

2022 Annual Report

31 March 2023

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

BY ELECTRONIC LODGEMENT

2022 Annual Report

Please find attached for release to the market, the Xanadu Mines Ltd's *2022 Annual Report*.

-ENDS-

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.

XANADU MINES

ANNUAL REPORT 2022



Board of Directors

Directors

Colin Moorhead

Andrew Stewart
(Resigned 31 March 2022)

Ganbayar Lkhagvasuren

Michele Muscillo

Tony Pearson

Shaoyang Shen

Company secretary

William Hundy

Notice of annual general meeting

The details of the annual general meeting of Xanadu Mines Ltd are:

Date of Meeting: 29 May 2023

Registered office

- Australia

c/o Company Matters
Pty Limited
Level 12, 680 George Street,
Sydney NSW 2000
Tel: +61 2 8280 7497
Fax: +61 2 9287 0350

Registered office and principal place of business - Mongolia

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

Share register

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

Auditor

Ernst & Young
200 George Street
Sydney NSW 2000

Stock exchange listing

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

Website

www.xanadumines.com

ABN

92 114 249 026

Corporate Governance Statement

The Company's Corporate Governance Statement can be found on the Company's website:
www.xanadumines.com/corporate-governance/

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Letter from The Chairman



Dear Shareholders,

As Executive Chairman of Xanadu Mines, I am pleased to write to you after completing a successful year in 2022. Our team in Mongolia saw their way through the challenges of COVID and continued to operate safely and efficiently at our flagship Kharmagtai Project and at Red Mountain, our second project in The South Gobi Region. Importantly, The Company also recently completed a transaction with Zijin Mining Group, which fully funds the Kharmagtai Project through Pre-Feasibility Study (PFS) to a decision to mine. This marks a truly significant milestone for the Company and is the culmination of significant effort by the Xanadu team throughout 2022. I would like to acknowledge and thank all of our people both in Mongolia and in Australia for their efforts in 2022 and commend them for their achievements.

I would like to reflect on the journey we have taken to get here. Our position early the mining value chain means our focus is to discover and define significant metal deposits, and then to realise the value that we have created in our projects. With that in mind, in 2020 we set three basic goals for the Kharmagtai Project; firstly to upgrade the Mineral Resource, secondly to define a compelling business case for the project, and thirdly to attract a funding partner with the capabilities required to develop and operate a large scale project.

The first goal was delivered in late 2021 with the Mineral Resource Estimate upgraded to 1.1 billion tonnes containing approximately three million tonnes of copper and eight million ounces of gold. Importantly this resource contained 100 million tonnes of higher-grade ore that drives a rapid payback for the project. Not only was this a bigger resource estimate for Kharmagtai, but it was also a better resource, with improved geologic control and a higher percentage of Indicated Resources.

The second goal was achieved in early 2022, with completion of a Scoping Study (or PEA) that demonstrated robust economic outcomes including a 20% IRR, 4-year payback, 30 year mine life and \$US 630 million NPV, placing it amongst the best undeveloped copper deposits in the world. Furthermore, due to its location in The South Gobi Region of Mongolia, Kharmagtai enjoys access to very good and rapidly improving infrastructure and relatively low ESG barriers due to the largely flat ground and sparse population. These things combine to reduce capital intensity and timeline to production when compared to global peers.

Achievement of our third goal was Xanadu's strategic partnership with Zijin Mining Group, first announced in second quarter of 2022. Zijin is a global top-10 copper producer operating in 15 countries, a rapidly growing company which demonstrably has the balance sheet and capability to take a project like Kharmagtai into production. This partnership created a 50-50 joint venture in Khuiten Metals, the holding company that controls the Kharmagtai Project and funds the project through pre-feasibility to a decision to construct. It also makes Zijin a 19.4% shareholder in Xanadu. Pleasingly Zijin has recognised Xanadu's capabilities, such that Xanadu remains operator of the joint venture until the PFS phase is completed, and the project is ready to move into construction. Following a year of work to reach detailed agreement and the necessary regulatory and shareholder approvals, the transaction was fully completed on 10 March 2023.

In the background, during 2022 Xanadu published its second annual Sustainability Report, further improving disclosure and demonstrating our commitment to being a responsible ESG partner in Mongolia. This recognises our Mongolian leadership for continuing to deliver effective operations governance, environmental, community, health, safety and risk management. On a broader scale, global pandemic restrictions were slowly reversed in 2022, and we were again able to freely travel and work with our international colleagues. The world economic output rebounded, and the structural gap in the copper supply demand curve became more pronounced, highlighting the fundamentals behind investment in copper and future copper production assets. We believe Kharmagtai will be part of the solution to this copper supply gap, and Zijin's investment shows that they have the same view.

On behalf of the Board, I would like to personally thank our stakeholders for their support and our employees for their efforts over the past 12 months. We look forward to an exciting 2023 as we progress the Kharmagtai PFS and continue exploration with the aim to unlock more value from our portfolio and seek to add new projects in Mongolia.

A handwritten signature in dark ink, appearing to read 'Colin Moorhead', written over a horizontal line.

Colin Moorhead

Executive Chairman

31 March 2023

“The second goal was achieved in early 2022, with completion of a Scoping Study (or PEA) that demonstrated robust economic outcomes including a 20% IRR, 4-year payback, 30 year mine life and \$US 630 million NPV, placing it amongst the best undeveloped copper deposits in the world.”

Colin Moorhead | Executive Chairman



Management and Analysis

General

This Management Discussion and Analysis (MD&A) is current to 31 March 2023 and is Management's assessment of the operations and the financial results together with prospects of Xanadu Mines. This MD&A should be read in conjunction with the Company's audited consolidated financial statements for the years ended 31 December 2022 and 2021 and notes thereto, prepared in accordance with International Financial Reporting Standards (IFRS). Management is responsible for the preparation of the financial statements and this MD&A.

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

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

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

Forward Looking Statements

This MD&A contains forward-looking statements, which are based on certain assumptions and analyses made by the Company derived from its experience and perceptions. The forward-looking statements in this MD&A are subject to important risks, uncertainties, and assumptions, which are difficult to predict and which may affect the Company's operations that may include, amongst other things, statements regarding targets, estimates and assumptions in respect of mineral reserves and mineral resources and anticipated grades and recovery rates, production and prices, recovery costs and results, capital expenditures and are or may be based on assumptions and estimates related to future technical, economic, market, political, social and other conditions. These forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by Xanadu, are inherently subject to significant technical, business, economic, competitive, political and social uncertainties and contingencies and involve known and unknown risks and uncertainties that could cause actual events or results to differ materially from estimated or anticipated events or results reflected in such forward-looking statements. The words believe, expect, anticipate, indicate, contemplate, target, plan, intends, continue, budget, estimate, may, will, schedule and similar expressions identify forward-looking statements. The forward-looking statements included in this MD&A are made as of the date of this MD&A and other than as required by law, the Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

“During 2022 Xanadu published its second annual Sustainability Report, further improving ESG disclosure and demonstrating our commitment to being a responsible ESG partner in Mongolia.”

Colin Moorhead | Executive Chairman



Review of Operations

The 12 months ended 31 December 2022 was a year of transition for Xanadu Mines Operations. At its flagship Kharmagtai project, Xanadu published a Scoping Study (PEA) and continued multi spectral scanning to optimise its geoscience models and domaining. Xanadu prepared plans for the Pre-Feasibility Study and continued Discovery Exploration, subject to completion of the Zijin partnership to provide funding. At the Red Mountain operation, a detailed targeting program was undertaken including review of prior results and trenching to establish diamond drilling targets for a 2023 program.

A significant portion of Company effort in 2022 was focused on completion of the Zijin transaction to provide funding for operations in 2023.

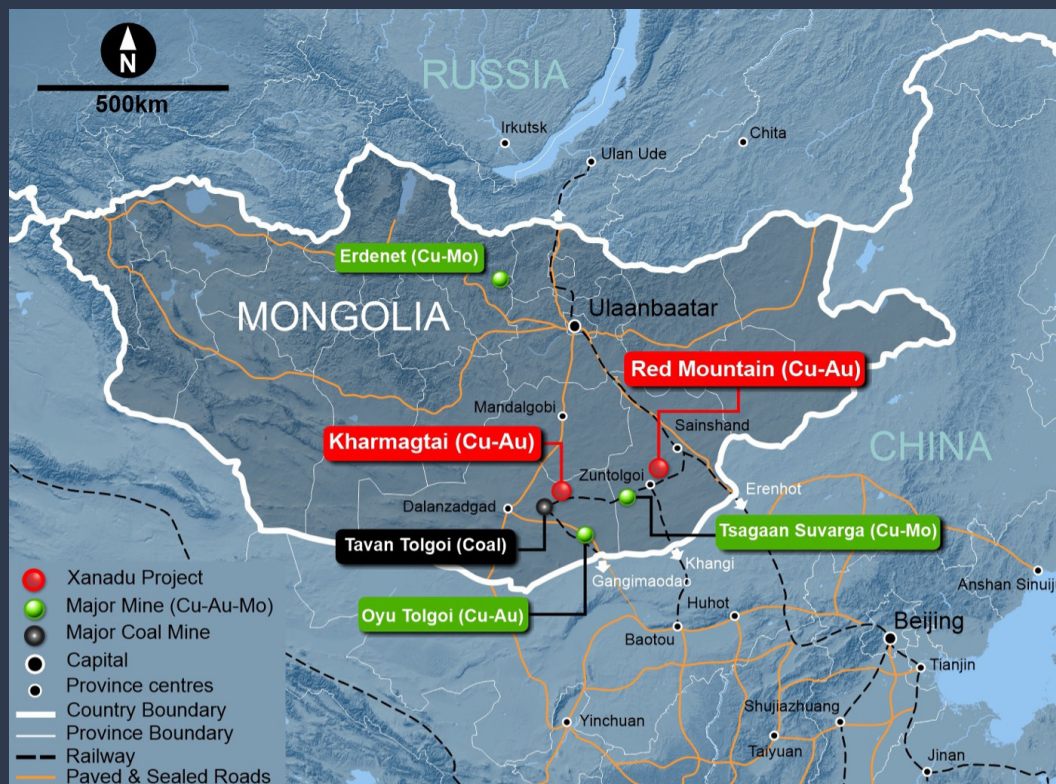


FIGURE 1: Location of Xanadu's copper-gold projects, within Mongolia's highly mineralised and vastly underexplored mineral belts.

