24g/t	0.59%	990m

Two additional holes have been collared as along strike step outs to KHDDH569 with result expected in Q3.

<sup>14</sup> ASX/TSX announcement – 13 Jul 2021 - Large Scale Extension at White Hill

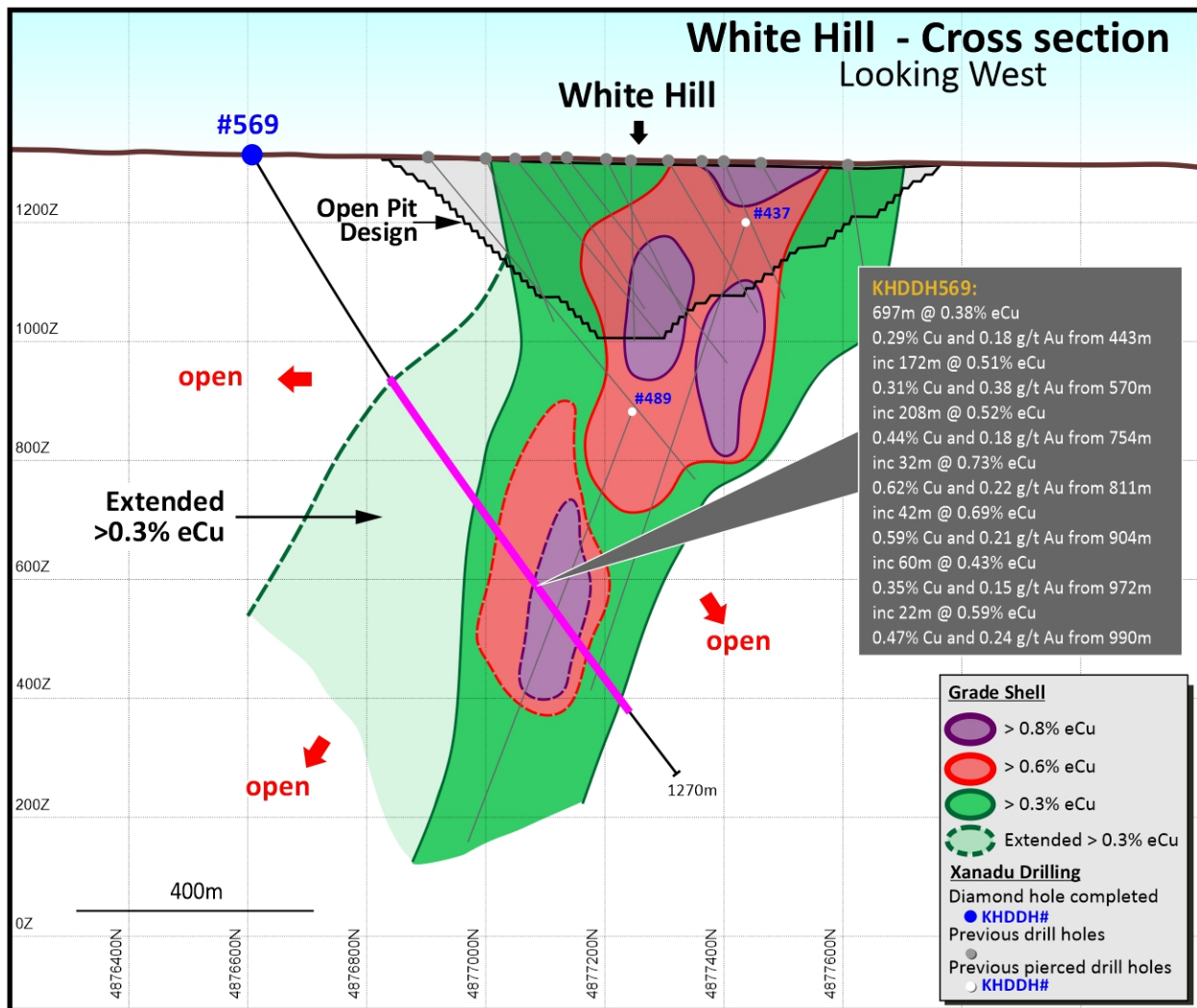


Figure 5: White Hill cross section showing additional mineralisation resulting from drill hole KHDDH569 <sup>15</sup>

ZARAA DRILLING

At the Zараа deposit resource drilling was completed post the end of the reporting period, with work commencing on a maiden mineral resource estimate for Q4 of 2021.

Three diamond drill holes were drilled to expand the resource potential at Zараа (Figures 2 and 6). All three holes encountered broad zones of porphyry mienraisaiton. Details can be found in the Q1 and Q2 reports.

