

## Third Quarter 2022 Financial Statements and MD&A

15 November 2022

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

### BY ELECTRONIC LODGEMENT

### Third Quarter 2022 Financial Statements and Management's Discussion & Analysis

Please find attached for release to the market, Xanadu Mining Ltd's *Third Quarter 2022 Financial Statements and Management's Discussion & Analysis*, prepared in accordance with National Instrument (NI) 51-102 *Continuous Disclosure Obligations* and NI 51-102F1 *Management's Discussion and Analysis*, issued by the Canadian Securities Administrators, for lodgement on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR).

-ENDS-

#### For further information, please contact:

Colin Moorhead  
Executive Chairman & Managing Director  
P: +61 2 8280 7497  
E: [colin.moorhead@xanadumines.com](mailto:colin.moorhead@xanadumines.com)  
W: [www.xanadumines.com](http://www.xanadumines.com)

Spencer Cole  
Chief Financial Officer  
P: +61 2 8280 7497  
E: [spencer.cole@xanadumines.com](mailto:spencer.cole@xanadumines.com)

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

This Announcement was authorised for release by Xanadu's Executive Chairman and Managing Director.



# XANADU MINES

## **Xanadu Mines Ltd** **Third Quarter 2022 Report** **Condensed Interim Consolidated Financial Statements**

**As at and for the nine months ended**  
**September 30, 2022**

### **Unaudited**

(stated in Australian dollars, unless otherwise indicated)

## **INDEX**

### **Unaudited Condensed Interim Consolidated Financial Statements**

- Condensed Interim Consolidated Statements of Profit or Loss and Other Comprehensive Income
- Condensed Interim Consolidated Statements of Financial Position
- Condensed Interim Consolidated Statements of Changes in Equity
- Condensed Interim Consolidated Statements of Cash Flows
- Notes to the Condensed Interim Consolidated Financial Statements

## Interim Financial Statements

---

### **NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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

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

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

## Interim Financial Statements

### CONDENSED INTERIM CONSOLIDATED STATEMENTS PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Unaudited - stated in thousands of Australian dollars, except share and per share amounts)

	Note	Consolidated			
		3 months ended		9 months ended	
		Sep 30, 2022 A\$'000	Sep 30, 2021 A\$'000	Sep 30, 2022 A\$'000	Sep 30, 2021 A\$'000
<b>Revenue</b>					
Other income	5	2	-	16	-
<b>Expenses</b>					
Other expenses	6	(1,042)	(929)	(3,544)	(2,723)
Depreciation and amortisation expense		(18)	(11)	(51)	(38)
Share-based payments expense		(148)	-	(440)	-
Finance costs		(12)	(10)	(30)	(25)
<b>Loss before income tax expense</b>		<b>(1,218)</b>	<b>(950)</b>	<b>(4,049)</b>	<b>(2,786)</b>
Income tax expense		-	-	-	-
<b>Loss after income tax expense for the period</b>		<b>(1,218)</b>	<b>(950)</b>	<b>(4,049)</b>	<b>(2,786)</b>
<b>Other comprehensive income</b>					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Foreign currency translation		(308)	2,240	(2,151)	3,215
Other comprehensive income for the period, net of tax		(308)	2,240	(2,151)	3,215
<b>Total comprehensive income profit/(loss) for the period</b>		<b>(1,526)</b>	<b>1,290</b>	<b>(6,200)</b>	<b>429</b>
<b>Profit/(loss) for the period is attributable to:</b>					
Non-controlling interest		21	148	(161)	199
Owners of Xanadu Mines Ltd		(1,239)	(1,098)	(3,888)	(2,985)
		<b>(1,218)</b>	<b>(950)</b>	<b>(4,049)</b>	<b>(2,786)</b>
<b>Total comprehensive income profit/(loss) for the period is attributable to:</b>					
Non-controlling interest		(50)	297	(343)	420
Owners of Xanadu Mines Ltd		(1,476)	993	(5,857)	9
		<b>(1,526)</b>	<b>1,290</b>	<b>(6,200)</b>	<b>429</b>
Basic earnings per share	12	<b>Cents</b> (0.09)	<b>Cents</b> (0.09)	<b>Cents</b> (0.30)	<b>Cents</b> (0.25)

# Interim Financial Statements

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited - stated in thousands of Australian dollars)