Kharmagtai Copper-gold Project (Xanadu 76.5%)

The flagship Kharmagtai project continues to emerge as one of the best undeveloped global copper and gold assets. The project is located within the Omnogovi Province, approximately 420 kilometres (km) southeast of Ulaanbaatar and 120 km north of the Rio Tinto-controlled Oyu Tolgoi deposit. The Kharmagtai porphyry copper-gold project is 90% owned by Mongol Metals LLC, which is 85% owned by Xanadu.

Scoping Study

During 2022, a Scoping Study² (and PEA) was completed, using the updated 2021 Mineral Resource Estimate with a focus on higher grade zones to accelerate project payback. This demonstrated a compelling business case for development into an operating mine with IRR of 20%, payback of 4 years, 30 year mine life and NPV of US\$630 million. The study used a conventional open pit mine and sulphide processing plan, which drives economics through gold by-product credits, scale and a low strip ratio. Significantly, it demonstrated a more rapid path to production that most comparable scale copper projects due to low ESG risk, strong local infrastructure and proximity to the customer.

The Scoping Study as reported was conservative, and it identified significant upside opportunities, including:

- Turn waste into ore - potential to leach up to 90 million tonnes of oxidised, mineralised surface material currently treated as pre-strip waste via glycine leach technology.
- Increase metal per hour through the plant - use of coarse ore flotation and bulk ore sorting to reduce the intensity of power, water and consumable use.
- Reduce mining cost - use contemporary electrified haulage systems to reduce mining cost, carbon footprint, and cut-off grade.
- Grow and Improve the Resource - via Discovery Exploration, grow the existing higher grade zones at depth and along strike and drill for new discovery on the tenement, which contains several high priority exploration targets.

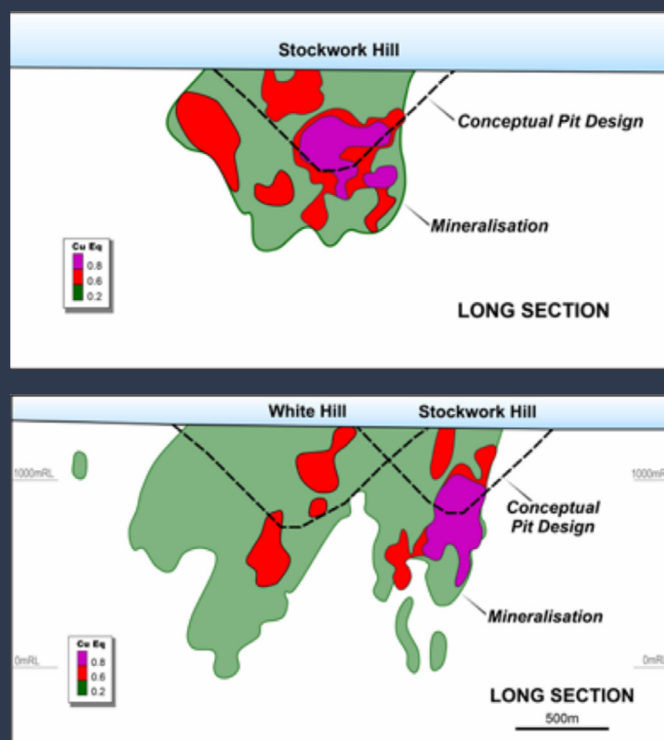


FIGURE 2: Stockwork Hill and White Hill long sections showing proposed open pit and higher grade blocks below the pit outline, open along strike and at depth.

Zijin Partnership

Shortly after release of the 2022 Scoping Study, a strategic partnership was announced with Zijin Mining Group³ to develop the Kharmagtai project. Under this agreement, Zijin would invest US\$35 million for a 50% stake in Khuiten Metals, the Xanadu subsidiary controlling 76.5% of the Kharmagtai project. This agreement was subject to regulatory and shareholder approval and negotiation of final detailed terms between Xanadu and Zijin. These terms were agreed in the fourth quarter of 2022, and both regulatory and shareholder approval were received in first quarter of 2023.

1. During 2022 Xanadu's wholly owned subsidiary Khuiten Metals owned 76.5% of the Kharmagtai project. Following the March 2023 completion of the investment by Zijin to form a 50-50 joint venture in Khuiten Metals, Xanadu's share has dropped to 38.25%.

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

3. ASX/TSX Announcement 19 April 2022 - Strategic Partnership with Zijin Mining Group



Pre-Feasibility Study Plan

A detailed pre-feasibility study plan was developed during 2022 that incorporated these upside opportunities. The PFS Execution Plan includes:

- Infill drilling program to deliver a JORC Code, 2012 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

This plan was incorporated into the Zijin-Xanadu JV Agreement, such that it forms the basis for the pre-feasibility study under the 50-50 joint venture arrangement.

Metallurgical Testing

An important opportunity identified in the Scoping Study 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. Initial testing was undertaken during 2022. ⁴

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 P80 >2mm particle size, which indicates a strong potential for heap leach treatment. Further testing will be conducted during the Pre-Feasibility Study in 2023.

Exploration

Exploration activities at Kharmagtai were limited while the partnership with Zijin was finalised. These included the processing of previous drill core through multi spectral scanning and the refinement of domains and geoscientific models in preparation for the 2023 Pre-Feasibility Study infill drilling and exploration program. No exploration drilling was undertaken at Kharmagtai during 2022.

Exploration Planning

- 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.

⁴ ASX/TSX Announcement – 1 Aug 2022 Positive Metallurgical Test Results at Kharmagtai



Kharmagtai Project Exploration Drilling - Satellite Image

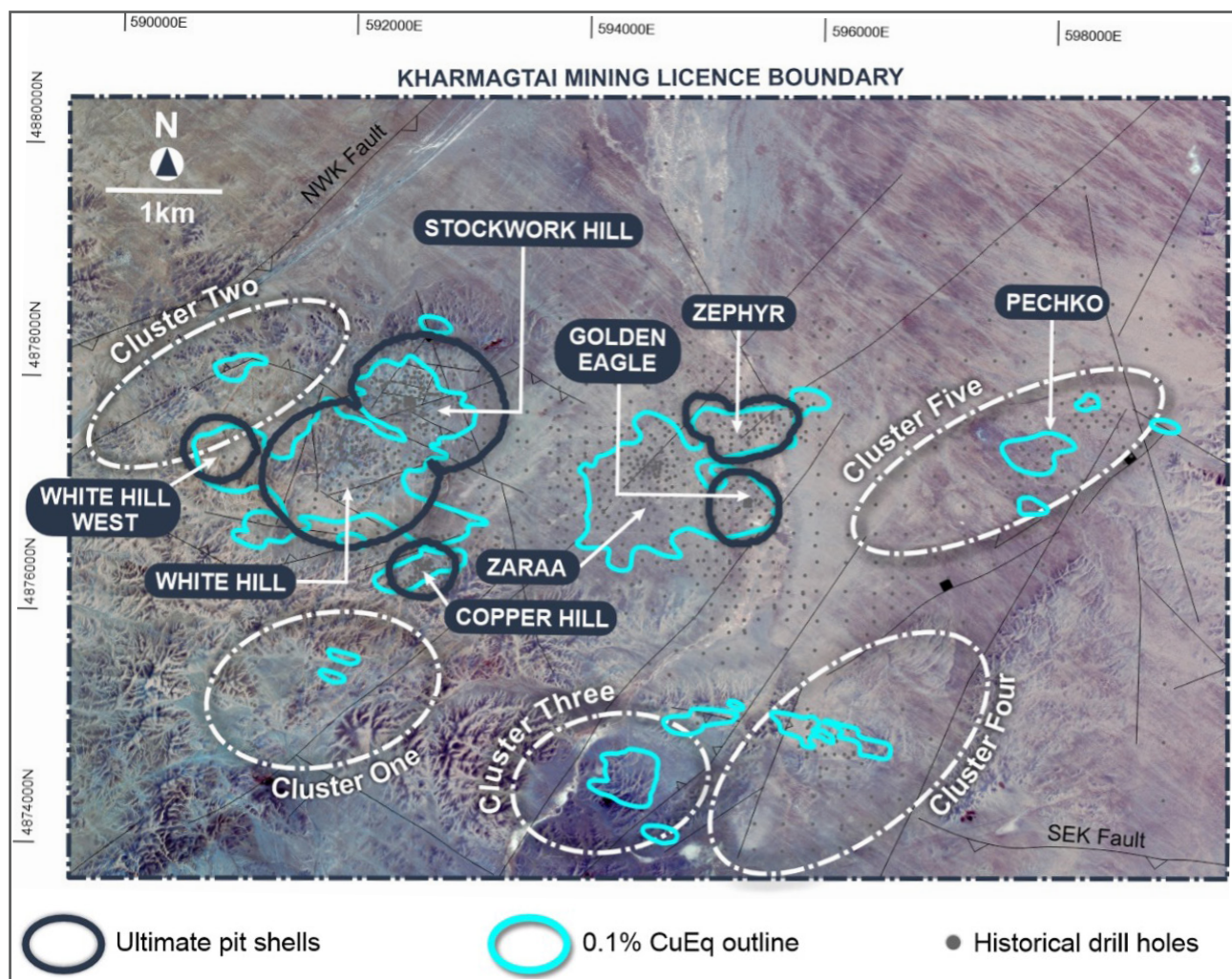


FIGURE 2: Discovery exploration target zones at Kharmagtai, clusters one through five.