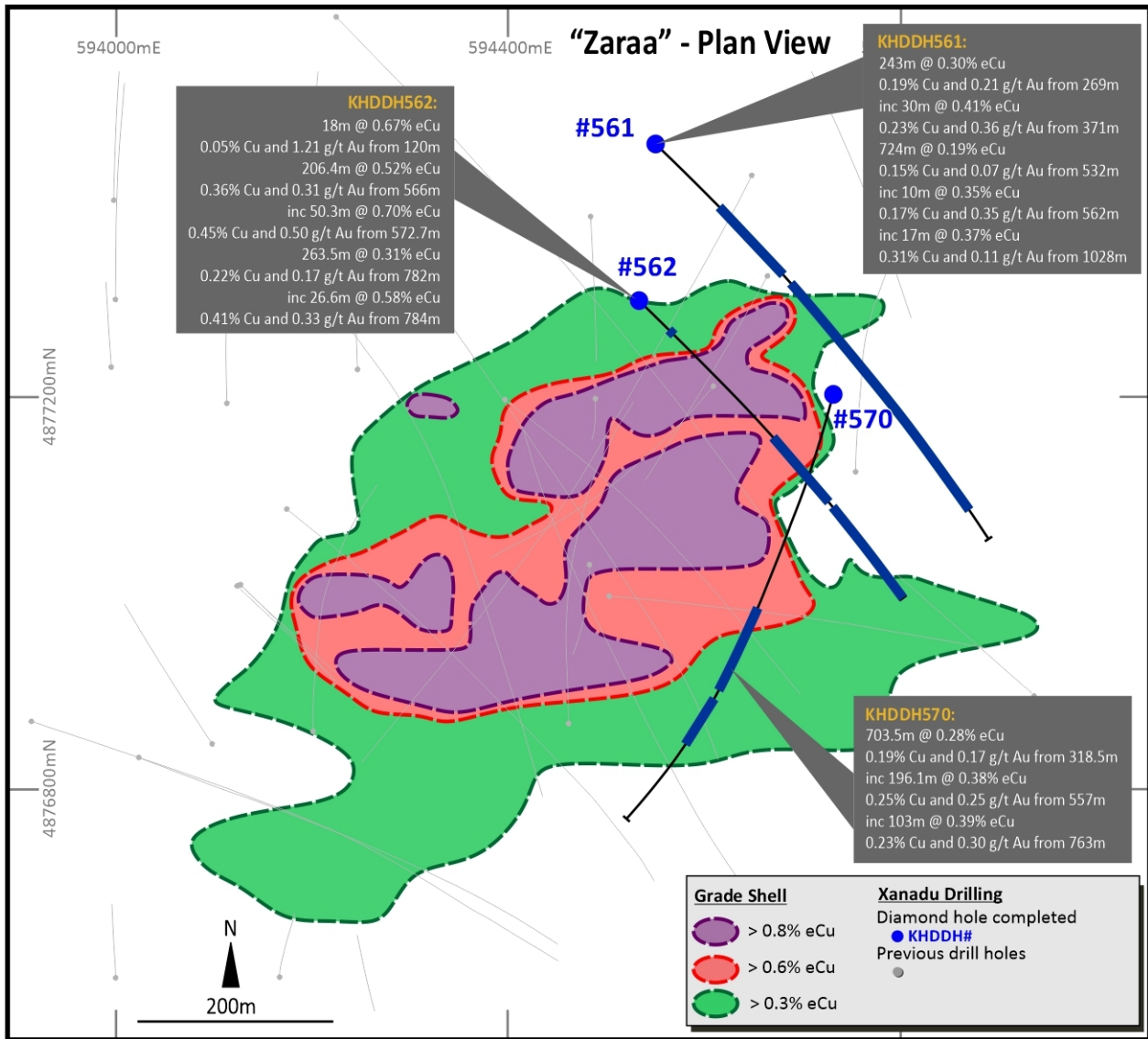


Figure 6: Zараа plan view showing drill hole KHDDH561, KHDDH562 and KHDDH570. <sup>16 17</sup>

<sup>16</sup> ASX/TSX announcement – 13 Jul 2021 - Large Scale Extension at White Hill

<sup>17</sup> ASX/TSX announcement – 20 April 2021 – New Drilling Intersects Significant Copper Sulphides



## Red Mountain Copper-Gold Project

Xanadu and the Japan Oil, Gas and Metals National Corporation (**JOGMEC**) continued exploration activities at Red Mountain, with results including 6 holes for 4,039 metres during the first quarter and a first pass ground Moving Loop Electromagnetic (MLEM) survey completed at the Stairy prospect in the second quarter.

### STAIRY PROSPECT EXPLORATION

Drilling in the first quarter at Stairy which returned significant shallow high-grade copper in drill hole OUDDH100 with 16m @ 4.09% Cu from 54m, including 4m @ 15.85% Cu from 55m (see **Figure 7**).<sup>18</sup>