	Sep 30, 2022 A\$'000	Dec 31, 2021 A\$'000
Note		
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	1,997	3,321
Other receivables	116	86
Prepayments and other assets	5	15
Total current assets	<u>2,118</u>	<u>3,422</u>
<b>Non-current Assets</b>		
Property, plant and equipment	500	559
Right-of-use-assets	446	323
Deferred exploration and evaluation expenditure	7 51,553	50,328
Total non-current assets	<u>52,499</u>	<u>51,210</u>
<b>Total Assets</b>	<b><u>54,617</u></b>	<b><u>54,632</u></b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade and other payables	82	253
Contract liabilities	-	-
Employee benefits	14	9
Lease liabilities	70	40
Total current liabilities	<u>166</u>	<u>302</u>
<b>Non-current Liabilities</b>		
Lease liabilities	230	192
Total non-current liabilities	<u>230</u>	<u>192</u>
<b>Total Liabilities</b>	<b><u>396</u></b>	<b><u>494</u></b>
<b>Net Assets</b>	<b><u>54,221</u></b>	<b><u>54,138</u></b>
<b>EQUITY</b>		
Issued capital	8 151,671	145,659
Reserves	(5,278)	(3,580)
Accumulated losses	(95,893)	(92,005)
Equity attributable to the owners of Xanadu Mines Ltd	50,500	50,074
Non-controlling interest	3,721	4,064
<b>Total Equity</b>	<b><u>54,221</u></b>	<b><u>54,138</u></b>



# Interim Financial Statements

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited - stated in thousands of Australian dollars)

	Note	3 months ended		9 months ended	
		Sep 30,	Sep 30,	Sep 30,	Sep 30,
		2022	2021	2022	2021
		A\$'000	A\$'000	A\$'000	A\$'000
<b>Cash flows from operating activities</b>					
Payments to suppliers and employees		(1,036)	(810)	(3,746)	(2,666)
Interest received		2	-	2	-
Government incentives received		-	-	-	-
Interest and other finance costs paid		(12)	(10)	(30)	(25)
Net cash used in operating activities		(1,046)	(820)	(3,774)	(2,691)
<b>Cash flows from investing activities</b>					
Payments for property, plant and equipment		-	(241)	(9)	(401)
Proceeds from disposal of plant and equipment		-	-	28	-
Payment for exploration and evaluation expenditure	7	(1,093)	(3,044)	(3,111)	(7,277)
Payment for exploration and evaluation on behalf of JOGMEC		-	(802)	-	(1,871)
Proceeds from JOGMEC Red Mtn earn-in payments capitalised		-	815	-	1,477
Proceeds from JOGMEC Red Mtn option payments capitalised		-	-	-	162
Net cash used in investing activities		(1,093)	(3,272)	(3,092)	(7,910)
<b>Cash flows from financing activities</b>					
Proceeds from issue of shares	8	-	-	5,560	10,154
Transaction costs of issue of shares		-	-	-	(623)
Repayment of lease liabilities		(16)	(19)	(50)	(38)
Net cash from financing activities		(16)	(19)	5,510	9,493
Net increase/(decrease) in cash and cash equivalents		(2,155)	(4,111)	(1,356)	(1,108)
Cash and cash equivalents at the beginning of the financial period		4,105	10,803	3,321	7,687
Effects of exchange rate changes on cash and cash equivalents		47	356	32	469
Cash and cash equivalents at the end of the financial period		1,997	7,048	1,997	7,048

# Notes to the Condensed Interim Consolidated Financial Statements

---

## Note 1. Corporate information

Xanadu Mines Ltd (the 'Company') was incorporated on May 12, 2005 and is the ultimate holding company for the Xanadu group (the 'Group'). The unaudited financial statements of the Company and its controlled entities are for the period ended September 30, 2022. The principal activity of the Company (and its subsidiaries) is copper-gold exploration in Mongolia.

## Note 2. Significant accounting policies

These general purpose financial statements for the interim reporting period ended September 30, 2022 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 December 31, 2021 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of *the Australian Corporations Act 2001* (Cth) ('Corporations Act').

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.

### 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

The Group has incurred net losses after tax of \$4,049,000 (September 30 2021: \$2,786,000) and net cash outflows from operations of \$3,774,000 (September 30, 2021: \$2,691,000) for the period ended September 30, 2022. At period end, cash and cash equivalents were \$1,997,000.

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

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:

- raising equity funds in capital markets, based on a history of successful equity raisings and recent results from the ongoing Scoping Study at Kharmagtai;
- entering into farm-out, sell down or joint venture agreements at Kharmagtai in order to continue to advance the project through further exploration work including a pre-feasibility study;
- deferral of discretionary operating and capital expenditures; and
- raising of debt funding if required.

With the Phase 2 Placement and Phase 3 JV funding under the Zijin Mining Group Co., Limited ('Zijin') Strategic Partnership subject to shareholder and regulatory approvals, Xanadu Directors will closely assess progress towards closing this deal and resulting cash flows, and if Phase 2 and Phase 3 funds are delayed, this may necessitate action to raise bridging funds via one of the methods noted above.



# Notes to the Condensed Interim Consolidated Financial Statements

---

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.

