

Quarterly Activities Report and Appendix 5B - 30 June 2022

26 July 2022

ASX Markets Announcement Office
Australian Securities Exchange
Central Park, 152-158 St Georges Terrace
Perth WA 6000

BY ELECTRONIC LODGEMENT

Quarterly Activities Report and Appendix 5B - 30 June 2022

Please find attached for release to the market, Xanadu Mining Ltd.'s *Quarterly Activities Report and Appendix 5B* for the quarter ended 30 June 2022.

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For further information, please contact:

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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 a globally significant 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.

QUARTERLY ACTIVITIES REPORT

for the three months ended 30 June 2022
(figures are unaudited and in A\$ except where stated)

26 July 2022

June 2022 Quarter Highlights

During the quarter ended 30 June 2022 (**June Quarter**), Xanadu Mines Ltd (**Xanadu** or the **Company**) focused on progressing the Company's flagship Kharmagtai Copper-Gold Project (**Kharmagtai**). This included the publication of a Scoping Study and a National Instrument 43-101 Preliminary Economic Assessment (**PEA**) Technical Report and establishing a strategic partnership with Zijin Mining Group Co., Ltd (**Zijin**). Xanadu also released its second Sustainability Report during the Quarter, demonstrating its continued commitment to sustainable exploration and mining.

The Kharmagtai Scoping Study and PEA demonstrate a long-life, low-cost project that can be developed in the near term. Strong economics are driven by scale and gold by-product credits, low risk, proven technologies and favourable environmental, social and governance (**ESG**) parameters. The Scoping Study used a conservative approach and has identified significant upside optimisation opportunities which are now being evaluated.

The Strategic Partnership with Zijin, a global top-10 copper producer and developer, validates the quality of Kharmagtai and accelerates the project towards construction. Subject to required approvals, this will fund Kharmagtai through Pre-Feasibility Study (**PFS**) to a final decision to construct, and it will also fund continued exploration at both Kharmagtai and Xanadu's Red Mountain Project.

Kharmagtai District Operations

- Scoping Study completed, with 20% internal rate of return (**IRR**) (range 16-25%), US\$630 million net present value (**NPV**) @ 8% (range US\$ 405-850 million), first quartile all-in sustaining cost over initial 5 years, and 4-year payback (range 4-7 years) over 30-year mine life.¹
- Published a National Instrument 43-101 PEA Technical Report.²
- Completed exploration planning subject to funding under Zijin Kharmagtai Joint Venture (**JV**).
- Developed Study Execution Plan for Pre-Feasibility Study under the Zijin Strategic Partnership.

Corporate

- Announced strategic partnership with Zijin providing funding and technical expertise to progress the Kharmagtai through PFS to a decision to construct.³
- Progressed negotiations to finalise JV Shareholders Agreement with Zijin and submitted regulatory approval requests.

¹ ASX/TSX Announcement 6 April 2022 - Scoping Study - Kharmagtai Copper-Gold Project

² ASX/TSX Announcement 20 June 2022 - NI 43-101 Preliminary Economic Assessment Technical Report.

³ ASX/TSX Announcement 19 April 2022 - Strategic Partnership with Zijin Mining and Placement

- Subject to approvals, the Zijin partnership includes a staged investment to inject approximately A\$11 million for a 19.99% stake in Xanadu and a further US\$35 million into the Kharmagtai project for a 50% stake in Khuiten Metals Pte Ltd., equivalent to a 38.25% stake in Kharmagtai.³
- Published 2021 Sustainability Report outlining the Company's commitment to sustainable exploration and mining.⁴

Executive Chairman & Managing Director, Colin Moorhead, said:

"Early in the June Quarter, Xanadu announced transformational changes with the Scoping Study and PEA at Kharmagtai and our strategic partnership with Zijin. This laid out the potential of Kharmagtai in a clear and quantitative way, and the investment by a global copper mining major validated Kharmagtai as a future, large scale, Mongolian copper and gold producer. As I've said before, this partnership is a very good outcome for our shareholders, for Mongolia and for a world with a looming copper supply gap.