The Stairy prospect contains massive sulphide lenses that coincide with high-grade copper, which may be identifiable using MLEM. As follow up to first quarter drilling, a detailed MLEM survey was completed at Stairy, designed to map the structures that contain the most significant accumulations of massive sulphides.

The survey was split into two areas, a northern area and a southern area. Data from both grids have been received and results can be seen in **Figure 8**. These results show moderate to strong Electromagnetic (EM) responses in the late time channels for known lenses of massive sulphide, but more importantly show numerous stronger responses in along strike from known lenses in areas untested by trenching or drilling.<sup>19</sup>

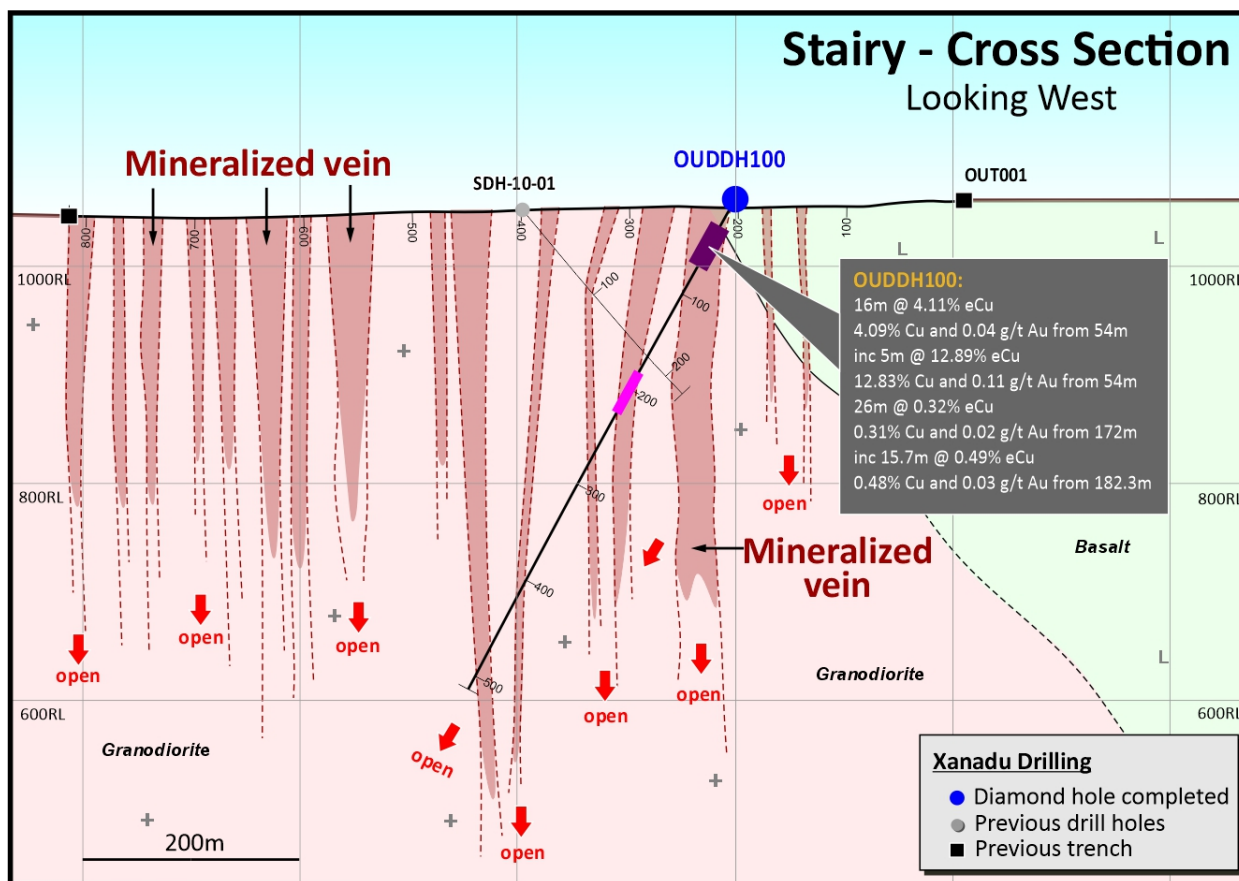
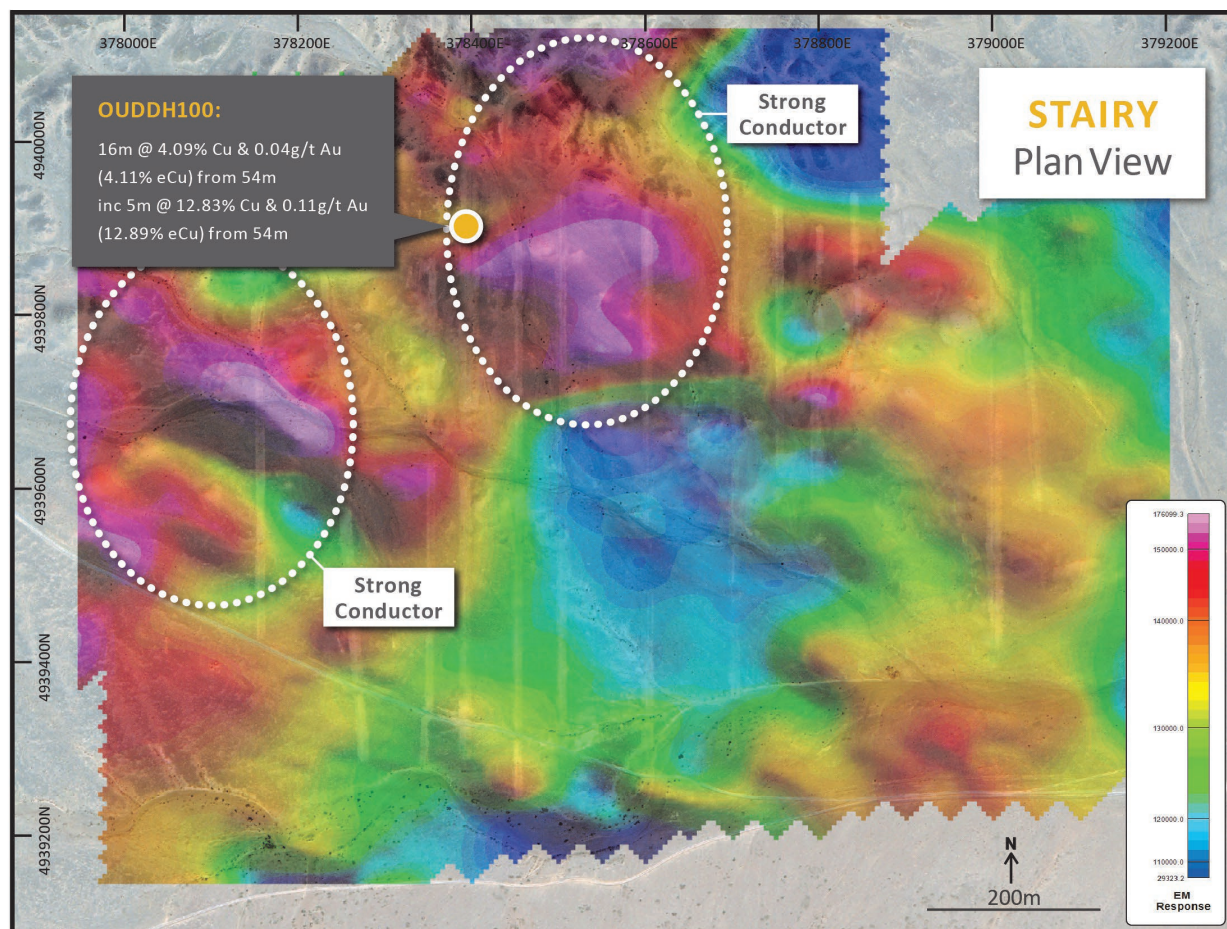