## **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.

## **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.

### *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. Considerations include the results of exploration activities during the period, budgeted future expenditure, recent comparable transaction information (when available), resource multiples. 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.

### *Exploration and evaluation costs*

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

## **Note 4. Operating segments**

Xanadu operates predominantly in the minerals exploration sector. The principal activity of the Company is exploration for copper and gold. Xanadu classifies these activities under a single operating segment, the Mongolian exploration projects. Regarding the exploration operating segment, the Chief Operating Decision Maker (determined to be the Board of Directors) receives information on the exploration expenditure incurred. This information is disclosed in note 10 '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.

## Notes to the Condensed Interim Consolidated Financial Statements

### Note 5. Other income

	Consolidated			
	3 months ended Sep 30, 2022	3 months ended Sep 30, 2021	9 months ended Sep 30, 2022	9 months ended Sep 30, 2021
	A\$'000	A\$'000	A\$'000	A\$'000
Other income/(loss)	2	-	16	-
	2	-	16	-

### Note 6. Other expenses

	Consolidated			
	3 months ended Sep 30, 2022	3 months ended Sep 30, 2021	9 months ended Sep 30, 2022	9 months ended Sep 30, 2021
	A\$'000	A\$'000	A\$'000	A\$'000
Administration expenses	475	372	1,394	931
Wages and management fees	430	380	1,708	1,500
Consulting fees	141	178	453	292
Net foreign currency (gains)/losses	(4)	(1)	(11)	-
	1,042	929	3,544	2,723

### Note 7. Deferred exploration and evaluation expenditure

	Consolidated	
	Sep 30, 2022 A\$'000	Dec 31, 2021 A\$'000
<i>Non-current assets</i>		
Deferred exploration and evaluation expenditure	60,318	59,525
Less: Accumulated Impairment	(8,765)	(9,197)
	51,553	50,328

The accumulated impairment relates to deferred exploration expenditure assets: Yellow Mountain MNT 4,280 million (\$3,024,000) and Red Mountain MNT 11,808 million (\$5,430,000).

# Notes to the to the Condensed Interim Consolidated Financial Statements

## 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 A\$'000</b>
Balance at January 1, 2022	50,328
Additions <sup>(i)</sup>	3,393
Exchange differences	(2,168)
Balance at September 30, 2022	<u>51,553</u>
<sup>(i)</sup> Additions made up of:	<b>A\$'000</b>
<b>Additions funded by Xanadu:</b>	
Cashflow payments for exploration and evaluation expenditure at Kharmagtai	2,408
Cashflow payments for exploration and evaluation expenditure at Red Mountain	702
Cashflow payments for exploration and evaluation expenditure <sup>(see Statement of cash flows investing activities)</sup>	<u>3,110</u>
<b>Other additions:</b>	
XAM shares issued to consultants for exploration and evaluation at Kharmagtai	<u>283</u>
Total additions to exploration and evaluation asset	<u><u>3,393</u></u>

The Company held interests in two tenements during the period to September 30, 2022:

- (a) the Kharmagtai copper-gold project;
- (b) the Red Mountain copper-gold project; and

### *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.

Activities undertaken during the third quarter of 2022 included progressing negotiations to finalise terms of the Joint Venture agreement with Zijin, including successfully obtaining regulatory approval from Australia Foreign Investment Review Board (FIRB). In addition, Xanadu continued metallurgical testwork of oxidised material at Kharmagtai that delivered recoveries of up to 91% gold and 46% copper, indicating potential for heap leach treatment as cash flow upside within a larger sulphide project. Xanadu did not complete any drilling at Kharmagtai during the third quarter of 2022.

### *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 is owned 100% by Xanadu.

During the third quarter of 2022, Xanadu commenced a trenching program at Red Mountain to generate new drill targets, with initial assays identifying a broad zone of shallow gold. The program is continuing into the fourth quarter.

# Notes to the to the Condensed Interim Consolidated Financial Statements

## Note 8. Issued capital

	Consolidated			
	Sep 30, 2022 Shares	Dec 31, 2021 Shares	Sep 30, 2022 A\$'000	Dec 31, 2021 A\$'000
Ordinary shares - fully paid (net of transaction costs)	1,412,260,215	1,259,037,750	151,671	145,659

### Movements in ordinary share capital

Details	Date	Shares	A\$'000
Balance	January 1, 2022	1,259,037,750	145,659
Fair value of options vested and exercised	January 7, 2022	4,560,000	169
Shares issued as payment for E&E consulting services (note 7)	March 1, 2022	1,473,606	43
Shares issued as payment for E&E consulting services (note 7)	April 20, 2022	8,188,859	240
Shares issued - phase 1 placement to Zijin	April 27, 2022	139,000,000	5,560
Balance	September 30, 2022	<u>1,412,260,215</u>	<u>151,671</u>

### Movements in options

Details	Date	Options
Balance	January 1, 2022	51,510,000
Unlisted options exercised	January 7, 2022	<u>(4,560,000)</u>
Balance	September 30, 2022	<u>46,950,000</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 fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

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

### Share buy-back

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

# Notes to the to the Condensed Interim Consolidated Financial Statements

## 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.

## Note 9. Dividends

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

## Note 10. Contingent liabilities

There are no material contingent liabilities relating to the Company.