Since those announcements, we have worked with Zijin to finalise the detailed JV agreement and approvals, so we can accelerate Kharmagtai toward production.

In parallel with the PFS, we will execute a reinvigorated exploration program. Kharmagtai remains highly prospective with significant potential for both new discovery and high-grade extensions at depth. Red Mountain will follow up the successful 2021 drill program targeting high-grade, shallow discovery.

Finally, I'm proud to say that Xanadu published its second Sustainability Report during the June Quarter, underlining our commitment to our stakeholders, the environment, and effective governance. We maintain our goal to be a leader in sustainable exploration, and we are setting our ESG groundwork for the development of Kharmagtai."

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

Kharmagtai Copper-Gold Project

Kharmagtai Copper-Gold Project, Scoping Study and PEA

During the June Quarter, the Company released its Scoping Study⁵ and PEA⁶ for its flagship Kharmagtai Copper-Gold Project, based on an updated 2021 Mineral Resource Estimate⁷.

The summary of findings is presented below in 100% terms (Xanadu share 76.5%):

Large Scale, Low-Cost Copper and Gold Production, in an Established Mining Jurisdiction

- Total ore processed of 760Mt, producing 1.5Mt of copper and 3.3Moz of gold
- Average annual production of 50kt copper and 110koz gold over the Life of Mine (**LOM**)
- Average annual production of 37kt copper and 110koz of gold for first five years
- First quartile all-in sustaining (C1) cost of US\$1.02/lb Cu for the first five years

Strong Investment Returns

- Estimated initial capital expenditure of approximately US\$690 million for pit development, process plant and infrastructure
- IRR of 20%, after tax (range 16% to 25%)
- Payback of 4 years (range 4 to 7 years)
- 30-year mine life at an initial mill throughput of 15Mtpa, expanding to 30Mtpa
- NPV of US\$630 million (range US\$405 million to US\$850 million)

⁴ ASX/TSX Announcement 9 June 2022 - Sustainability Report 2021

⁵ ASX/TSX Announcement 6 April 2022 - Scoping Study – Kharmagtai Copper-Gold Project

⁶ ASX/TSX Announcement 20 June 2022 - NI 43-101 Preliminary Economic Assessment Technical Report.

⁷ ASX/TSX Announcement 28 February 2022 - Technical Report to Support Kharmagtai Mineral Resource Estimate

Low Technical Complexity

- Open pit mine, with low 0.9:1 strip ratio for first 5 years and 1.1:1 over LOM
- Limited (25-30Mt) pre-strip of oxidised material required
- Conventional gravity and flotation process plant
- Flat terrain enabling low risk tailings solution
- Grid power and rail links already in place near the tenement

Globally Competitive Time to Production

- Relatively low ESG risk due to sparse population and flat terrain permitting and approvals process established and achievable
- Established road, rail, power and water infrastructure
- Mining is an important part of the Mongolian economy, with well-educated population and access to required skills

Significant Upside Opportunities

- Processing oxide ore types using glycine leach technology has potential to reduce stripping and generate additional cash
- Application of new technologies such as in pit crush and convey, beneficiation, ore sorting, coarse particle separation and flotation, and electric mining equipment to increase size of pits and extend mine life
- Exploration Upside with mineralisation open in all directions, potential to grow the resource and extend higher-grade zones
- Potential for future mass underground mining to access deeper higher-grade zones

The Scoping Study underpins Xanadu's Board decision to gate the project to PFS. Parallel studies are underway to assess further upside at depth, considering high grade found in deeper drill holes outside the current Mineral Resource Estimate, and the potential for new discoveries across the district. Similar to other large porphyry copper districts, Xanadu expects there to be significant opportunity for future growth and value creation over the mine life.

The next major project milestone will be the Kharmagtai PFS, planned to commence in Q4 2022 and expected to complete in Q1 of 2024, subject to approvals for funding.