Red Mountain Project (Xanadu 100%)

The Red Mountain copper-gold project is located in the Dornogovi Province of southern Mongolia, approximately 70km west of the future industrial centre of Sainshand. Red Mountain is a highly prospective porphyry copper-gold project. The project comprises a large and underexplored porphyry district (covering approximately 40km²) and consists of multiple co-genetic porphyry copper-gold centres, mineralised tourmaline breccia pipes and copper-gold/base metal magnetite skarns, which occur within the central part of Mining Licence 17129A (Figure 3). Red Mountain is an earlier stage project than Kharmagtai and does not yet have a JORC Code, 2012 compliant Mineral Resource.

During 2022 Xanadu completed a detailed target generation exercise. This included a review of prior drilling, geochemistry and geophysics data, as well as multi spectral analysis that was completed on all drill core during 2021. This set the parameters for a 6,500-metre trenching program which identified new zones of higher-grade gold⁵. The results of this trenching program will underpin a future diamond drilling program in 2023.

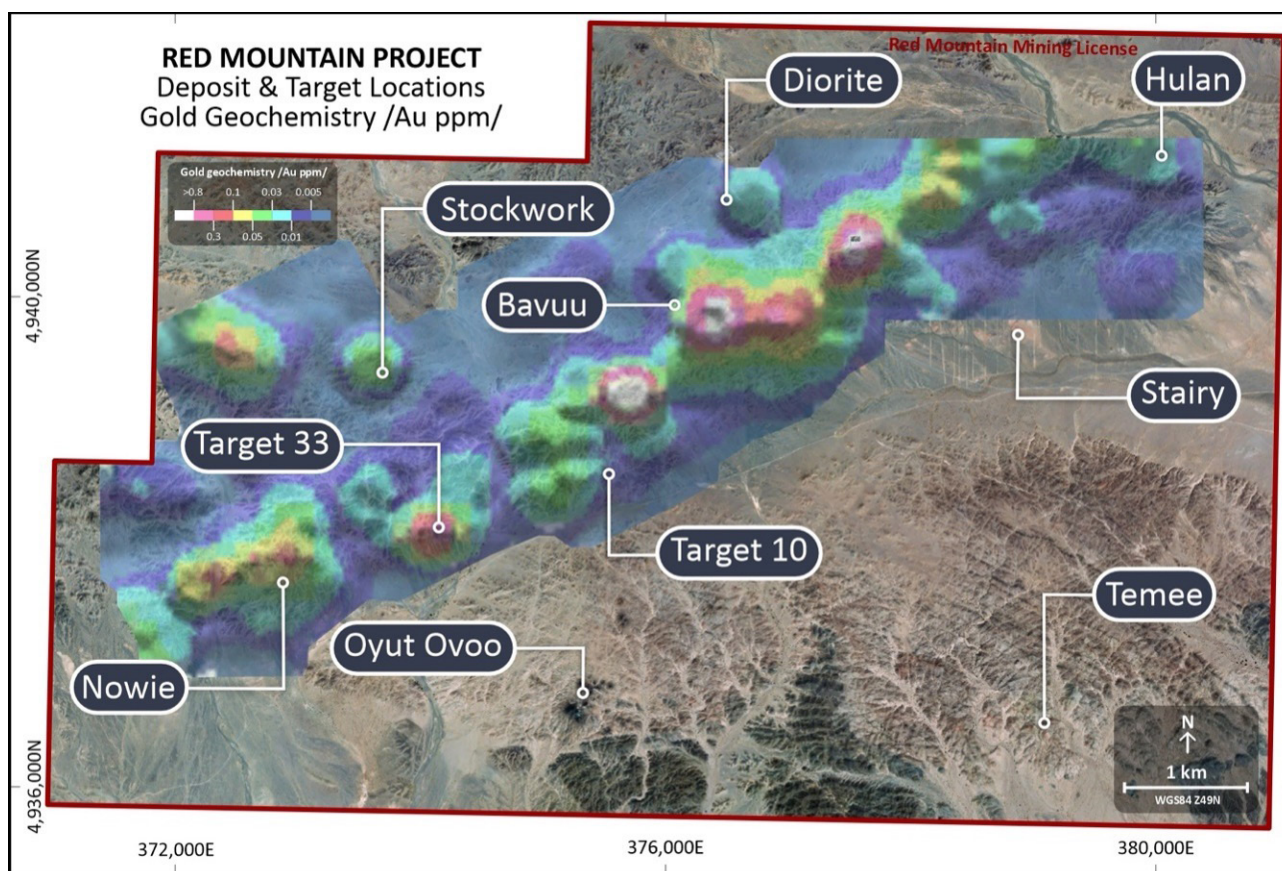


Figure 3. Red Mountain tenement map, targets and geochemistry

⁵ ASX/TSX Announcement - 27 Sep 2022 Broad, Shallow Gold Zone at Red Mountain



Work Plan for 2023

During 2023, Xanadu will focus in four areas.

1. Execution of the Kharmagtai pre-feasibility study in partnership with Zijin Mining
2. Discovery exploration and infill drilling at Kharmagtai in partnership with Zijin Mining
3. Exploration of newly generated targets at Red Mountain
4. Identification and acquisition of new exploration in the Gobi region of Mongolia

The Kharmagtai pre-feasibility study is anticipated to require 18 months to complete and will finish in late 2024. Work will follow the study plan developed and agreed with Zijin Mining and seek to leverage the known advantages of Kharmagtai, including:

- Targeting higher-grade core with high gold-copper ratio to drive short payback of capital
- Bulk mining of large resource, delivering a long mine life following capital payback
- Strong recoveries with metallurgy amenable to conventional crushing, milling and flotation
- Conventional tailings and mine waste management leveraging flat and stable topography

- Leverage nearby infrastructure including regional power and industrial water sources
- Simplified logistics with local rail and road access and proximity to smelters
- Saleable Cu concentrates with strong gold credits no known deleterious elements

Exploration at Red Mountain in 2023 will build on the target generation trenching program completed in 2022 and seek to define higher grade copper and gold targets on the highly prospective tenement.

New project generation will focus on critical minerals including copper in the Gobi region of Mongolia, leveraging Xanadu's competitive advantage with deep knowledge and experience operating in this underexplored and highly prospective region.



Management Discussion & Analysis

31 December 2022

Competent Person's Statements

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

Mineral Resources: 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 with 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. 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.

Exploration Results: 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 "Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves" and the National Instrument 43-101. Dr Stewart consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

Resource Reporting Governance Arrangements

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

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

The Company confirms it is not aware of any new information or data that materially affects the information included in this MD&A relating to exploration activities and all material assumptions and technical parameters underpinning the exploration activities in the market announcements referenced continue to apply and have not been changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

Results of Operations

Selected annual information

	Year ended 31 Dec 2022 \$'000	Year ended 31 Dec 2021 \$'000	Year ended 31 Dec 2020 \$'000	Year ended 31 Dec 2019 \$'000
Gross exploration expenditure incurred in period				
Kharmagtai	3,093	8,721	5,097	2,896
Red Mountain	963	2,890*	1,337*	229
Yellow Mountain	-	-	-	94
Exploration expenditures capitalised	4,056	9,367	5,028	3,219
Impairment of deferred exploration expenditure	-	4,637	-	4,425
Corporate general and administration	4,483	3,577	3,330	3,720
Share-based payments	397	815	-	(215)
Depreciation and amortisation	69	55	55	60
Loss after income tax attributable to owners of XAM	4,565	9,305	2,932	7,920
Basic loss per share (cents per share)	0.33	0.77	0.33	1.17
Diluted loss per share (cents per share)	0.33	0.77	0.33	1.17
Deferred exploration expenditures	6,975	50,328	43,317	43,352
Total assets	50,376	54,632	51,716	44,995
Total liabilities	467	494	1,010	161
Net assets	49,909	54,138	50,706	44,834
Kharmagtai drilling (metres)	-	33,516	26,650	5,434
Red Mountain drilling (metres)^	-	6,987	4,321	-

* Red Mountain exploration was primarily funded by JOGMEC Joint Exploration Agreement in 2020 and 2021 and not capitalised.

^ Excludes horizontal trenching metres

The Company is in the exploration stage and does not generate operating revenue.

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

The 2019 impairment of deferred exploration expenditure relate to the following deferred exploration expenditure assets ('000). 2019: Yellow Mountain \$3,442 and Red Mountain \$1,118, inclusive of foreign exchange impact between MNT functional currency and AUD. The additional impairment in 2021 of \$4,637 was booked at Red Mountain following the exit of Japan Oil Gas and Metals National Corporation (JOGMEC) from a Joint Exploration Agreement.