Figure 7: Stairy cross section with drill hole OUDDH100 and historic trench results <sup>20</sup>

<sup>18</sup> ASX/TSX Announcement 23 March 2021 - Shallow Bornite Mineralisation at Red Mountain

<sup>19</sup> ASX/TSX Announcement 22 July 2021 - Target Program Completed at Red Mountain

<sup>20</sup> ASX/TSX Announcement 23 Mar 2021 - Shallow Bornite Mineralisation at Red Mountain



**Figure 8.** The Stairy Prospect MLEM plan map (combined 28 Channels) showing conductive anomalies.

In parallel with the MLEM survey, approximately 1,000 metres of trenching was completed at Stairy (**Figure 9**), designed to obtain geological (structural) data relating to the zones of mineralisation associated with previous company trenches. Assay results for the trenching confirmed high grade structures at surface and were reported in August.<sup>21</sup>

<sup>21</sup> ASX/TSX Announcement 5 Aug 2021 – Significant Trenching Results & Drilling Commences at Red Mountain



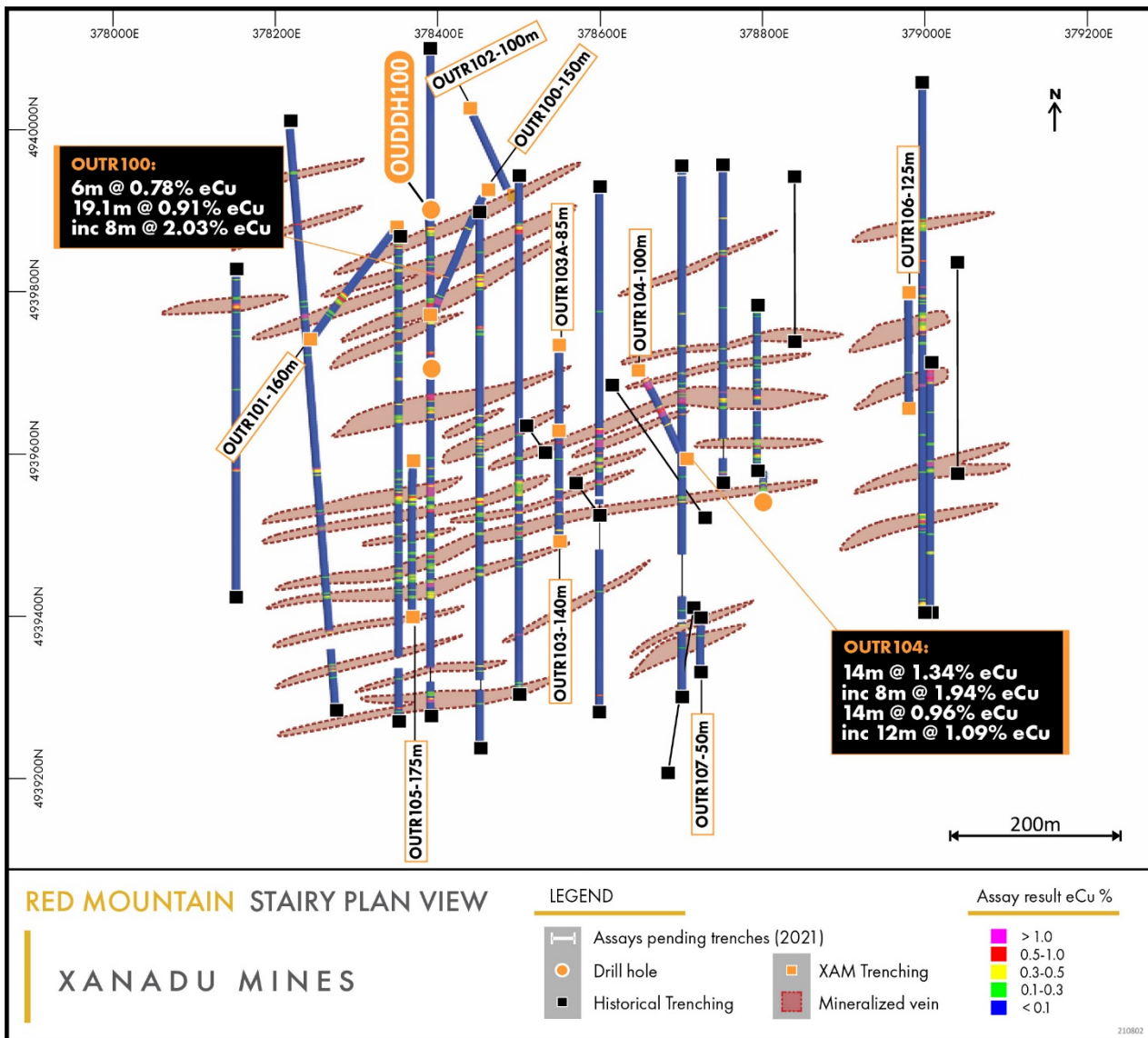


Figure 9: The Stairy Prospect historic and recent Trenching.<sup>22</sup>

MLEM and trenching results will inform a planned 2,450 metre drilling program in the Red Mountain district, to be completed in August and September 2021. The program will focus primarily on the massive sulphide mineralisation at Stairy, with an objective to delineate a near surface, low tonnage, high grade copper deposit.

These results and planned drilling aim to develop the Red Mountain district as a standalone shallow high-grade copper project, complementing the large-scale Kharmagtai copper-gold district in Xanadu’s portfolio.

## Corporate

On 9 April 2021, Xanadu announced the appointment of Tony Pearson as a new Non-Executive Director, commencing 3 May 2021. Tony brings significant company director, industry executive, banking, and Mongolia experience to the Board, and following this appointment, the Xanadu Board is made up of a majority Independent, Non-Executive Directors.<sup>23</sup>

<sup>22</sup> ASX/TSX Announcement 5 Aug 2021 – Significant Trenching Results & Drilling Commences at Red Mountain

<sup>23</sup> ASX/TSX Announcement 9 Apr 2021 - Board Addition at Xanadu

On 23 April 2021, Xanadu announced a \$10.2 million Placement to fund drilling at Kharmagtai via issue of 163,776,228 fully paid ordinary shares at A\$0.062 each. Argonaut Securities Pty Limited (Argonaut) and CLSA Australia Pty Ltd (CLSA) acted as Joint Lead Managers and bookrunners to the Placement. The Placement settled on 30 April 2021 and new shares were allotted and commenced trading on 3 May 2021, after which the Company had 1,255,617,750 fully paid shares on issue.<sup>24</sup>

During the period, Xanadu conducted benchmarking to confirm its office lease and sublease contracts were priced on a competitive basis to the markets in Ulaanbaatar, Sydney and Melbourne. Findings indicated Xanadu offices are leased on normal commercial terms and on conditions which are equal to or favourable to the relevant market, depending on location and by a strategy to sub-lease part of larger office spaces that are shared with other exploration companies.

## Competent Person's Statements

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 MD&A has been presented in accordance with the JORC Code 2012.

The information in this MD&A that relates to Mineral Resources is based on information compiled by Dmitry Pertel who is responsible for the Mineral Resource Estimate. Mr Pertel is a full-time employee of CSA Global 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 Qualified Person as defined in the CIM Guidelines and NI 43-101. Mr Pertel consents to the inclusion in the Scoping Study report of the matters based on this information in the form and context in which it appears.

The information in this MD&A that relates to the Scoping Study is based, and fairly reflects, information compiled by Gordon Zurowski, P.Eng is a registered Professional Engineer in Ontario, Canada. Mr Zurowski is employed by CSA Global. Mr Zurowski has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code 2012. Mr Zurowski consents to the inclusion in the Scoping Study report of the matters based on his information in the form and context in which it appears.

The information in this MD&A that relates to metallurgical test work is based on a summary of results compiled by Andrew Holloway who is responsible for metallurgical and process engineering aspects of the project. Mr. Holloway, who is a principal of AGP and is a Professional Engineer in Ontario, Canada, 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 NI 43-101. Mr Holloway consents to the inclusion in the Scoping Study report of the matters based on this information in the form and context in which it appears.

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 NI 43-101. Dr Stewart consents to the inclusion in the Scoping Study report of the matters based on this information in the form and context in which it appears.

## Resource reporting governance arrangements

Xanadu Mines reporting of resource estimates are governed by the following:

- Reporting in accordance with the 2012 edition of the *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves* (the **JORC Code 2012**); and
- By suitably qualified and experienced persons

The Company confirms it is not aware of any new information or data that materially affects the information included in this MD&A relating to exploration activities and all material assumptions and technical parameters underpinning the exploration activities in the market announcements referenced continue to apply and have not been changed. The Company confirms

<sup>24</sup> ASX/TSX Announcements 23 Apr 2021 - \$10.2 Placement for Kharmagtai High Grade Exploration and 3 May 2021 – Placement Cleansing Notice

that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

## Results of Operations

### Selected quarterly information

	Quarter ended 30 Jun 2021 \$'000	Quarter ended 31 Mar 2021 \$'000	Quarter ended 31 Dec 2020 \$'000	Quarter ended 30 Sep 2020 \$'000
Revenue <sup>1</sup>	-	-	-	-
Gross Exploration Expenditure				
Kharmagtai	2,297	1,640	2,457	1,534
Red Mountain <sup>2</sup>	296	-	242	832
Exploration expenditures capitalised	2,457	1,640	2,345	1,545
Impairment of deferred exploration expenditure <sup>3</sup>	-	-	-	-
Corporate general and administration	606	1,187	939	937
Share-based payments <sup>4</sup>	-	-	-	-
Depreciation and amortisation	13	14	15	12
Loss after income tax attributable to owners of XAM	666	1,221	931	642
Basic loss per share (\$ / share)	0.05	0.11	0.09	0.07
Diluted loss per share (\$ / share)	0.05	0.11	0.09	0.07
Kharmagtai Drilling (metres)	8,760	7,984	14,380	7,209
Red Mountain Drilling (metres)	-	4,039	393	3,627
Cash & Cash Equivalent	10,803	4,226	7,687	5,492
Deferred Exploration Expenditure <sup>5</sup>	48,233	45,448	43,317	43,432