The full Scoping Study report is available on the Xanadu Mines website at:

<https://www.xanadumines.com/asx-announcements/>

The NI 43-101 Preliminary Economic Assessment Technical Report, dated 20 June 2022, may be found under the Company's profile on SEDAR at <https://www.sedar.com> and on the Xanadu Mines website:

<https://www.xanadumines.com/technical-reports/>

Red Mountain Copper-Gold Project

No activity was undertaken in the June Quarter.

September Quarter Planned Exploration Activities

Key activities during the quarter ending 30 September 2022 (**September Quarter**) include:

- Completing detailed JV negotiations and finalising the Company's strategic partnership with Zijin Mining for approval by regulators in Australia and China;
- Continued multi-spectral core scanning to enhance the understanding of the geometallurgical framework at Kharmagtai, maximise project value and minimize risk;
- Continued metallurgical sample selection and testwork for Kharmagtai PFS; and
- Potential commencement of limited, high impact exploration at Kharmagtai and Red Mountain until full funding is received Zijin, at which point the full exploration program can commence.

Results of Operations

	Quarter Ending				
	30 Jun 2022 \$'000	31 Mar 2022 \$'000	31 Dec 2021 \$'000	30 Sep 2021 \$'000	30 Jun 2021 \$'000
Gross Exploration Expenditure					
Kharmagtai	1,050	802	2,028	2,756	2,297
Red Mountain	117	242	435	1,090	480
Exploration expenditures capitalised *	1,167	1,044	2,178	3,092	2,457
Impairment of deferred exploration expenditure	-	-	4,637	-	-
Corporate general and administration	1,641	861	854	929	606
Share-based payments	292	-	815	-	-
Depreciation and amortisation	17	16	17	11	13
Loss after income tax attributable to owners of XAM	2,062	587	6,320	1,098	666
Basic loss per share	0.15	0.05	0.50	0.09	0.06
Diluted loss per share	0.15	0.05	0.50	0.09	0.06
Kharmagtai drill metres [^]	-	-	5,716	11,146	8,670
Red Mountain drill metres	-	-	-	2,948	-

* Red Mountain exploration funded by Japan Oil, Gas and Metals National Corporation (**JOGMEC**) under the Joint Exploration Agreement in 2021 was not capitalised

[^] Reflects invoiced metres paid during the quarter under drilling contract. Physical metres drilled during the quarter may vary due to invoice timing.

Finance and Corporate

Capital Structure

On 30 June 2022, the Company had 1,412,260,215 fully paid ordinary shares and 46,950,000 options over ordinary shares on issue and approximately A\$4.10 million in cash.

Strategic Partnership with Zijin Mining Group

On 19 April 2022, the Company announced it had agreed a strategic partnership (Agreement) with Zijin to progress the Company's flagship Kharmagtai Copper-Gold Project through its next phase of project evaluation and decision on future development.⁸

Under the Agreement, Zijin will invest at both the Xanadu corporate level and the Kharmagtai project level through a series of transactions commencing with the subscription of 139 million fully paid ordinary shares in Xanadu (New Shares) to provide Zijin with a 9.8% shareholding in the Company (Phase 1 Placement). The Phase 1 Placement was conducted at an issue price of A\$0.04 per share, representing approximately 38% premium to Xanadu's last traded price of A\$0.029 prior to the Announcement, and raised A\$5.56 million. The 139,000,000 shares were issued on 27 April 2022.

Two subsequent phases are then proposed (subject to formal documentation) including a second placement of ordinary shares at A\$0.04 per share to increase Zijin's total shareholding in the Company up to 19.99% (Phase 2 Placement) and the creation of a 50/50 Joint Venture in Khuiten Metals Pte. Ltd., the entity currently 100% owned by Xanadu that holds a 76.5% effective interest in Kharmagtai (Phase 3 JV)⁹, for a cash payment of US\$35 million.¹⁰

⁸ ASX/TSX Announcement 19 April 2022 - Strategic partnership with Zijin Mining Group

⁹ The Phase 1 Placement Agreement provides that the parties will negotiate in good faith formal documentation for the Phase 2 Placement and Phase 3 JV. These further transactions are subject to regulatory and shareholder approvals and the parties agreeing formal documentation.