Share-based payments are measured by reference to the fair value at the date at which they are granted. The fair value of the options is determined by an independent written valuation. Share-based payments expense is amortised over the vesting period. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

Management Discussion & Analysis

31 December 2022

Selected quarterly information

	Quarter ended 31 Dec 2022 \$'000	Quarter ended 30 Sep 2022 \$'000	Quarter ended 30 Jun 2022 \$'000	Quarter ended 31 Mar 2022 \$'000
Gross Exploration Expenditure incurred in period				
Kharmagtai	402	749	1,140	802
Red Mountain	261	343	117	242
Exploration expenditures capitalised	663	1,092	1,257	1,044
Impairment of deferred exploration expenditure	-	-	-	-
Corporate general and administration	939	1,042	1,641	861
Share-based payments*	121	122	123	31
Depreciation and amortisation	18	18	17	16
Loss after income tax attributable to owners of XAM	841	1,213	1,893	618
Basic loss per share (cents per share)	0.05	0.09	0.14	0.05
Diluted loss per share (cents per share)	0.05	0.09	0.14	0.05
Kharmagtai drilling (metres)	-	-	-	-
Red Mountain drilling (metres)^	-	-	-	-

* The share-based payment for the period includes a catch-up adjustment of \$92k to the share option reserve following an extension of the vesting period due to change of control event modifications.

^ Excludes horizontal trenching metres

	Quarter ended 31 Dec 2021 \$'000	Quarter ended 30 Sep 2021 \$'000	Quarter ended 30 Jun 2021 \$'000	Quarter ended 31 Mar 2021 \$'000
Gross Exploration Expenditure incurred in period				
Kharmagtai	2,028	2,756	2,297	1,640
Red Mountain *	435	1,090	480	885
Exploration expenditures capitalised	2,178	3,092	2,457	1,640
Impairment of deferred exploration expenditure	4,637	-	-	-
Corporate general and administration	854	929	606	1,188
Share-based payments	815	-	-	-
Depreciation and amortisation	17	11	13	14
Loss after income tax attributable to owners of XAM	6,320	1,098	666	1,221
Basic loss per share (cents per share)	0.50	0.09	0.06	0.11
Diluted loss per share (cents per share)	0.50	0.09	0.06	0.11
Kharmagtai drilling (metres)	5,716	11,146	8,670	7,984
Red Mountain drilling (metres) ^	-	2,948	-	4,039

* Red Mountain exploration was primarily funded by JOGMEC Joint Exploration Agreement in 2020 and 2021 and not capitalised.

^ Excludes horizontal trenching metres

Corporate

Corporate activity during the year included Management and Board changes, the issue of Xanadu's second Sustainability Report, and the signing of a strategic partnership with Zijin Mining the first phase of which delivered an equity placement in the second quarter of 2022.

Strategic Partnership with Zijin Mining Group Co., Ltd.

In April 2022, the Company agreed a strategic partnership (**Agreement**) with Zijin Mining Group Co., Ltd (**Zijin**) to progress the Company's flagship Kharmagtai Copper-Gold Project (**Kharmagtai**) through its next phase of project evaluation and decision on future development⁶. Zijin is a global top 10 copper producer operating in 15 countries and possesses a significant balance sheet to develop projects such as Kharmagtai.

Under the Agreement, Zijin invested in 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 9.9% 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 a 38% premium to Xanadu's last traded price of A\$0.029, and raised approximately A\$5.56 million.

In December 2022, the Company signed formal documentation for the remaining Phases 2 and 3 of the transaction with Zijin Mining Group Co., Limited (Zijin)⁷. This enabled the final approvals process to commence for PRC regulators and Xanadu shareholders, which were completed subsequent to year end. The final agreement entailed Zijin subscribing for additional shares in Xanadu to increase its corporate shareholding to 19.42%⁸ and the formation of a 50:50 Kharmagtai Joint Venture (Kharmagtai JV) through Xanadu's 100% owned subsidiary Khuiten Metals Pte. Ltd. (**Khuiten**), which holds a 76.5% effective interest in the Kharmagtai copper-gold project (**Kharmagtai**).

The significant cash investment by Zijin enables the Pre-Feasibility Study for Kharmagtai (**Kharmagtai PFS**) to be fully funded. The PFS will commence in early 2023 and take the project to a potential Final Investment Decision (**FID**) as early as 2024. These funds will also accelerate Xanadu's growth focused exploration program, targeting high-grade mineralisation at depth, higher-grade deposit extensions, and new discoveries within the 66.5 square kilometre tenement.

Key documents executed include a Subscription Agreement for the placement in Xanadu (**Phase 2 Placement**) together with a Subscription Agreement and Joint Venture Shareholders' Agreement with respect to Khuiten (**Phase 3 JV**), creating a binding partnership with Zijin, the fifth largest global copper mining company.⁹

Completion of the Phase 2 Placement was achieved on 10 March 2023 and raised approximately A\$7.2 million for Xanadu (before costs) and increased Zijin's shareholding in Xanadu to 19.42% with the issue of approx. 179.1 million shares at A\$0.04 per share. The funds raised in the Phase 2 Placement will be used for (a) the exploration of Xanadu's highly prospective Red Mountain project; (b) new project generation in southern Mongolia; and (c) corporate regulatory and administrative costs.

Under the Phase 3 JV, also completed on 10 March 2023, Zijin invested US\$35 million into the Kharmagtai project in return for the formation of a 50:50 joint venture through Xanadu's 100% owned subsidiary Khuiten. The US\$35 million will be used to complete the Kharmagtai PFS, continue exploration and support associated expenditure on the project's development.

Upon delivery of the Kharmagtai PFS, Xanadu will have certain rights to partially or fully sell down its project interest in Kharmagtai to Zijin. These rights (structured as put options) provide flexibility for Xanadu to manage its exposure to future funding requirements of the project as well as provide optionality to potentially realise value for shareholders after the economics of the project development are better defined.

In line with prior communications of the Strategic Partnership¹⁰, Xanadu will remain operator of Kharmagtai until the earlier of delivery of the Kharmagtai PFS or 18 months from completion of the Phase 3 transaction, with Zijin as operator thereafter

Sustainability

Xanadu's second Sustainability Report was published in May 2022, 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.

⁶ ASX/TSX Announcement 19 April 2022 - Strategic partnership with Zijin Mining Group

⁷ ASX/TSX Announcement 21 December 2022 - Investment Deal Signed with Zijin - Pathway to Production

⁸ Reduced from 19.99% following \$1.1 million placement in January 2023 and Zijin decision not to participate

⁹ Kitco - <https://www.kitco.com/news/2022-09-26/Top-10-largest-copper-mining-companies-in-Q2-2022-report.html>

¹⁰ ASX/TSX Announcement 19 April 2022 - Strategic Partnership with Zijin Mining and Placement

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

Management Discussion & Analysis

31 December 2022

Management & Board Changes

During the first quarter, the Company announced an internal restructure of its Board and leadership teams as it progresses its flagship Kharmagtai project into the development phase. Changes took effect from 31 March 2022.

- Former Non-Executive Chairman Colin Moorhead became Executive Chairman and Managing Director.
- Former Chief Executive Officer (CEO) Andrew Stewart transitioned into a newly created role of Vice President (VP) Exploration, leading Xanadu's continuing exploration for new deposits at both Red Mountain and Kharmagtai.
- Chief Financial Officer (CFO) Spencer Cole gained additional duties, with an expanded title of Chief Development Officer and CFO.

On 10 March 2023 Shaoyang Shen was appointed as a non-executive director having been nominated as director by Zijin in accordance with the Phase 2 Share Subscription Agreement.

Capital Management

The Company had \$0.1 million cash on hand as at 31 December 2022 (31 December 2021: \$3.3 million).

On 27 April 2022, the Phase 1 Placement of the Zijin Strategic Partnership was conducted via the issue of 139,000,000 shares 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 placement was unbrokered.

On 18 January 2023 the Company completed a placement to eligible professional and sophisticated investors of 41,887,844 fully paid ordinary shares in Xanadu at an issue price of \$0.027 each to raise \$1,130,977.79 (before costs)¹² The proceeds of the Placement, together with the Company's existing cash reserves, were applied towards general working capital purposes during the final approval stage for the Zijin Strategic Partnership. The issue price of \$0.027 per New Share represented a 7% discount to Xanadu's last close (16 January 2023) of \$0.029 per share, a discount of 10% to the 5-day VWAP of \$0.030 per share; and a discount of 7% to the 30-day VWAP of \$0.029 per share. New Shares under the Placement were issued pursuant to the Company's existing placement capacity under ASX Listing Rule 7.1 and rank pari-passu with existing fully paid ordinary shares currently on issue. Bell Potter Securities Limited acted as Lead Manager to the 18 January 2023 Placement.

On 10 March 2023, the Company completed the Phase 2 placement to Zijin Mining Group of 179,116,132 fully paid ordinary shares in Xanadu at an issue price of \$0.04 each to raise \$7,164,645, which increased Zijin's shareholding to 19.42% of Xanadu. The proceeds of the Placement will be used to fund ongoing exploration and new project acquisition for the Company's projects other than Kharmagtai.

Also on 10 March 2023 Phase 3 of the Zijin strategic partnership was completed with an investment by Zijin of US\$35 million into Xanadu's Singapore subsidiary Khuiten Metals, which controls the Kharmagtai project. This created a 50-50 joint venture in Khuiten Metals and fully funds the Kharmagtai project through Pre-Feasibility Study to a Decision to Mine expected in late 2024. The primary use of funds over 2023 will be execution of the Kharmagtai pre-feasibility study with Xanadu as the operator of a 50-50 joint venture with Zijin Mining Group. This will include activities as outlined in the operations section of this report.