## Note 11. Events after the reporting period

No matter or circumstance has arisen since September 30, 2022 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.

## Note 12. Earnings per share

	Consolidated			
	3 months ended Sep 30, 2022	3 months ended Sep 30, 2021	9 months ended Sep 30, 2022	9 months ended Sep 30, 2021
	A\$'000	A\$'000	A\$'000	A\$'000
Loss after income tax	(1,218)	(950)	(4,049)	(2,786)
Non-controlling interest	(21)	(148)	161	(199)
Loss after income tax attributable to the owners of Xanadu Mines Ltd	(1,239)	(1,098)	(3,888)	(2,985)
	Number	Number	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	1,412,260,215	1,255,617,750	1,298,810,623	1,182,428,373
	Cents	Cents	Cents	Cents
Basic earnings per share	(0.09)	(0.09)	(0.30)	(0.25)



XANADU MINES

**Xanadu Mines Ltd**  
**Third Quarter 2022 Report**  
**Management's Discussion & Analysis**

**September 30, 2022**

(stated in Australian dollars, unless otherwise stated)

# Management's Discussion and Analysis

---

This *Management's Discussion and Analysis (MD&A)* dated November 14, 2022, relates to the financial condition and results of the consolidated operations of Xanadu Mines Ltd (**Xanadu**, **Xanadu Mines**, or the **Company**) for the nine months ended September 30, 2022. This is Management's assessment of the operations and the financial results together with future prospects of Xanadu Mines and should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2021, and 2020 and notes thereto. The accompanying Condensed Interim Consolidated Financial Statements for the nine months ended September 30, 2022, have been prepared in accordance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting', and all dollar figures in this MD&A are expressed in Australian dollars (\$) unless stated otherwise.

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

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

## COMPETENT PERSON STATEMENT

The information in this MD&A 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 Canadian Institute of Mining Metallurgy and Petroleum (**CIM**) Guidelines and National Instrument (**NI**) 43-101 and as a Competent Person under the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (**JORC Code, 2012**). Mr Spiers consents to the inclusion in this MD&A 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 the NI 43-101. Dr Stewart consents to the inclusion in this MD&A of the matters based on this information in the form and context in which it appears.

## BUSINESS OVERVIEW

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

## HIGHLIGHTS DURING THE SEPTEMBER 2022 QUARTER

During the quarter ended September 30, 2022 (**September Quarter**), Xanadu Mines Ltd (**Xanadu** or the **Company**) progressed the Company's Kharmagtai and Red Mountain Copper-Gold Projects.

Xanadu continued to work with Zijin Mining Group Co., Limited (**Zijin**) to finalise commercial arrangements for its Strategic Partnership. The Company is targeting completion of these discussions in the quarter ending December 31, 2022 (**December Quarter**). During the September Quarter, Zijin achieved the required approval from the Australia Foreign Investment Review Board (**FIRB**) for this investment.

At Kharmagtai, metallurgical testing continued to assess the potential to leach oxidised near surface mineralisation, with significant upside potential for project economics. Exploration also recommenced at Red Mountain with a trenching program for target generation. Initial trench assays defined and expanded a broad zone of shallow gold, with the program ongoing.

# Management's Discussion and Analysis

---

## Key Highlights

- Progressed negotiations to finalise terms of Joint Venture (JV) Shareholders' Agreement with Zijin.<sup>1</sup>
- FIRB regulatory approval received for Zijin investment in Xanadu.<sup>2</sup>
- Metallurgical test results on partially oxidised material at Kharmagtai delivered recoveries of up to 91% gold and 46% copper, indicating potential for heap leach treatment and material project upside.<sup>3</sup>
- Completed detailed Kharmagtai Pre-Feasibility Study (PFS) Plan and Discovery Exploration Plan and commenced detailed technical reviews with Zijin prior to JV commencement.
- Commenced trenching and target generation program at Red Mountain, identifying a broad zone of shallow gold in the first set of trenches.<sup>4</sup>
- Continued new project generation work to identify potential new exploration tenements in Mongolia.