	Quarter ended 30 Jun 2020 \$'000	Quarter ended 31 Mar 2020 \$'000	Quarter ended 31 Dec 2019 \$'000	Quarter ended 30 Sep 2019 \$'000
Revenue <sup>1</sup>	-	-	-	-
Gross Exploration Expenditure				
Kharmagtai	538	568	554	1,393
Red Mountain <sup>2</sup>	233	30	-	-
Exploration expenditures capitalised	540	598	-	-
Impairment of deferred exploration expenditure <sup>3</sup>	-	-	4,425	-
Corporate general and administration	766	688	833	725
Share-based payments <sup>4</sup>	-	-	-	7
Depreciation and amortisation	14	14	15	19
Loss after income tax attributable to owners of XAM	653	706	5,226	739
Basic loss per share	0.08	0.09	0.76	0.11
Diluted loss per share	0.08	0.09	0.76	0.11
Kharmagtai Drilling (metres)	2,598	2,463	70	1,815
Red Mountain Drilling (metres)	301	-	-	-
Cash & Cash Equivalent	2,896	2,614	1,209	2,607
Deferred Exploration Expenditure <sup>5</sup>	43,923	49,427	43,352	50,202

### Notes:

- <sup>1</sup> The Company is in the exploration stage and does not generate operating revenue.
- <sup>2</sup> Red Mountain exploration was funded by JOGMEC Joint Venture and not capitalised.
- <sup>3</sup> The Dec 2019 impairment of deferred exploration expenditure relates to the following deferred exploration expenditure assets ('000): Yellow Mountain \$3,442 and Red Mountain \$983.
- <sup>4</sup> Share-based payments are measured by reference to the fair value at the date at which they are granted. The fair value of the options is determined by an independent written valuation. Share-based payments expense is amortised over the vesting period. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

- <sup>5</sup> Expenditures arising from exploration and evaluation activities relating to an area of interest are carried forward, provided such costs are expected to be recouped through successful development, or by sale, or where exploration and evaluation activities have not, at balance date, reached a stage to allow a reasonable assessment regarding the existence of economically recoverable resources. Rights of tenure must be current to carry forward deferred exploration and evaluation expenditure. Costs carried forward in respect of an area of interest that is abandoned are written off in the year in which the decision to abandon is made.

## Capital Management

The Company had \$10,803,000 cash on hand as at 30 June 2021 (31 December 2020: \$7,687,000).

On 3 May 2021, the Company closed a brokered placement of 163,776,228 New Shares, raising \$10.2 million, for a price of \$0.062 per share.

The primary use of funds over 2021 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 to assist with funding. 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.

The Company has an unlimited number of ordinary shares authorized, with 1,255,617,750 fully paid shares outstanding on June 30, 2021. As at 30 June, 2021, there were no unlisted options outstanding.

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.

## Financial Instruments and Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

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, commodity price risk, equity price risk and interest rate risk.

#### Foreign currency risk

The Company is exposed to foreign exchange fluctuations with respect to Australian Dollars ('A\$'), US Dollars ('US\$'), Mongolian Tugrik ('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.

## *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.

## *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.

## **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 \$10,803,000 (31 December 2020 \$7,687,000).

## **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 fulfil 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**

### *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.



## *Licence risks*

The Company has licenses covering the Kharmagtai and Red Mountain projects. The Government of Mongolia could revoke either of these licenses if the Company fails to satisfy its obligations, including payment of royalties and taxes and the satisfaction of certain mining, environmental, health and safety requirements. A termination of the Company's mining licenses 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 favourable 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 Estimate and Mineral Reserve Estimate 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.

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization, and this had a significant impact on the global economy and the mining industry. Despite this and due to a cautious approach by the Government of Mongolia, exploration and mining activities in the South Gobi have been minimally impacted. The ongoing scale and duration of the pandemic remains uncertain as at the date of this report and may yet have an impact on the Company's forecast cash flow and financial condition.

## *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, 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.

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Xanadu Mines Ltd (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the period ended 30 June 2021.

## Directors

The following persons were directors of Xanadu Mines Ltd during the whole of the half year and up to the date of this report, unless otherwise stated:

Colin Moorhead	Independent Non-Executive Chairman
Andrew Stewart	Chief Executive Officer
Ganbayar Lkhagvasuren	Executive Director
Michele Muscillo	Independent Non-Executive Director
Tony Pearson	Independent Non-Executive Director (appointed 3 May 2021)

## Principal activities

Xanadu is an Australian and Canadian listed public company with its shares traded on the Australian Securities Exchange ('ASX') and Toronto Stock Exchange ('TSX') under the symbol 'XAM'. Xanadu controls one of the most globally promising porphyry copper and gold districts in the Kharmagtai project in the South Gobi region of Mongolia and holds an advanced district-scale exploration project in Red Mountain, also in Mongolia. The principal activity of Xanadu and its subsidiaries during the period was continuing exploration of its two copper-gold districts in Mongolia.

## Dividends

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

## Review of operations

The loss for the Group after providing for income tax and non-controlling interest amounted to \$1,887,000 (30 June 2020: \$1,359,000).

A more detailed 'review of operations' and 'results of operations' is included in the Management discussion and analysis ('MD&A') presented before the Directors' report.

## Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial period.



## Matters subsequent to the end of the financial period

Subsequent to the period, on 28 July 2021, unvested options were granted to Directors and Key Management Personnel under the Company's Employee Share and Option Plan.<sup>25</sup> These were approved by Shareholders in a December 2020 Extraordinary General Meeting<sup>26</sup>, and new Independent Non-Executive Director Tony Pearson was added to the plan with Shareholder approval in the June 2021 Annual General Meeting<sup>27</sup>. The vesting of the options for both Executive Directors and Key Management Personnel is subject to the Company achieving both share price targets and technical & development hurdles.<sup>28</sup> These were granted as follows.

Key Management Personnel	Unvested Options Granted July 2021
Colin Moorhead	6,840,000
Michele Muscillo	3,420,000
Tony Pearson	3,420,000
Andrew Stewart	12,750,000
Ganbayar Lkhagvasuren	8,500,000
Munkhsaikhan Dambiinyam	8,500,000
Spencer Cole	8,500,000

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

## Rounding of amounts

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

## Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Colin Moorhead  
Chairman

13 September 2021

<sup>25</sup> ASX/TSX Announcements 28 Jul 2021 – Change of Director's Interest Notice

<sup>26</sup> ASX/TSX Announcements 23 Dec 2020 – Results of Extraordinary General Meeting

<sup>27</sup> ASX/TSX Announcements 17 June 2021 – Results of Annual General Meeting

<sup>28</sup> ASX/TSX Announcement 20 Nov 2020 – Notice of Extraordinary General Meeting & Related Documents



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## Auditor's Independence Declaration to the Directors of Xanadu Mines Limited

As lead auditor for the review of the half-year financial report of Xanadu Mines Limited for the half-year ended 30 June 2021, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Xanadu Mines Limited and the entities it controlled during the financial period.