During 2023, the Company may need to raise additional capital for its non-Kharmagtai exploration and development activities or seek a partnership such as a joint venture to provide funding. There is a risk that capital or joint venture partners may not be available or available on acceptable terms. Capital management is a priority of Management, and the Company retains the flexibility to reduce its cost base while preserving its exploration projects if required.

Financial Instruments and Risk Management

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

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

¹² ASX/TSX Announcement 18 January 2023 - \$1.1 million Placement

Management Discussion & Analysis

31 December 2022

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.

Please refer to Note 23 of the Financial Report to the Consolidated Financial Statements for a detailed discussion of Financial Instruments and Risk Management.

Directors' Report

31 December 2022

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Xanadu Mines Ltd (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 31 December 2022.

Directors

The following individuals were directors of Xanadu Mines Ltd during the whole of the financial period and up to the date of this report, unless otherwise stated:

Colin Moorhead	Executive Chairman and Managing Director (appointed as Managing Director 31 March 2022)
Andrew Stewart	Vice President Exploration (resigned as Director and appointed Vice President Exploration 31 March 2022)
Ganbayar Lkhagvasuren	Executive Director
Michele Muscillo	Independent Non-Executive Director
Tony Pearson	Independent Non-Executive Director
Shaoyang Shen	Non-Executive Director (appointed 10 March 2023)

Principal activities

Xanadu Mines Ltd is an Australian incorporated public company with its shares listed on the ASX and TSX under the code XAM. The principal activity of the Company (and its subsidiaries) is copper-gold exploration in Mongolia. The Company held interests in two tenements:

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

Dividends

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

Review of operations

The loss for the Group after providing for income tax and non-controlling interest amounted to \$4,565,000 (31 December 2021: \$9,305,000).

A more detailed 'review of operations' and 'results of operations' is included in the Management Discussion and Analysis ('MD&A').

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

In January 2023 the Company completed a placement to eligible professional and sophisticated investors of 41,887,844 fully paid ordinary shares in Xanadu at an issue price of \$0.027 each to raise \$1,130,971.79 (before costs). This placement was undertaken to provide bridging funds during the final approval stages of the Zijin transaction.

In March 2023 the Company completed its transaction with Zijin Mining Group Co. Ltd group (Zijin), which was first announced in April 2022. This took the form of a strategic partnership agreement with Zijin to progress the Company's flagship Kharmagtai Copper-Gold Project (Kharmagtai) through its next phase of project evaluation and decision on future development. Under the Agreement, Zijin invested in both the Xanadu corporate level and the Kharmagtai project level through a series of transactions to bring Zijin's total shareholding in the Company to 19.42% and the creation of a 50/50 Joint Venture (JV) in Khuiten Metals Pte. Ltd., the entity currently 100% owned by Xanadu that holds a 76.5% effective interest in Kharmagtai. Following completion, the Pre-Feasibility Study for Kharmagtai has commenced.

No other matter or circumstance has arisen since 31 December 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.

Likely developments and expected results of operations

Information on likely developments in the operations of the Company and the expected results of operations have been included in the MD&A. Xanadu intends to continue to invest and explore the projects described in this MD&A.

Off balance sheet arrangements

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

Environmental regulation

Entities in the extractive industries incur rehabilitation obligations which are imposed under contractual or licensing arrangements, or by legislation, or are undertaken on the basis of entity policy or in accordance with industry best practice. While the Company's activities are still in the exploration phase, no provision for rehabilitation work has been recognised in relation to expenditures for dismantling and removing structures, rehabilitating quarries and mines, dismantling operating facilities and restoring affected areas expected to be incurred as the level of disturbance to date has been minimal. However, the Company recognises that such remedial work will be required should mining operations commence and is committed to the adoption of industry best practice in regard to any remediation required. The Company has adopted a Sustainability Policy that guides all field operations in which the Company engages.

Information on directors

Name:	Colin Moorhead
Title:	Executive Chairman and Managing Director
Qualifications:	B.Sc (Hons) FAusIMM (CP) GAICD
Experience and expertise:	Mr Moorhead is an experienced industry executive with a demonstrated track record of over three decades building value in mining companies through innovation, discovery, project development and safe, efficient operations. Mr Moorhead has extensive experience in development and financing significant mining projects internationally. He also has experience with global mining operations as well as experience in successful mergers and acquisitions. A geologist by training, Mr Moorhead is known for strong leadership, strategy and execution that saw him rise through the ranks from a graduate with BHP in 1987 to an executive level manager responsible for global exploration and resource development at Newcrest Mining from 2008 to 2015, a period of significant growth for the company. Mr Moorhead has significant relevant experience as CEO of emerging Indonesian listed producer PT Merdeka Copper Gold Tbk from 2016 to 2018, where he built and led the team that constructed and commissioned the highly successful Tujuh Bukit Gold Mine. Mr Moorhead is a Fellow, Chartered Professional and a Past President of AUSIMM, a graduate of AICD and Harvard Business School Advanced Management Program (AMP).
Other current directorships:	Aeris Resources (ASX:AIS) Coda Minerals Limited (ASX:COD) Sihayo Gold Limited (ASX:SIH)
Former directorships (last 3 years):	Merdeka Copper Gold (IDX:MDKA) (from January 2016 to July 2020) Finders Resources Limited (ASX:FND) (from August 2018 to October 2019)
Special responsibilities:	Member of the Audit and Risk Committee, Member of the Nomination and Remuneration Committee and Chair of the Safety, Health and Environment Committee
Interests in shares:	6,560,000 at 31 December 2022 (8,840,000 at 30 March 2023)
Interests in options:	2,280,000 at 31 December 2022 (23,600,000 at 30 March 2023)

Directors' Report

31 December 2022

Name:	Dr Andrew Stewart
Title:	Executive Director and Chief Executive Officer (to 31 March 2022)
Qualifications:	BSc, PhD, MAIG, MSEG, MAICD
Experience and expertise:	Dr Stewart is a geologist with over 15 years' experience in mineral exploration; primarily focussed on project generation, project evaluation and exploration strategy development throughout Asia and Eastern Europe. Dr Stewart has particular expertise in porphyry copper and epithermal gold deposits and has worked across a diverse range of commodities. He holds a BSc (Hons) from Macquarie University and a PhD from the Centre of Ore Deposits and Exploration Studies at the University of Tasmania.
	During his time at Ivanhoe Mines and Vale, Dr Stewart held various technical and management positions in Mongolia and Indonesia and has been involved in several green field discoveries. After providing technical and program management for Vale in Indonesia and Mongolia, Dr Stewart joined Xanadu Mines as Chief Geologist leading the gold and base metals project generation and evaluation team in Mongolia.
Other current directorships:	Bastion Minerals (ASX:BMO)
Former directorships (last 3 years):	Godolphin Resources Limited (ASX:GRL) (October 2019 to April 2020)
Special responsibilities:	Chief Executive Officer and Member of the Safety, Health and Environment Committee
Interests in shares:	4,931,292
Interests in options:	12,750,000 at 31 December 2022 (25,520,000 at 30 March 2023)
Name:	Ganbayar Lkhagvasuren
Title:	Executive Director and Country Manager
Qualifications:	M.IBL
Experience and expertise:	Mr Lkhagvasuren is a co-founder of Xanadu and has been a Director since 2006. He is the joint venture partner in Mongol Metals LLC and brings a vital Mongolian perspective to the Board of Directors.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Safety, Health and Environment Committee
Interests in shares:	16,558,329
Interests in options:	8,500,000 at 31 December 2022 (23,670,000 at 30 March 2023)
Name:	Michele Muscillo
Title:	Independent Non-Executive Director
Qualifications:	LL.B
Experience and expertise:	Mr Muscillo is a Partner with HopgoodGanim Lawyers in Brisbane. He has practised exclusively in corporate law for the duration of his legal career and has extensive experience in mergers and acquisitions and capital markets transactions, including the negotiation of significant commercial contracts and agreements. Mr Muscillo has significant experience as a Non-Executive Director of resources companies, including taking junior exploration companies through the full life cycle from listing to major discovery to sale. His key areas of practice include Corporate Advisory and Governance, Mergers and Acquisitions, Capital Markets and Resources and Energy.
Other current directorships:	Cardinal Resources Limited (ASX:CDV) Aeris Resources Limited (ASX:AIS) Mako Gold Limited (ASX:MKG)
Former directorships (last 3 years):	None
Special responsibilities:	Chair of the Nomination and Remuneration Committee and Member of the Audit and Risk Committee
Interests in shares:	2,879,981 at 31 December 2022 (4,019,981 at 30 March 2023)
Interests in options:	1,140,000 at 31 December 2022 (6,300,000 at 30 March 2023)