## Executive Chairman & Managing Director, Colin Moorhead, said:

*"The September Quarter was focused on finalising both commercial and technical components of our Placement and JV Agreements with Zijin. We have made very positive progress on both fronts and expect this to be finalised for shareholder and Chinese regulatory approval in the December Quarter. Pleasingly, the Australia FIRB regulatory approval has already been received.*

*On the operational front, at Kharmagtai we have made significant progress with metallurgical leach tests to convert the top layer of mineralised waste into cash generating ore. At Red Mountain, our target identification program is in full swing with initial trenching results finding a wide zone of shallow gold.*

*We look forward to finalising and receiving funds from our strategic partnership with Zijin in the coming months, which will enable a rapid ramp-up of work and news flow at both of our projects."*

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 September Quarter.

---

<sup>1</sup> ASX/TSX Announcement 19 April 2022 – Strategic Partnership with Zijin Mining

<sup>2</sup> ASX/TSX Announcement 22 August 2022 – FIRB Approves Zijin Investment in Xanadu

<sup>3</sup> ASX/TSX Announcement 1 August 2022 – Positive Metallurgical Test Results at Kharmagtai

<sup>4</sup> ASX/TSX Announcement 27 September 2022 – Broad, Shallow Gold Zone at Red Mountain



# Management's Discussion and Analysis

---

## REVIEW OF OPERATIONS

### Kharmagtai Copper-Gold Project

## METALLURGICAL TESTING

The Kharmagtai Scoping Study<sup>5</sup> identified several material upside opportunities to drive improved project economics. One important opportunity was the potential use of glycine leach technology to recover gold and copper from approximately 90 million tonnes of surface oxide material, currently classified as pre-strip waste in the Scoping Study mine plan.

Results of the initial glycine test program on samples from the first 30 metres depth, delivered metallurgical recoveries of up to 91% gold and 46% copper, with head grades ranging between 0.52g/t to 2.25g/t gold and 0.12% to 0.67% copper. All partially oxidised material leached readily at a coarse P<sub>80</sub> >2mm particle size, which indicates a strong potential for heap leach treatment.<sup>6</sup>

This result is the first step in evaluating this uplift opportunity to generate additional cash from surface material. Further mineralogical studies are required to confirm viability and optimise the process, which will be conducted as part of the Kharmagtai PFS.

## PRE-FEASIBILITY STUDY PLAN

During the September Quarter, Xanadu invested in the development of a detailed Pre-Feasibility Study (PFS) Execution Plan, which outlines the objectives, process, budget and outcomes required for the study.

The PFS Execution Plan includes:

- Infill drilling program to deliver a JORC Code, 2012<sup>7</sup> Ore Reserve.
- Metallurgical test programs including upside opportunities such as glycine leach to convert surface oxidised waste into ore and both coarse ore flotation and bulk ore separation to reduce energy and consumable cost.
- Mine design including upside opportunities such as in-pit crush and convey to capture a larger share of deep, high grade ore and reduce truck haulage and electrified mobile equipment to reduce diesel cost and scope 1 emissions.
- Infrastructure including detailed design and investigations.
- Permitting and regulatory activities during the study period

The PFS Execution Plan is being reviewed with Zijin for inclusion in the formal JV Agreement. It will set the framework under which the PFS will be executed, noting that Xanadu is the operator of the JV until Decision to Construct.

## DISCOVERY EXPLORATION PLAN

During the September Quarter, Xanadu developed a detailed program for continued discovery exploration, which included a mix of drilling to target the following:

- Extensions to known higher-grade mineralisation at depth.
- Extensions to higher-grade mineralisation along strike.
- Shallow targets aiming for new Copper Hill type mineralisation.
- Deep targets aiming for mineralisation similar to Hugo North at Oyu Tolgoi, which starts at a depth of 900m, which is below the majority of current drilling at Kharmagtai.

---

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

<sup>6</sup> ASX/TSX Announcement – 1 Aug 2022 Positive Metallurgical Test Results at Kharmagtai

<sup>7</sup> Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves

## Management's Discussion and Analysis

---

Similar to the PFS Execution Plan, the Discovery Exploration Plan is being reviewed with Zijin for inclusion in the formal JV Agreement. It will set the framework under which exploration will be conducted, noting that Xanadu is the operator of the JV until Decision to Construct.

### Red Mountain Copper-Gold Project

#### TARGET GENERATION

Red Mountain is an earlier stage project than Kharmagtai and does not yet have a JORC Code, 2012 compliant Mineral Resource. During the September Quarter, Xanadu commenced a new target generation program, starting with trenching at a number of target areas on the tenement.

Assays for the first 1,170m of trenching (out of a 6,500m program) were returned during the September Quarter, which were focused on Target 33 (T33). These returned a broad, 350m x 80m zone of shallow gold mineralisation with intercepts as follows.<sup>8</sup>

Trench ID	From (m)	Interval (m)	Au (g/t)	Cu (%)
OUTR109	26	66	0.37	0.04
including	50	32	0.60	0.04
including	50	18	0.81	0.05
including	58	10	1.23	0.09
and	106	4	0.97	0.04

Trenching continues at multiple targets on the Red Mountain tenement, aiming to build on previous exploration results.