¹⁰ Assuming AUD/YSD exchange rate of \$0.74

The proceeds of the Phase 1 Placement, together with the Company's existing cash resources, will be applied towards working capital during the exclusive negotiation period prior to commencement of the PFS at the Kharmagtai copper-gold project. Funds from the Phase 2 Placement, along with remaining funds from Phase 1, will be used to fund Red Mountain exploration and Xanadu corporate operating costs.

Proceeds from the Phase 3 JV will be used to fund the Kharmagtai PFS and continued discovery exploration at Kharmagtai.

Sustainability

During the June Quarter, Xanadu issued its second Sustainability Report for 2021, demonstrating our commitment to ESG and our goal to be a leader in sustainable exploration.¹¹ This sets the stage for further evolution in Xanadu's sustainability framework, as we evolve from a pure explorer into the development of Kharmagtai.

ASX Announcements

This Quarterly Activities Report contains information reported in accordance with the 2012 Edition of the *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012)* in the following announcements released during the June quarter.

ASX/TSX Announcement 6 Apr 2022 - Scoping Study - Kharmagtai Copper-Gold Project

ASX/TSX Announcement 19 Apr 2022 - Strategic partnership with Zijin Mining Group

ASX/TSX Announcement 9 Jun 2022 - Sustainability Report 2021

ASX/TSX Announcement 20 Jun 2022 - NI 43-101 Preliminary Economic Assessment Technical Report.

About Xanadu Mines

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

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

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

¹¹ ASX/TSX Announcement 9 June 2022 - Sustainability Report 2021

APPENDIX 2: STATEMENTS AND DISCLAIMERS

MINERAL RESOURCES AND ORE RESERVES REPORTING REQUIREMENTS

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

Previously reported Mineral Resource Estimates for Kharmagtai have changed as reported within this document. For information regarding these resources please see the Company's ASX/TSX Announcement dated 28 February 2022, including the National Instrument 43-101 Technical Report¹². There are no reported Ore Reserves.

MINING ACTIVITIES

There were no mine production or development activities during the June Quarter.

LIST OF TENEMENTS

Xanadu held licenses for the following tenements during the quarter. A strategic partnership was announced with Zijin, including a commitment to form a 50-50 JV in Khuiten Metals Pte Ltd, a Xanadu subsidiary which holds 76.5% of Kharmagtai. The JV will be finalised and executed in subsequent quarters. No new farm-in or farm-out agreements were entered into during the quarter.

Project Name	Tenement Name	Beneficial Ownership Start of Quarter	Beneficial Ownership End of Quarter	Location
Red Mountain	Red Mountain	100%	100%	Mongolia, Dornogobi province, Saikhandulaan soum
Kharmagtai *	Kharmagtai	76.5%	76.5%	Mongolia, Umnugobi province, Tsogttsetsii soum

* Subject to future execution of Phase 3 of the Zijin Strategic Partnership, at which time ownership will reduce to 38.25% of Kharmagtai.

COMPETENT PERSON STATEMENTS

The information in this announcement that relates to Mineral Resources is based on information compiled by Mr Robert Spiers, who is responsible for the Mineral Resource estimate. Mr Spiers is a full time Principal Geologist employed by Spiers Geological Consultants (**SGC**) and is a Member of the Australian Institute of Geoscientists. He 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 *National Instrument 43-101* and as a Competent Person under JORC Code, 2012. Mr Spiers consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

¹² ASX/TSX Announcement 28 February 2022 - Technical Report to Support Kharmagtai Mineral Resource Upgrade

The information in this announcement that relates to exploration results is based on information compiled by Dr Andrew Stewart, who is responsible for the exploration data, comments on exploration target sizes, QA/QC and geological interpretation and information. Dr Stewart, who is an employee of Xanadu and is a Member of the Australasian Institute of Geoscientists, has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as the Competent Person as defined in the 2012 Edition of the JORC Code 2012 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.