Ernst & Young

Siobhan Hughes  
Partner  
13 September 2021

# Contents of Financial Report

30 June 2021

XANADU MINES

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## General information

The financial statements cover Xanadu Mines Ltd as a Group consisting of Xanadu Mines Ltd and the entities it controlled at the end of, or during, the period. The financial statements are presented in Australian dollars, which is Xanadu Mines Ltd's functional and presentation currency.

Xanadu Mines Ltd is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 12, 680 George Street  
Sydney NSW 2000  
Tel: +61 2 8280 7497  
Fax: +61 2 9287 0350

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 13 September 2021.

# Statement of Profit or Loss and Other Comprehensive Income

For the period ended 30 June 2021

XANADU MINES

	Note	Consolidated	
		30 Jun 2021	30 Jun 2020
		\$'000	\$'000
<b>Revenue</b>			
Other income	5	-	51
<b>Expenses</b>			
Other expenses	6	(1,794)	(1,454)
Depreciation and amortisation expense		(27)	(28)
Finance costs		(15)	(10)
<b>Loss before income tax expense</b>		(1,836)	(1,441)
Income tax expense		-	-
<b>Loss after income tax expense for the period</b>		(1,836)	(1,441)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		975	(660)
Other comprehensive income for the period, net of tax		975	(660)
<b>Total comprehensive income for the period</b>		<u>(861)</u>	<u>(2,101)</u>
Loss for the period is attributable to:			
Non-controlling interest		51	(82)
Owners of Xanadu Mines Ltd		(1,887)	(1,359)
		<u>(1,836)</u>	<u>(1,441)</u>
Total comprehensive income for the period is attributable to:			
Non-controlling interest		123	(124)
Owners of Xanadu Mines Ltd		(984)	(1,977)
		<u>(861)</u>	<u>(2,101)</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	18	(0.16)	(0.17)
Diluted earnings per share	18	(0.16)	(0.17)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

# Statement of Financial Position

As at 30 June 2021

XANADU MINES

	Note	Consolidated 30 Jun 2021 \$'000	31 Dec 2020 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		10,803	7,687
Other receivables	7	139	145
Prepayments and other assets	8	288	201
Total current assets		<u>11,230</u>	<u>8,033</u>
<b>Non-current assets</b>			
Property, plant and equipment		325	128
Right-of-use assets		196	238
Deferred exploration and evaluation expenditure	9	48,233	43,317
Total non-current assets		<u>48,754</u>	<u>43,683</u>
<b>Total assets</b>		<u>59,984</u>	<u>51,716</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		467	547
Contract liabilities	10	-	306
Employee benefits		8	5
Lease liabilities	11	54	64
Total current liabilities		<u>529</u>	<u>922</u>
<b>Non-current liabilities</b>			
Lease liabilities	11	79	88
Total non-current liabilities		<u>79</u>	<u>88</u>
<b>Total liabilities</b>		<u>608</u>	<u>1,010</u>
<b>Net assets</b>		<u>59,376</u>	<u>50,706</u>
<b>Equity</b>			
Issued capital	12	145,536	136,005
Reserves	13	(5,871)	(6,774)
Accumulated losses		(84,084)	(82,197)
Equity attributable to the owners of Xanadu Mines Ltd		55,581	47,034
Non-controlling interest		3,795	3,672
<b>Total equity</b>		<u>59,376</u>	<u>50,706</u>

The above statement of financial position should be read in conjunction with the accompanying notes

# Statement of Changes in Equity

For the period ended 30 June 2021

XANADU MINES

	Issued capital \$'000	Share-based payments reserve \$'000	Transactions with owners reserve \$'000	Foreign currency translation reserve \$'000	Accumulated losses \$'000	Non-controlling interest \$'000	Total equity \$'000
<b>Consolidated</b>							
Balance at 1 January 2020	120,909	10,016	(537)	(10,843)	(79,265)	4,554	44,834
Loss after income tax expense for the period	-	-	-	-	(1,359)	(82)	(1,441)
Other comprehensive income for the period, net of tax	-	-	-	(618)	-	(42)	(660)
Total comprehensive income for the period	-	-	-	(618)	(1,359)	(124)	(2,101)
<i>Transactions with owners in their capacity as owners:</i>							
Shares issued during the year	3,707	-	-	-	-	-	3,707
Transaction costs	(69)	-	-	-	-	-	(69)
Balance at 30 June 2020	<u>124,547</u>	<u>10,016</u>	<u>(537)</u>	<u>(11,461)</u>	<u>(80,624)</u>	<u>4,430</u>	<u>46,371</u>
<b>Consolidated</b>							
<b>Note</b>	12	13	13	13			
Balance at 1 January 2021	136,005	10,016	(537)	(16,253)	(82,197)	3,672	50,706
Profit/(loss) after income tax expense for the period	-	-	-	-	(1,887)	51	(1,836)
Other comprehensive income for the period, net of tax	-	-	-	903	-	72	975
Total comprehensive income for the period	-	-	-	903	(1,887)	123	(861)
<i>Transactions with owners in their capacity as owners:</i>							
Shares issued during the year	10,154	-	-	-	-	-	10,154
Transaction costs	(623)	-	-	-	-	-	(623)
Balance at 30 June 2021	<u>145,536</u>	<u>10,016</u>	<u>(537)</u>	<u>(15,350)</u>	<u>(84,084)</u>	<u>3,795</u>	<u>59,376</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

# Statement of Cash Flows

For the period ended 30 June 2021

XANADU MINES

		Consolidated	
	Note	30 Jun 2021 \$'000	30 Jun 2020 \$'000
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(1,856)	(1,411)
Interest received		-	1
Government incentives received		-	50
Interest and other finance costs paid		(15)	(10)
Net cash used in operating activities	17	(1,871)	(1,370)
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(160)	-
Payment for exploration and evaluation expenditure	9	(4,233)	(1,257)
Payments for exploration and evaluation on behalf of JOGMEC	8	(1,069)	-
Proceeds from JOGMEC Red Mtn option payments	9	162	-
Proceeds from JOGMEC Red Mtn exploration funding payments	8	662	793
Net cash used in investing activities		(4,638)	(464)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	12	10,154	3,707
Transaction costs on issue of shares		(623)	(74)
Repayment of lease liabilities		(19)	(19)
Net cash from financing activities		9,512	3,614
Net increase in cash and cash equivalents		3,003	1,780
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		113	(93)
Cash and cash equivalents at the end of the financial period		10,803	2,896

*The above statement of cash flows should be read in conjunction with the accompanying notes*



## Note 1. Corporate information

Xanadu Mines Ltd (“Company”) was incorporated on 12 May 2005 and is the ultimate holding company for the Xanadu group (“Group”). The unaudited financial report of the Company and its controlled entities are for the period ended 30 June 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 half-year reporting period ended 30 June 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, 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 31 December 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 2001.