Name:	Tony Pearson
Title:	Independent, Non-Executive Director
Qualifications:	B.Com, MAICD
Experience and expertise:	Mr Pearson is an experienced international natural resources executive and company director. He is currently the Chair of ASX listed Peak Rare Earths and ASX listed Cellnet, a Trustee of the Royal Botanical Gardens & Domain Trust and a Non-Executive Director of Communicare Inc. He was formerly a Commissioner at the Independent Planning Commission, and previously a group executive at TSX/HKEx listed South Gobi Resources, based in Hong Kong, where he was responsible for the company's corporate and strategic initiatives.
	Mr Pearson also has over 15 years commercial and investment banking experience, covering the Asia Pacific natural resources industry, most recently as a Managing Director at HSBC.
Other current directorships:	Peak Resources Limited (ASX: PEK) Cellnet Group Limited (ASX: CLT)
Former directorships (last 3 years):	None
Special responsibilities:	Chair of the Audit and Risk Committee and Member of the Nomination and Remuneration Committee
Interests in shares:	1,320,555 at 31 December 2022 (2,460,555 at 30 March 2023)
Interests in options:	2,280,000 at 31 December 2022 (7,440,000 at 30 March 2023)
Name:	Shaoyang Shen
Title:	Non-Executive Director (from 10 March 2023)
Qualifications:	Degree in Economy (Xiamen University), MBA (National University of Singapore), Master of Management & Professional Accounting (University of Toronto)
Experience and expertise:	Mr Shaoyang Shen is the Deputy President for Corporate Development & Overseas Operations of Zijin Mining Group. He has more than a dozen years of operations management and investment (M&A) experience in the mining industry. Prior to joining Zijin in 2014, he held senior executive positions with Silvercorp Metals Inc., including as COO of the company and Vice President for China Operations. He also served as a board member of Pretium Resources Inc. from 2015 to 2018, and as a Managing Director of Barrick New Niugini Limited from 2015 to 2019.
Other current directorships:	Zijin Mining Co. Ltd Group
Former directorships (last 3 years):	Zijin Mining Co. Ltd Group
Special responsibilities:	Nil
Interests in shares:	Nil
Interests in options:	Nil

'Other current directorships' quoted above are current directorships for listed companies (incorporated under the Corporations Act 2001 (Cth)) only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed companies (incorporated under the Corporations Act 2001 (Cth)) only and excludes directorships of all other types of entities, unless otherwise stated.

Company Secretaries

Phil Mackey, B Bus
Retired 31 January 2023

Mr Mackey was appointed Company Secretary of Xanadu in May 2017. He has over four decades of listed and unlisted company secretarial and commercial experience, including multi-jurisdictional board practice as both a company secretary and a director.

Directors' Report

31 December 2022

Previously, Mr Mackey served as Company Secretary of ASX and SGX dual listed Australand Group Limited (a quadruple stapled group) and Deputy Company Secretary of AMP Limited (ASX:AMP). His commercial experience includes appointment as Chief Operating Officer (Specialised Funds) at Babcock & Brown.

Mr Mackey is a Fellow of the Governance Institute Australia and a Graduate Member of the Australian Institute of Company Directors.

William Hundy, B.Comm. LLB (UNSW), B.Sc (USYD), FAICD, FGIA, FGC
Appointed 31 January 2023

Mr Hundy was appointed Company Secretary of Xanadu in January 2023. He is a lawyer and admitted as a solicitor of the Supreme Court of NSW. He has extensive background in corporate law, company secretarial practice, corporate governance, communications, compliance, risk management and insurance.

Previously, Mr Hundy served as Company Secretary of ASX listed companies Origin Energy Limited, Email Limited, Placer Pacific Limited, Kidston Gold Mines Limited and Oil Company of Australia Limited.

Mr Hundy is a Fellow of the Governance Institute of Australia, the Chartered Governance Institute and the Australian Institute of Company Directors.

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the period ended 31 December 2022, and the number of meetings attended by each director were:

	Full Board		Audit & Risk Committee		Nomination & Remuneration Committee		Safety, Health and Environment Committee	
	Attended	Held	Attended	Held	Attended	Held	Attended	Held
Colin Moorhead	9	9	4	4	4	4	3	3
Andrew Stewart*	3	3	-	-	-	-	3	3
Ganbayar								
Lkhagvasuren	8	9	-	-	-	-	3	3
Michele Muscillo	9	9	4	4	4	4	-	-
Tony Pearson	9	9	4	4	4	4	-	-

*Andrew Stewart attended 3 full board meetings before resigning from the board on 31 March 2022.

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

As at the date of this report the Company has a Safety, Health and Environment Committee, an Audit and Risk Committee and a Nomination and Remuneration Committee. Further details are set out in the Corporate Governance Statement on the Company's website at www.xanadumines.com/site/about/corporate-governance

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

Xanadu is a Mongolian-focused exploration company. Our strategy is to convert our South Gobi porphyry copper and gold projects into mineable deposits and build long-term value for shareholders by becoming the next internationally competitive mid-tier copper and gold company in Asia.

The Company's remuneration philosophy is to ensure that the level and composition of remuneration is competitive, reasonable and appropriate to attract, retain and motivate the directors and employees with the skills required to deliver on the Company's strategy. Our philosophy recognises the importance of people and a team approach.

Important attributes that impact on Xanadu's success are:

- exploration and safety excellence, dedication and persistence;
- understanding of Mongolia and a strong national team;
- ability to communicate exploration success in the public markets to attract capital and increase shareholder value; and
- adherence to good corporate governance principles.

When considering remuneration matters, the Nomination and Remuneration Committee reviews and recommends to the Board on matters of remuneration policy, specific recommendations in relation to senior management and all matters concerning equity plans and awards.

Executive Remuneration

There are up to three categories of remuneration employed to reward employees depending on their role and responsibility within Xanadu:

- (1) Total Fixed Remuneration;
- (2) Short Term Incentive; and
- (3) Long Term Incentive.

The remuneration mix consists of fixed and variable or "at-risk" pay and of short and longer-term rewards.

Total Fixed Remuneration ('TFR')

TFR comprises base salary, any relevant allowances and statutory contributions that the Company is legally required to make in the local jurisdiction. TFR is set with reference to market data and will reflect the scope of the role and the size and activities of the Company.

TFR is reviewed annually as part of the performance appraisals undertaken in the fourth quarter of the calendar year (prior to finalisation of the following year's budget).

Within Mongolia, the term net and gross TFR is used. Net TFR is fixed remuneration net of all taxes including Personal Income Tax and Social Insurance Tax and the Company is responsible for paying these taxes. Gross TFR includes personal income tax but excludes employer social insurance tax. Within Australia, the term TFR is inclusive of personal income tax but excludes payroll tax.

Variable or At-Risk Incentive Remuneration

It is the Board's policy to deliver at-risk incentive remuneration to employees as both a Short-Term Incentive ('STI') and a Long-Term Incentive ('LTI'). The payment of STIs and LTIs are linked to achievement of agreed performance measures and establishes a variable remuneration arrangement that links short- and long-term performance with short- and longer-term rewards. Any equity awarded will be governed by the Xanadu Equity Incentive Plan ('Plan'), and if awarded to a Director, the award will be subject to shareholder approval.

Directors' Report

31 December 2022

The Plan was initially approved by shareholders at the 2020 Annual General Meeting, reapproved at the Extraordinary General Meetings held on 23 December 2020 and 7 February 2023, and permits the award of a number of styles of awards including Options and Share Rights to employees. The issue of securities under the Plan is subject to the Xanadu *Securities Trading Policy*. Shares issued may be acquired on-market, transferred or issued from the capital of the Company.

Short Term Incentive ('STI')

Xanadu has established the STI to achieve the following objectives:

- focus employees on the achievements of annual key safety, financial and business targets that the Board believes will lead to sustained and improved business performance; and
- reward and recognise superior performance, if achieved.

The incentive offered under the STI will vary depending upon individual performance against key performance indicators ('KPIs') and any discretion employed by the Board. KPIs for Chief Executive Officer ('CEO') or Executive Chairman and CEO's or Executive Chairman's direct reports are approved by the Board upon recommendation from the Nomination and Remuneration Committee. KPIs for all other employees are approved by the CEO or Executive Chairman. Depending on the individual's position, KPIs will include a range of metrics including health and safety, exploration results, corporate governance, financial stewardship, risk management, business development and leadership. Payment of STIs can be cash or shares which is also at the discretion of the Board.

Long Term Incentive ('LTI')

The Board believes that an appropriately designed LTI is an important component of the Group's remuneration arrangements. The LTI is a key tool to allow the Group to attract and retain talented directors, executive and managers and ensure the interests of LTI participants are aligned with those of shareholders in creating long-term shareholder value.

The Board's policy is to design equity style awards as LTIs. The vesting of an LTI award is dependent on the achievement of longer-term objectives, including share price growth over a three-year performance period.

The previous LTI program was approved by Shareholders at the Annual General Meeting ('AGM') on 30 July 2020 with additional vesting conditions approved by shareholders during the 23 December 2020 Extraordinary General Meeting. The current LTI program was approved at the Extraordinary General meeting held on 7 February 2023.

Total Reward Mix - Executives

As a guide, the proportion of remuneration attributable to each component of the Xanadu remuneration philosophy is dependent on the level of seniority of the employee. The target total reward mix on average is as follows:

	Total fixed remuneration %	STI % of TFR	LTI * % of TFR
CEO / Executive Chairman	100	50	-
Direct Reports to the CEO / Executive Chairman	100	30	-

* Xanadu's Executive LTI program does not vest on an annual basis. Please refer to the section titled Terms and Conditions for Director and KMP Options in this Remuneration Report.

The STI and LTI percentages of TFR are the target payable and the overall mix may vary depending on individual circumstances, legacy contracts and other benefits associated with expatriate allowances. The value of equity-based awards is determined at the time of grant using industry standard valuation techniques.

Non-Executive Remuneration

The aggregate cash remuneration for Non-Executive Directors will not exceed the maximum approved amount of \$350,000. The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable by shareholders. Non-Executive Directors may also participate in the Plan if participation is approved by shareholders.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers fees paid and securities issued to Non-Executive Directors of comparable companies when undertaking the annual review as well as the time commitment of directors in discharging duties at Board, Committee work and additional assistance provided to the Company. Currently, the Non-Executive Director base fee is \$60,000 per annum and a Committee Chairman receives \$10,000 per annum per committee. Prior to becoming Executive Chairman, the Non-Executive Chairman receives fee of \$120,000 per annum plus a per diem of \$2,500 per day for assistance in roadshows as requested by the CEO.