RELATED PARTIES

As set out in section 6.1 of the attached Appendix 5B, *Mining exploration entity or oil and gas exploration entity quarterly cash flow report*, payments made to related parties and their associates was \$615,373 in the quarter ended 30 June 2022. 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's Executive Chairman and Managing Director, Colin Moorhead) in relation to Xanadu's Melbourne office, geology and sustainability consultants; and rent paid to Bastion Minerals (a company in which Xanadu's Vice President Exploration Dr Andrew Stewart is a Non-Executive Director) in relation to Xanadu's Sydney office

FORWARD-LOOKING STATEMENTS

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

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

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

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

Appendix 5B

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

Name of entity

Xanadu Mines Ltd

ABN

92 114 249 026

Quarter ended ("current quarter")

30 June 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation		
(b) development		
(c) production		
(d) staff costs	(897)	(1,278)
(e) administration and corporate costs	(995)	(1,432)
1.3 Dividends received (see note 3)		
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(9)	(18)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(1,901)	(2,728)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) tenements		
(c) property, plant and equipment	(9)	(9)
(d) exploration & evaluation	(884)	(1,928)
(e) investments		
(f) other non-current assets		

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment	11	28
	(d) investments		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	(882)	(1,909)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	5,560	5,560
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material) <i>repayment of leases and other finance cost paid</i>	(7)	(34)
3.10	Net cash from / (used in) financing activities	5,553	5,526

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,255	3,321
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,901)	(2,728)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(882)	(1,909)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,553	5,526
4.5	Effect of movement in exchange rates on cash held	80	(105)
4.6	Cash and cash equivalents at end of period	4,105	4,105

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	4,105	1,255
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,105	1,255

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	615
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

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

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

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,901)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(884)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(2,785)
8.4 Cash and cash equivalents at quarter end (item 4.6)	4,105
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	4,105
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	1.5
<i>Note: if the entity has reported positive relevant outgoings (i.e., a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	

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

8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:

8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

On 19 April 2022, the Company announced it had agreed a strategic partnership (**Agreement**) with Zijin to progress the Company's flagship Kharmagtai Copper-Gold Project through its next phase of project evaluation and decision on future development.¹³

Under the Agreement, Zijin will invest at both the Xanadu corporate level and the Kharmagtai project level through a series of transactions commencing with the subscription of 139 million fully paid ordinary shares in Xanadu (**New Shares**) to provide Zijin with a 9.8% shareholding in the Company (**Phase 1 Placement**). The Phase 1 Placement was conducted at an issue price of A\$0.04 per share, representing approximately 38% premium to Xanadu's last traded price of A\$0.029 prior to the Announcement, and raised A\$5.56 million. The 139,000,000 shares were issued on 27 April 2022.

Two subsequent phases are then proposed (subject to formal documentation) including a second placement of ordinary shares at A\$0.04 per share to increase Zijin's total shareholding in the Company up to 19.99% (**Phase 2 Placement**) and the creation of a 50/50 Joint Venture in Khuiten Metals Pte. Ltd., the entity currently 100% owned by Xanadu that holds a 76.5% effective interest in Kharmagtai (**Phase 3 JV**)¹⁴, for a cash payment of US\$35 million.¹⁵

The proceeds of the Phase 1 Placement, together with the Company's existing cash resources, will be applied towards working capital during the exclusive negotiation period prior to commencement of the PFS at the Kharmagtai copper-gold project. Funds from the Phase 2 Placement, along with remaining funds from Phase 1, will be used to fund Red Mountain exploration and Xanadu corporate operating costs.

Proceeds from the Phase 3 JV will be used to fund the Kharmagtai PFS and continued discovery exploration at Kharmagtai.

8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Yes. See answer to 8.8.1.

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

Answer: Yes. See answer to 8.8.1.

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

¹³ ASX/TSX Announcement 19 April 2022 - Strategic partnership with Zijin Mining Group

¹⁴ The Phase 1 Placement Agreement provides that the parties will negotiate in good faith formal documentation for the Phase 2 Placement and Phase 3 JV. These further transactions are subject to regulatory and shareholder approvals and the parties agreeing formal documentation.

¹⁵ Assuming AUD/USD exchange rate of \$0.74

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 26 July 2022

Authorised by: By the board

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

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – e.g., Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.