---

<sup>8</sup> ASX/TSX Announcement – 27 Sep 2022 Broad, Shallow Gold Zone at Red Mountain

# Management's Discussion and Analysis

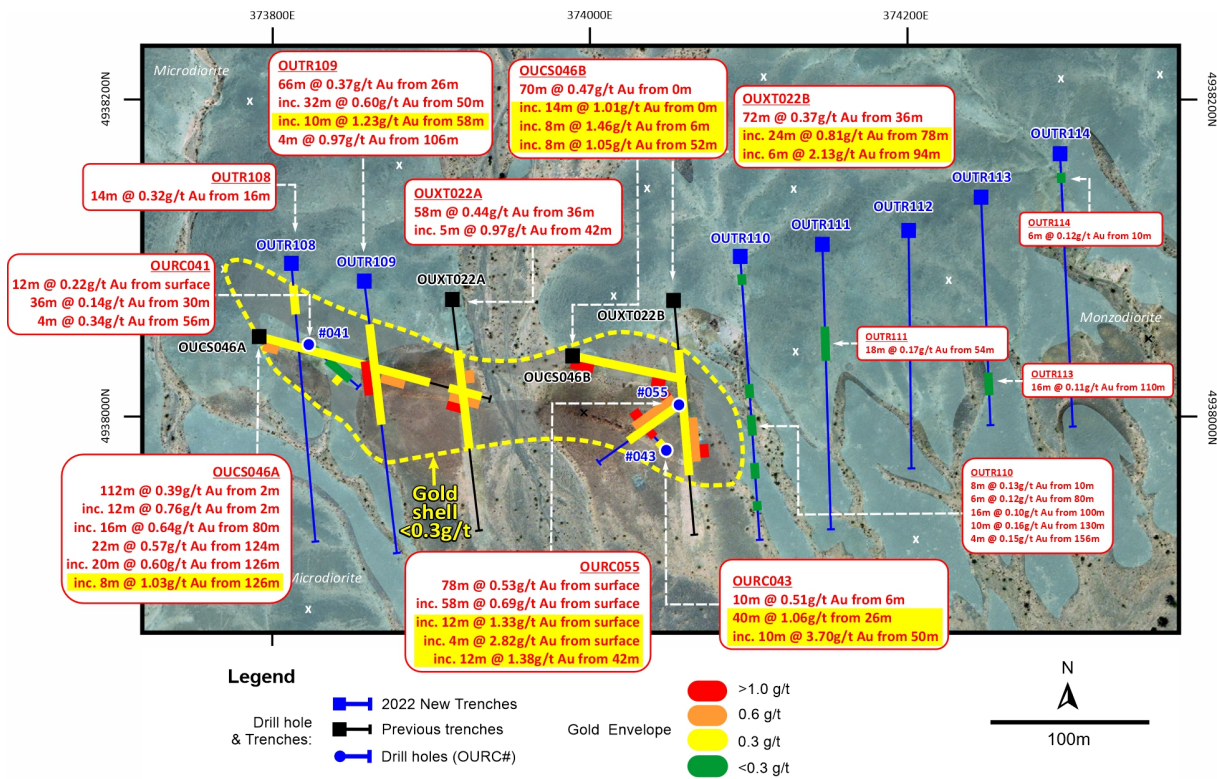


FIGURE 1: RED MOUNTAIN T33 TRENCH LOCATIONS AND CURRENT & HISTORICAL ASSAY RESULTS.<sup>9, 10</sup>

## DECEMBER QUARTER PLANNED EXPLORATION ACTIVITIES

Key activities to be undertaken during the December Quarter include:

- Finalise JV Agreement, including approval of technical study and exploration plans;
- Obtain Chinese regulatory approvals for Zijin strategic partnership;
- Obtain Xanadu shareholder approvals for Zijin strategic partnership;
- Complete Red Mountain trenching and target identification program; and
- Commence Kharmagtai Pre-Feasibility Study and Discovery Exploration plans.