Non-Executive Directors are encouraged by the Board to hold shares purchased on market in accordance with the Xanadu Securities Trading Policy. The Board considers that by holding shares in the Company, the Non-Executive Directors are aligning themselves with the best interests of the shareholders.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the Group are set out in the following tables.

The key management personnel of the Group consisted of the following directors of Xanadu Mines Ltd:

- Colin Moorhead
- Andrew Stewart
- Ganbayar Lkhagvasuren
- Michele Muscillo
- Tony Pearson

And the following persons:

- Munkhsaikhan Dambiinyam (Chief Operating Officer)
- Spencer Cole (Chief Financial Officer and Chief Development Officer)
- Mat Brown (Chief Geologist)

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	Total
31 December 2022	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Colin Moorhead*	189,773	-	-	5,227	-	42,196	237,196
Michele Muscillo	69,997	-	-	-	-	21,098	91,095
Tony Pearson	63,492	-	-	6,507	-	42,749	112,748
<i>Executive Directors:</i>							
Andrew Stewart**	340,568	147,971	-	24,432	-	94,272	607,243
Ganbayar Lkhagvasuren	382,683	92,880	-	-	-	62,848	538,411
<i>Other Key Management Personnel:</i>							
Munkhsaikhan Dambiinyam	255,445	67,252	-	-	-	62,848	385,545
Spencer Cole	314,568	92,888	-	24,432	-	62,848	494,736
Mat Brown	202,139	75,000	-	-	-	-	277,139
	<u>1,818,665</u>	<u>475,991</u>	<u>-</u>	<u>60,598</u>	<u>-</u>	<u>388,859</u>	<u>2,744,113</u>

* Colin Moorhead became the Executive Chairman and Managing Director on 31 March 2022.

** Andrew Stewart resigned as CEO and Executive Director on 31 March 2022 and took up the role as Vice President of Exploration.

Directors' Report

31 December 2022

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	Total
31 Dec 2021	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Colin Moorhead	112,067	-	-	7,933	-	204,044	324,044
Michele Muscillo	65,833	-	-	-	-	102,022	167,855
Tony Pearson	41,711	-	-	4,122	-	64,229	110,062
<i>Executive Directors:</i>							
Andrew Stewart	342,369	161,056	-	22,631	-	147,307	673,363
Ganbayar Lkhagvasuren	349,049	98,190	-	-	-	98,205	545,444
<i>Other Key Management Personnel:</i>							
Munkhsaikhan Dambiinyam	219,967	61,392	-	-	-	98,205	379,564
Spencer Cole	277,369	86,018	-	22,631	-	98,205	484,223
Mat Brown	316,841	60,750	-	-	-	-	377,591
	1,725,206	467,406	-	57,317	-	812,217	3,062,146

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
<i>Non-Executive Directors:</i>						
Colin Moorhead	82%	37%	-	-	18%	63%
Michele Muscillo	77%	39%	-	-	23%	61%
Tony Pearson	62%	42%	-	-	38%	58%
<i>Executive Directors:</i>						
Andrew Stewart	60%	54%	24%	24%	16%	22%
Ganbayar Lkhagvasuren	71%	64%	17%	18%	12%	18%
<i>Other Key Management Personnel:</i>						
Munkhsaikhan Dambiinyam	66%	58%	18%	16%	16%	26%
Spencer Cole	68%	62%	19%	18%	13%	20%
Mat Brown	73%	84%	27%	16%	-	-

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Colin Moorhead
Title:	Executive Chairman and Managing Director
Details:	Mr Moorhead's fixed remuneration is an annual salary package of US\$220,000 based on approximately 50% full time role, including compulsory taxes and social insurance applicable as an employee in Mongolia. In the event of Mr Moorhead's employment being terminated other than in the case of misconduct, Mr Moorhead must give a minimum of 6 months' notice prior to termination, and the Company must give 6 months' notice prior to termination. The Company may, at its discretion, provide Mr Moorhead with payment of fixed remuneration in whole or in part in lieu of notice. For the avoidance of doubt, the Company's right to make such a payment does not give Mr Moorhead any right to receive such a payment.
Name:	Ganbayar Lkhagvasuren
Title:	Executive Director and Country Manager
Details:	Mr Lkhagvasuren's fixed remuneration is an annual salary package of US\$265,000 including compulsory taxes and social insurance applicable as an employee in Mongolia. In the event of Mr Lkhagvasuren's employment being terminated other than in the case of misconduct, Mr Lkhagvasuren must give a minimum of 6 months' notice prior to termination, and the Company must give 9 months' notice prior to termination. The Company may, at its discretion, provide Mr Lkhagvasuren with payment of fixed remuneration in whole or in part in lieu of notice. For the avoidance of doubt, the Company's right to make such a payment does not give Mr Lkhagvasuren any right to receive such a payment.
Name:	Munkhsaikhan Dambiinyam
Title:	Chief Operating Officer
Details:	Mr Dambiinyam's fixed remuneration is an annual salary package of US\$180,000 including compulsory taxes and social insurance applicable as an employee in Mongolia. In the event of termination of Mr Dambiinyam's employment other than in the case of misconduct, Mr Dambiinyam must give a minimum of 6 months' notice prior to termination, and the Company must give 6 months' notice prior to termination. The Company may, at its discretion, provide Mr Dambiinyam with payment of fixed remuneration in whole or in part in lieu of notice. For the avoidance of doubt, the Company's right to make such a payment does not give Mr Dambiinyam any right to receive such a payment.
Name:	Spencer Cole
Title:	Chief Financial Officer and Chief Development Officer
Details:	Mr Cole's fixed remuneration is an annual salary package of A\$352,000 including superannuation and any applicable taxes withheld. In the event of termination of Mr Cole's employment other than in the case of misconduct, the executive must give a minimum of 6 months' notice prior to termination, and the Company must give 6 months' notice prior to termination. The Company may, at its discretion, provide Mr Cole with payment of fixed remuneration in whole or in part in lieu of notice. For the avoidance of doubt, the Company's right to make such a payment does not give Mr Cole any right to receive such a payment.
Name:	Mat Brown
Title:	Chief Geologist
Details:	Mr Brown's remuneration is based on a daily contract rate of A\$1,000, excluding GST, paid exclusively for days worked. In the event of termination of Mr Brown's contract other than in the case of misconduct, the executive must give 30 days' notice prior to termination, and the Company must give 30 days' notice prior to termination. Mr Brown is eligible to participate in incentive plans at the discretion of the Board.

Directors' Report

31 December 2022

Name:	Andrew Stewart
Title:	Vice President of Exploration
Details:	Dr Stewart's fixed remuneration is an annual salary package of A\$365,000 including superannuation and any applicable taxes withheld. In the event of termination of Dr Stewart's employment other than in the case of misconduct, the executive must give a minimum of 6 months' notice prior to termination, and the Company must give 6 months' notice prior to termination. The Company may, at its discretion, provide Dr Stewart with payment of fixed remuneration in whole or in part in lieu of notice. For the avoidance of doubt, the Company's right to make such a payment does not give Dr Stewart any right to receive such a payment.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 31 December 2022.

Options

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 31 December 2022.

Directors' Report

31 December 2022

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Name *	Number of options granted **	Grant date	Vesting date and exercisable date	Expiry date	Fair value per option at grant date
Non-Executive Director Options					
	-				\$0.000
Colin Moorhead	2,280,000	21 Jan 2021	31 Dec 2022	30 Jun 2024	\$0.036
Michele Muscillo	1,140,000	21 Jan 2021	31 Dec 2022	30 Jun 2024	\$0.036
Tony Pearson	1,140,000	17 Jun 2021	31 Dec 2022	30 Jun 2024	\$0.036
Tony Pearson	1,140,000	17 Jun 2021	31 Dec 2023	30 Jun 2025	\$0.036
Executive Director Options					
Andrew Stewart	750,000	21 Jan 2021	30 Sep 2024	21 Jan 2027	\$0.036
Andrew Stewart	1,500,000	21 Jan 2021	30 Sep 2024	21 Jan 2027	\$0.036
Andrew Stewart	2,250,000	21 Jan 2021	30 Sep 2024	21 Jan 2027	\$0.036
Andrew Stewart	2,250,000	21 Jan 2021	30 Sep 2024	21 Jan 2027	\$0.036
Andrew Stewart	6,000,000	21 Jan 2021	30 Sep 2024	21 Jan 2027	\$0.036
Ganbayar Lkhagvasuren	500,000	21 Jan 2021	30 Sep 2024	21 Jan 2027	\$0.036
Ganbayar Lkhagvasuren	1,000,000	21 Jan 2021	30 Sep 2024	21 Jan 2027	\$0.036
Ganbayar Lkhagvasuren	1,500,000	21 Jan 2021	30 Sep 2024	21 Jan 2027	\$0.036
Ganbayar Lkhagvasuren	1,500,000	21 Jan 2021	30 Sep 2024	21 Jan 2027	\$0.036
Ganbayar Lkhagvasuren	4,000,000	21 Jan 2021	30 Sep 2024	21 Jan 2027	\$0.036
Management Options					
Munkhsaikhan Dambiinyam	500,000	21 Jan 2021	30 Sep 2024	21 Jan 2027	\$0.036
Munkhsaikhan Dambiinyam	1,000,000	21 Jan 2021	30 Sep 2024	21 Jan 2027	\$0.036
Munkhsaikhan Dambiinyam	1,500,000	21 Jan 2021	30 Sep 2024	21 Jan 2027	\$0.036
Munkhsaikhan Dambiinyam	1,500,000	21 Jan 2021	30 Sep 2024	21 Jan 2027	\$0.036
Munkhsaikhan Dambiinyam	4,000,000	21 Jan 2021	30 Sep 2024	21 Jan 2027	\$0.036
Spencer Cole	500,000	21 Jan 2021	30 Sep 2024	21 Jan 2027	\$0.036
Spencer Cole	1,000,000	21 Jan 2021	30 Sep 2024	21 Jan 2027	\$0.036
Spencer Cole	1,500,000	21 Jan 2021	30 Sep 2024	21 Jan 2027	\$0.036
Spencer Cole	1,500,000	21 Jan 2021	30 Sep 2024	21 Jan 2027	\$0.036
Spencer Cole	4,000,000	21 Jan 2021	30 Sep 2024	21 Jan 2027	\$0.036