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

### Rounding of amounts

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

### 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 \$1,836,000 (30 June 2020: \$1,441,000) and net cash outflows from operations of \$1,871,000 (30 June 2020 \$1,370,000) for the period ended 30 June 2021. At period end, cash and cash equivalents were \$10,803,000.

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.

During the period ended 30 June 2021, the Company raised \$10,154,000 through equity issuances to fund the ongoing exploration program at Kharmagtai. 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.

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 24 March 2020.

## Note 2. Significant accounting policies (continued)

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. The 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.

## 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.

### *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.

### *Impairment of non-financial assets other than goodwill and other indefinite life intangible assets*

The Group assesses indicators of impairment for non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. Methods of assessment include recent transaction value, benchmarking of comparable transactions and value multiples, market capitalisation versus book value. These also consider fair value less costs of disposal or value-in-use calculations. If an indicator of impairment exists, the recoverable amount of the asset is determined.

## 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 note 9 'Deferred exploration and evaluation expenditure'. No segment revenues are disclosed, as all segment expenditure is capitalised, with the exception of expenditure written off. The non-current assets of Xanadu, attributable to the parent entity, are located in Mongolia.

**Note 5. Other income**

	<b>Consolidated</b>	
	<b>30 Jun 2021</b>	<b>30 Jun 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest income	-	1
COVID-19 government incentive	-	50
Other income	-	51
	<u>-</u>	<u>51</u>

**Note 6. Other expenses**

	<b>Consolidated</b>	
	<b>30 Jun 2021</b>	<b>30 Jun 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Administration expenses	559	447
Wages and management fees	1,120	689
Consulting fees	114	318
Net foreign currency (gains) losses	1	-
	<u>1,794</u>	<u>1,454</u>

**Note 7. Other receivables**

	<b>Consolidated</b>	
	<b>30 Jun 2021</b>	<b>31 Dec 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current assets</i>		
Sundry debtors	59	60
GST recoverable	80	85
	<u>139</u>	<u>145</u>

Sundry debtors relate to interest on term deposits accrued but not yet received, refund of goods and services tax payments due and other current loans. Balances within sundry debtors do not contain impaired assets and are not past due. It is expected that these balances will be received in full. Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables.

**Note 8. Prepayments and other assets**

	<b>Consolidated</b>	
	<b>30 Jun 2021</b>	<b>31 Dec 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current assets</i>		
Prepayments	196	201
Red Mountain exploration to be reimbursed	92	-
	<u>288</u>	<u>201</u>

The Red Mountain exploration to be reimbursed ('000) at 30 June 2021 represents exploration completed on behalf of JOGMEC during the period, for which reimbursement had yet to be received. <sup>(i)</sup>

(i) JOGMEC Red Mountain reimbursement balance:	<b>\$'000</b>
Advance Funding Balance at 31 December 2020 (see note 10)	(306)
Foreign exchange impacts	(9)
Payments for exploration and evaluation on behalf of JOGMEC	1,069
Proceeds from JOGMEC Red Mtn exploration funding payments	<u>(662)</u>
	<u>92</u>

**Note 9. Deferred exploration and evaluation expenditure**

	<b>Consolidated</b>	
	<b>30 Jun 2021</b>	<b>31 Dec 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Non-current assets</i>		
Deferred exploration and evaluation expenditure	52,474	47,475
Less: Accumulated impairment	<u>(4,241)</u>	<u>(4,158)</u>
	<u>48,233</u>	<u>43,317</u>

The impairment relates to the following deferred exploration expenditure assets ('000): Yellow Mountain \$3,442 and Red Mountain \$983. Yellow Mountain was fully impaired, and the licence expired in May 2020 without renewal. The company is seeking compensation for this licence as exploration was restricted due to forestry regulations. No amount has been recognised for any compensation. In relation to Red Mountain, the asset was written down to be consistent with implied value of the March 2020 Joint Exploration Agreement with JOGMEC.

**Reconciliations**

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

<b>Consolidated</b>	<b>Exploration and evaluation \$'000</b>
Balance at 1 January 2021	43,317
Additions <sup>(i)</sup>	4,097
Exchange differences	<u>819</u>
Balance at 30 June 2021	<u>48,233</u>

**Note 9. Deferred exploration and evaluation expenditure (continued)**

	\$'000
(i) Additions made up of:	
cashflow payments for exploration and evaluation at Kharmagtai	3,937
cashflow payments for exploration and evaluation at Red Mountain	296
total cashflow payments for exploration and evaluation expenditure <small>(see Statement of cash flows investing activities)</small>	<u>4,233</u>
proceeds from Red Mtn option payments <small>(see Statement of cash flows investing activities)</small>	(162)
foreign exchange movements	26
	<u>4,097</u>

The Company held interests in two tenements during the period to 30 June 2021:

- (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 the first half of 2021 consisted of 16,654 metres drilling, with three rigs testing extensions of higher-grade zones, growing the resource, and testing new discovery targets.

***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 the first half of 2021 consisted of Moving Loop Electromagnetic (MLEM) and 4,039 metres drilling, targeting near surface, high grade zones first identified in historical trenching. Between 1 January 2021 and 30 June 2021, JOGMEC contributed \$1.231 million on behalf of Red Mountain exploration, including \$0.162 million received as an option payment.

**Note 10. Contract liabilities**

	<b>Consolidated</b>	
	<b>30 Jun 2021</b>	<b>31 Dec 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current liabilities</i>		
Contract liabilities	-	<u>306</u>

The contract liability at 31 December 2020 represents advanced funding from JOGMEC for Red Mountain exploration which was not yet completed.

See also [note 8 'Prepayments and other assets'](#).

**Note 11. Lease liabilities**

	<b>Consolidated</b>	
	<b>30 Jun 2021</b>	<b>31 Dec 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current liabilities</i>		
Lease liability - motor vehicles	54	64
<i>Non-current liabilities</i>		
Lease liability - motor vehicles	79	88
	<u>133</u>	<u>152</u>

**Note 12. Issued capital**

	<b>Consolidated</b>			
	<b>30 Jun 2021</b>	<b>31 Dec 2020</b>	<b>30 Jun 2021</b>	<b>31 Dec 2020</b>
	<b>Shares</b>	<b>Shares</b>	<b>\$'000</b>	<b>\$'000</b>
Ordinary shares - fully paid (net of transaction costs)	<u>1,255,617,750</u>	<u>1,091,841,522</u>	<u>145,639</u>	<u>136,005</u>

*Movements in ordinary share capital*

<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>\$'000</b>
Balance	1 January 2021	1,091,841,522	136,005
Shares issued - placement	3 May 2021	163,776,228	10,154
Transaction costs		-	(623)
Balance	30 June 2021	<u>1,255,617,750</u>	<u>145,536</u>

*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 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 Statement 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. The capital risk management policy remains unchanged from the 31 December 2020 Annual Report.