<sup>9</sup> ASX Announcement 30 June 2016 - Further High-Grade Gold Intercepts at Oyut Ulaan

<sup>10</sup> ASX Announcement 28 June 2017 – Oyut Ulaan Exploration Update: Strong Drill Results Across the District

# Management's Discussion and Analysis

## RESULTS OF OPERATIONS

### SELECTED QUARTERLY INFORMATION

	Quarter Ended				
	Sep 30, 2022 \$'000	Jun 30, 2022 \$'000	Mar 30, 2022 \$'000	Dec 31, 2021 \$'000	Sep 30, 2021 \$'000
Gross Exploration Expenditure					
Kharmagtai	749	1,140	802	2,028	2,756
Red Mountain	343	117	242	435	1,090
Exploration expenditures capitalised *	1,092	1,257	1,044	2,178	3,092
Impairment of deferred exploration expenditure	-	-	-	4,637	-
Corporate general and administration	1,042	1,641	861	854	929
Share-based payments	148	147	145	815	-
Depreciation and amortisation	18	17	16	17	11
Loss after income tax attributable to owners of XAM	1,239	1,917	732	6,320	1,098
Basic loss per share	0.09	0.14	0.06	0.50	0.09
Diluted loss per share	0.09	0.14	0.06	0.50	0.09
Kharmagtai drill metres ^	-	-	-	5,716	11,146
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

` Excludes horizontal trenching metres

## CORPORATE

### STRATEGIC PARTNERSHIP WITH ZIJIN MINING GROUP

On April 19, 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, resulting in a net investment of A\$11.3M via placement for 19.99% of Xanadu ordinary shares at \$0.04 per share and US\$35M invested to form a 50:50 Joint Venture in Xanadu's Khuiten Metals subsidiary, which holds 76.5% of Kharmagtai.<sup>11</sup>

Australia FIRB regulatory approval for the deal was received during the September Quarter.

During the September Quarter, Xanadu and Zijin progressed positively the negotiations for detailed commercial terms and operational plans for the Joint Venture. These are expected to conclude in the December Quarter, followed by Chinese regulatory and Xanadu shareholder approvals.

### ASX/TSX ANNOUNCEMENTS

This MD&A contains information reported in accordance with the JORC Code, 2012 in the following announcements released during the June Quarter:

- ASX/TSX Announcement 1 Aug 2022 – Positive Metallurgy Test Results at Kharmagtai
- ASX/TSX Announcement 22 Aug 2022 – FIRB Approves Zijin Investment in Xanadu

<sup>11</sup> ASX/TSX Announcement 19 April 2022 - Strategic partnership with Zijin Mining Group

# Management's Discussion and Analysis

---

- ASX/TSX Announcement 24 Aug 2022 – Exploration Ramps Up at Red Mountain
- ASX/TSX Announcement 27 Sep 2022 – Broad, Shallow Gold Zone at Red Mountain

## FINANCE

### LIQUIDITY AND CAPITAL RESOURCES

On September 30, 2022, the Company had cash and cash equivalents on hand of \$2.0 million (December 31, 2021: \$3.3 million).

The primary use of funds in 2022, after completion of Zijin Phase 2 Placement and Phase 3 JV funding, is to progress the PFS at Kharmagtai, including resource definition drilling, plus continued exploration activities at the Company's Kharmagtai and Red Mountain copper-gold projects. There remains a risk that the second and third phases of the Zijin Mining transaction will not be completed. Capital management is a priority of Management, and the Company retains the flexibility to reduce its cost base while preserving its projects if required.

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

### Outstanding Share Capital

On September 30, 2022, the Company had an unlimited number of ordinary shares authorised, with 1,412,260,215 fully paid shares and 46,950,000 options over ordinary shares on issue (December 31, 2021: 1,259,037,750 shares and 51,510,000 options).

### Off balance sheet arrangements

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

### Operating segment

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

### Contractual commitments

The following summarises the Company's contractual obligations at September 30, 2022 (\$'000):

- Trade payables \$82 due in 30 days
- Ulaanbaatar office rent \$20 to the end of the calendar year
- Vehicle leases \$70 due over 12 months

### Critical accounting estimates

The preparation of the condensed interim consolidated financial statements in conformity with International Financial Reporting Standards (IFRS) requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the condensed interim consolidated financial statements and the reported amounts of income and expenses for the reporting period. Refer to the Company's audited annual financial statements for the years ended December 31, 2021, and December 31, 2020, and the notes thereto for information on the Company's significant judgements in applying accounting policies as well as significant accounting estimates and assumptions.

# Management's Discussion and Analysis

---

## FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

### Market risk

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

- *Foreign currency risk:* The Company is exposed to foreign exchange fluctuations with respect to Australian Dollars (A\$), United States Dollars (US\$), Mongolian Tughrík (MNT), and Canadian Dollars (C\$). The Company's financial results are reported in A\$. Salaries for certain local employees in Mongolia may be paid in MNT. The Company's operations are in Mongolia and some of its payment commitments and exploration expenditures under the various agreements governing its rights are denominated in MNT and US\$. As a result, the Company's financial position and results are impacted by the exchange rate fluctuations among A\$, US\$, MNT and C\$. Such fluctuations may materially affect the Company's financial position and results.
- *Interest Rate Risk:* Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings at variable rates. Interest rate risk is limited to potential decreases on the interest rate offers on cash and cash equivalents held with chartered financial institutions. The Company considers this risk to be immaterial.
- *Commodity Price Risk:* 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 does not hold equity in listed entities and therefore considers this risk 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 \$2.0 million as at September 30, 2022 (December 31, 2021: \$3.3 million).

### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The primary source of funds available to the Company is from equity financing and its planned joint venture with Zijin. 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.

# Management's Discussion and Analysis

---

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

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

## **Other business risks**

A summary of the business risks is highlighted below and should be read in conjunction with the Company's audited annual financial statements for the year ended December 31, 2021.

### *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 nationalisation 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, nationalisation 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 nationalisation, requisition, expropriation or confiscation, whether legitimate or not, by any authority or body.

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

### *License Risks*

The Company's most significant licenses are the license covering the Kharmagtai project and the license covering the Red Mountain project. The Government of Mongolia could revoke either of these licenses if the Company fails to satisfy its obligations, including payment of royalties and taxes to the Government of Mongolia and the satisfaction of certain mining, environmental, health and safety requirements. A termination of the Company's mining licenses covering the Kharmagtai project or the Red Mountain project by the Government of Mongolia could materially and adversely affect the Company's reputation, business, prospects, financial conditions and results of operations. In addition, the Company would require additional licenses or permits to conduct the Company's mining or exploration operations in Mongolia. There can be no assurance that the Company will be able to obtain and maintain such licenses or permits on terms 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 and mineral reserve estimates for the Kharmagtai project are based on a number of assumptions. There are numerous uncertainties inherent in estimating quantities of mineral reserves and grades of mineralisation, 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 mineralisation and the ability to extract and process the mineralisation 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.

# Management's Discussion and Analysis

## Operational Risk

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

## Contractual Risk

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

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

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

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

## KEY MANAGEMENT COMPENSATION

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

	Nine Months Ended September 30, 2022 \$'000	Nine Months Ended September 30, 2021 \$'000
Salaries and fees	1,278	1,236
STI Bonus	476	469
Superannuation	46	44
Share based payments	440	-
	<b>1,594</b>	<b>1,303</b>

The Company had the following Unvested Options on issue as at September 30, 2022, related to the Company's Employee Share and Option Plan.<sup>12</sup> These were approved by Shareholders at an Extraordinary General Meeting held on December 23, 2020<sup>13</sup>, and new Independent Non-Executive Director Tony Pearson was added to the plan with Shareholder approval at the Annual General Meeting held on June 17, 2021<sup>14</sup>. The vesting of the options for Executive Directors and Key Management Personnel is subject to the Company achieving both share price targets and technical & development hurdles.<sup>15</sup>

<sup>12</sup> ASX/TSX Announcements July 28, 2021 - Change of Director's Interest Notice

<sup>13</sup> ASX/TSX Announcements December 23, 2020 - Results of Extraordinary General Meeting

<sup>14</sup> ASX/TSX Announcements June 17, 2021 - Results of Annual General Meeting

<sup>15</sup> ASX/TSX Announcement November 20, 2020 - Notice of Extraordinary General Meeting & Related Documents



# Management's Discussion and Analysis

---

Key Management Personnel	Unvested Options September 30, 2022
Colin Moorhead	2,280,000
Michele Muscillo	1,140,000
Tony Pearson	2,280,000
Andrew Stewart	12,750,000
Ganbayar Lkhagvasuren	8,500,000
Munkhsaikhan Dambiinyam	8,500,000
Spencer Cole	8,500,000

## TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are disclosed in Note 26 of the Company's audited annual financial statements for the period ended December 31, 2021. Additional transactions during the September Quarter are described below.

Payments made to related parties and their associates was \$1,261,724 in the nine months ended September 30, 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 Executive Chairman and Managing Director Colin Moorhead) in relation to Xanadu's Melbourne office and geology consultants; and rent paid to Bastion Minerals Limited (a company in which Xanadu VP Exploration Dr Andrew Stewart is a Non-Executive Director) in relation to Xanadu's Sydney office.

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

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

## MINERAL RESOURCES AND ORE RESERVES

The previously reported resource estimates for Kharmagtai have not changed. For information regarding these resources, please see the Company's ASX/TSX announcement dated February 28, 2022. Xanadu is not aware of any new information or data that materially affects the information included in the ASX & TSX Announcements referenced in this MD&A, and all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

## MINING ACTIVITIES

There were no mine production or development activities during the nine months ended September 30, 2022.

## FORWARD-LOOKING STATEMENTS

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

## Management's Discussion and Analysis

---

unknown risks and uncertainties that could cause actual events or results to differ materially from estimated or anticipated events or results reflected in such forward-looking statements.

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

All 'forward-looking statements' made in this MD&A 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](http://www.xanadumines.com).