**Note 13. Reserves**

	<b>Consolidated</b>	
	<b>30 Jun 2021</b>	<b>31 Dec 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Foreign currency translation reserve	(15,350)	(16,253)
Share-based payments reserve	10,016	10,016
Transactions with owners' reserve	(537)	(537)
	<u>(5,871)</u>	<u>(6,774)</u>

*Foreign currency translation reserve*

This reserve is used to accumulate the changes in the value investments in subsidiaries that arise from changes in the exchange rates.

*Share-based payments reserve*

This reserve is used to record the value of equity benefits provided to directors and employees as part of their fees and remuneration, and external service providers for goods and services provided (including acquisition of tenements).

*Movements in reserves*

Movements in each class of reserve during the current financial period are set out below:

<b>Consolidated</b>	Foreign currency translation reserve \$'000	Share-based payments reserve \$'000	Transactions with owners reserve \$'000	Total \$'000
Balance at 1 January 2021	(16,253)	10,016	(537)	(6,774)
Foreign currency translation	903	-	-	903
Balance at 30 June 2021	<u>(15,350)</u>	<u>10,016</u>	<u>(537)</u>	<u>(5,871)</u>

**Note 14. Dividends**

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

**Note 15. Related party transactions**

The following transactions occurred with related parties. <sup>(i)</sup>

	<b>Consolidated</b>	
	<b>30 Jun 2021</b>	<b>30 Jun 2020</b>
	<b>\$</b>	<b>\$</b>
Payment for goods and services:		
Office rent, paid to Ganbayar Lkhagvasuren <sup>(ii)</sup>	37,712	45,191
Legal fees, paid to HopgoodGanim Lawyers <sup>(iii)</sup>	48,541	13,276
Melbourne office rent and operations support paid to Colin Moorhead and Associates <sup>(iv)</sup>	26,856	-
Technical consultants employed through Colin Moorhead & Associates <sup>(v)</sup>	31,666	-
Sydney office rent paid to Bastion Minerals <sup>(vi)</sup>	9,000	-

**Note 15. Related party transactions (continued)**

- (i) The transactions between these related parties are on normal commercial terms and conditions which are benchmarked at equal to or favourable to the relevant market. For office costs in Melbourne and Sydney, below market conditions are achieved by sub-leasing part of a larger office that is shared with other exploration companies.
- (ii) The Company maintains a rental agreement for its Ulaanbaatar office with Ganbayar Lkhagvasuren, an Executive Director of the Company.
- (iii) The Company sources legal services from HopgoodGanim Lawyers, where Non-Executive Director Michele Muscillo is a partner.
- (iv) The Company maintains a rental and executive support agreement related to a Melbourne office with Colin Moorhead & Associates, a company associated with Colin Moorhead, a Non-Executive Chairman of the Company.
- (v) The Company maintains a consulting services agreement related to technical consultants employed through Colin Moorhead & Associates, a company associated with Colin Moorhead, a Non-Executive Chairman of the Company.
- (vi) The Company maintains a rental agreement related to a Sydney office with Bastion Minerals, a company at which Dr. Andrew Stewart, CEO and Executive Director of the Company, is a Non-Executive Director.

*Receivable from and payable to related parties*

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

*Loans to/from related parties*

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

*Terms and conditions*

All transactions were made on normal commercial terms and conditions and at market rates.

**Note 16. Events after the reporting period**

Subsequent to the period, on 28 July 2021, unvested options were granted to Directors and Key Management Personnel under the Company's Employee Share and Option Plan.<sup>29</sup> These were approved by Shareholders in a December 2020 Extraordinary General Meeting<sup>30</sup>, and new Independent Non-Executive Director Tony Pearson was added to the plan with Shareholder approval in the June 2021 Annual General Meeting<sup>31</sup>. The vesting of the options for both Executive Directors and Key Management Personnel is subject to the Company achieving both share price targets and technical & development hurdles.<sup>32</sup> These were granted as follows.

Key Management Personnel	Unvested Options Granted July 2021
Colin Moorhead	6,840,000
Michele Muscillo	3,420,000
Tony Pearson	3,420,000
Andrew Stewart	12,750,000
Ganbayar Lkhagvasuren	8,500,000
Munkhsaikhan Dambiinyam	8,500,000
Spencer Cole	8,500,000

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

<sup>29</sup> ASX/TSX Announcements 28 Jul 2021 – Change of Director's Interest Notice

<sup>30</sup> ASX/TSX Announcements 23 Dec 2020 – Results of Extraordinary General Meeting

<sup>31</sup> ASX/TSX Announcements 17 June 2021 – Results of Annual General Meeting

<sup>32</sup> ASX/TSX Announcement 20 Nov 2020 – Notice of Extraordinary General Meeting & Related Documents



**Note 17. Reconciliation of loss after income tax to net cash used in operating activities**

	<b>Consolidated</b>	
	<b>30 Jun 2021</b>	<b>30 Jun 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Loss after income tax expense for the period	(1,836)	(1,441)
Adjustments for:		
Depreciation and amortisation	27	28
Foreign exchange differences	-	(628)
Change in operating assets and liabilities:		
Decrease in trade and other receivables	7	10
Decrease in prepayments	5	-
Increase/(decrease) in trade and other payables	(77)	661
Increase in employee benefits	3	-
Net cash used in operating activities	<u>(1,8712)</u>	<u>(1,370)</u>

**Note 18. Earnings per share**

	<b>Consolidated</b>	
	<b>30 Jun 2021</b>	<b>30 Jun 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Loss after income tax	(1,836)	(1,441)
Non-controlling interest	(51)	82
Loss after income tax attributable to the owners of Xanadu Mines Ltd	<u>(1,887)</u>	<u>(1,359)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>1,145,227,143</u>	<u>790,640,674</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>1,145,227,143</u>	<u>790,640,674</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(0.16)	(0.17)
Diluted earnings per share	(0.16)	(0.17)

# Directors' Declaration

30 June 2021

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes given a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the half year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Colin Moorhead  
Chairman

13 September 2021



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## Independent Auditor's Review Report to the Members of Xanadu Mines Limited

### Conclusion

We have reviewed the accompanying half-year financial report of Xanadu Mines Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated statement of financial position of the Group as at 30 June 2021 and of its financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

### Material uncertainty related to going concern

We draw attention to Note 2 in the financial report which describes the principal conditions that raise doubts about the Group's ability to continue as a going concern. These conditions along with other matters disclosed in Note 2 indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

### Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2021 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

A handwritten signature in black ink that reads 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Siobhan Hughes'.

Siobhan Hughes  
Partner  
Sydney  
13 September 2021