* Colin Moorhead options were granted indirectly to Invia Custodian Pty Limited [Mr. Colin F Moorhead A/C]
Michele Muscillo options were granted indirectly to Mrs Carmel Muscillo
Tony Pearson options were granted indirectly to Ciao! Punto Pty Ltd ATF Ciao! Punto Family Trust
Andrew Stewart options were granted indirectly to A L Stewart Family Pty Ltd ATF Stewart Family Trust
Spencer Cole options were granted indirectly to Sierra Pacific Consulting Pty Ltd ATF Sierra Pacific Trust

** All options have a zero exercise price. Table shows options granted as at 31 December 2022.

Options granted carry no dividend or voting rights.

The Xanadu Long Term Incentive ('LTI') plan was approved by Shareholders during the 30 July 2020 Annual General Meeting, with additional vesting conditions approved by shareholders during the 23 December 2020 Extraordinary General Meeting and re-approved at the Extraordinary General Meeting held on 7 February 2023. The Company issued the options under this LTI plan during 2021.

Full conditions of this LTI plan are contained within the Notice of Meeting for the December 2020 EGM which is available on the Xanadu website and via ASX.

Directors' Report

31 December 2022

Based on an assessment management have determined the vesting term is 30 September 2024 for the Executive Director Options and Management Options.

Terms and Conditions for Director and KMP Options

Tranche	Vesting conditions	Vesting period (years)	Grant date	Vesting date	Expiry date	Number of options granted	Option value \$	Fair value per option at grant date \$
Non-Executive Director options								
C	Retention on employment(1)	1.9	21/01/2021	31/12/2022	30/06/2024	3,420,000	123,120	0.036
E	Retention on employment(1)	1.5	17/06/2021	31/12/2022	30/06/2024	1,140,000	41,040	0.036
F	Retention on employment(1)	2.5	17/06/2021	31/12/2023	30/06/2025	1,140,000	41,040	0.036
						<u>5,700,000</u>	<u>205,200</u>	<u>0.108</u>
Executive Director and Management options								
A	Performance criteria(2) Share price hurdle(7) Retention on employment(12) Change of control event(13)	3.7	21/01/2021	30/09/2024	21/01/2027	2,250,000	81,000	0.036
B	Performance criteria(3) Share price hurdle(8) Retention on employment(12) Change of control event(13)	3.7	21/01/2021	30/09/2024	21/01/2027	4,500,000	162,000	0.036
C	Performance criteria(4) Share price hurdle(9) Retention on employment(12) Change of control event(13)	3.7	21/01/2021	30/09/2024	21/01/2027	6,750,000	243,000	0.036
D	Performance criteria(6) Share price hurdle (10) Retention on employment(12) Change of control event(13)	3.7	21/01/2021	30/09/2024	21/01/2027	6,750,000	243,000	0.036
E	Performance criteria(7) Share price hurdle(11) Retention on employment(12) Change of control event(13)	3.7	21/01/2021	30/09/2024	21/01/2027	18,000,000	648,000	0.036
						<u>38,250,000</u>	<u>1,377,000</u>	<u>0.180</u>
						<u>43,950,000</u>	<u>1,582,200</u>	<u>0.288</u>

All options have zero exercise price.

The value of the options is determined at the time of grant per AASB 2, refer note 34.

- (1) All Non-Executive Director ('NED') options have a term of 18 months after vesting subject to retention of employment. If a NED leaves the Board the options will vest on a pro-rata basis.
- (2) Approval by Government of Mongolia to progress exploration at Yellow Mountain, or replacement by the Company of Yellow Mountain with new prospective ground in the portfolio.
- (3) Discovery at Red Mountain of a pre-JORC >60Mt @0.6% CuEq, confirmed as a highly prospective discovery by an Independent Competent Person review.
- (4) Define a JORC compliant Mineral Resource Estimate >1000Mt @ 0.5% CuEq at Kharmagtai with an accompanying Independent Competent Person sign-off.
- (6) Where there is publicly announced any proposal in relation to the Company which the Board reasonably believes may lead to a Shareholder Liquidity Event taking the form of:
 - Kharmagtai sale as an asset with >1Bt JORC Mineral Resource Estimate;
 - Xanadu company sale (or JV at least 30%) at >5% premium to market;
 - Kharmagtai JV, funding at least 50% through to PFS.
- (7) The volume weighted average market price of the Company's shares calculated over 10 consecutive days on which sales in the shares of the Company were recorded (10-day VWAP) after the date on which the Performance Criteria for the Tranche A Executive Options is satisfied has been at least \$0.18 per share.
- (8) The 10-day VWAP after the date on which the Performance Criteria for the Tranche B Executive Options is satisfied has been at least \$0.18 per share.
- (9) The 10-day VWAP after the date on which the Performance Criteria for the Tranche C Executive Options is satisfied has been at least \$0.18 per share.
- (10) The 10-day VWAP after the date on which the Performance Criteria for the Tranche D Executive Options is satisfied has been at least \$0.18 per share.
- (11) The 10-day VWAP after the date on which the Performance Criteria for the Tranche E Executive Options is satisfied has been at least \$0.28 per share.
- (12) Remains in continuous employment for two years from 30 July 2020 to 30 July 2022.
- (13) A change of control event is defined as a publicly announced proposal under which the Company enters into a scheme of arrangement, commencement of a bid period, or a person or group has sufficient shares in the Company to replace all or a majority of Directors. Under a change of control event, all shares will immediately vest.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 31 December 2022 are set out below:

Name *	Number of options granted during the year 2022	Number of options granted during the year 31 Dec 2021	Number of options vested during the year 2022	Number of options vested during the year 31 Dec 2021
Colin Moorhead	-	6,840,000	2,280,000	4,560,000
Michele Muscillo	-	3,420,000	1,140,000	2,280,000
Tony Pearson	-	3,420,000	1,140,000	1,140,000
Andrew Stewart	-	12,750,000	-	-
Ganbayar Lkhagvasuren	-	8,500,000	-	-
Munkhsaikhan Dambiinyam	-	8,500,000	-	-
Spencer Cole	-	8,500,000	-	-

- * Colin Moorhead options were granted indirectly to Invia Custodian Pty Ltd [Mr Colin F Moorhead A/c]
 Michele Muscillo options were granted indirectly to Mrs Carmel Muscillo
 Tony Pearson options were granted indirectly to Ciao! Punto Pty Ltd ATF Ciao! Punto Family Trust
 Andrew Stewart options were granted indirectly to A L Stewart Family Pty Ltd ATF Stewart Family Trust
 Spencer Cole options were granted indirectly to Sierra Pacific Consulting Pty Ltd ATF Sierra Pacific Trust

Performance rights

Other than the zero exercise price options outlined above, the Company has not granted any performance rights over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 31 December 2022.

Directors' Report

31 December 2022

Other than the zero exercise price options outlined above, there were no performance rights over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 31 December 2022.

Additional information

The section below contains further detail on how the Company's performance has impacted on remuneration outcomes for executives under the Company's incentive programs.

The table below contains a snapshot of the Company's performance against annual financial Key Performance Indicators:

	2018	2019	2020	2021	2022
Share price at financial year end (\$)	0.105	0.030	0.038	0.029	0.030
Basic loss per share (cents per share)	(1.00)	(1.17)	(0.33)	(0.77)	(0.33)
Diluted loss per share (cents per share)	(1.00)	(1.17)	(0.33)	(0.77)	(0.33)

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year (Restated)	Received as part of remuneration	Exercise of Options	Purchase/ Disposal on Open Market	Balance at the end of the year
<i>Ordinary shares</i>					
Colin Moorhead	3,280,000	-	2,280,000	1,000,000	6,560,000
Andrew Stewart	4,931,292	-	-	-	4,931,292
Ganbayar Lkhagvasuren	16,558,329	-	-	-	16,558,329
Michele Muscillo	1,199,441	-	1,140,000	540,540	2,879,981
Tony Pearson	-	-	1,140,000	180,555	1,320,555
Munkhsaikhan Dambiinyam	1,478,578	-	-	-	1,478,578
Spencer Cole	375,000	-	-	-	375,000
Mat Brown*	1,315,831	-	-	(262,632)	1,053,199
	29,138,471	-	4,560,000	1,458,463	35,156,934

* In the prior period the closing balance for Mat Brown was stated at 1,232,821. This was incorrect and the correct figure of 1,315,831 has been used as the opening balance for the current period.

Option holding

The number of options over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Options over ordinary shares</i>					
Colin Moorhead	4,560,000	-	(2,280,000)	-	2,280,000
Andrew Stewart	12,750,000	-	-	-	12,750,000
Ganbayar Lkhagvasuren	8,500,000	-	-	-	8,500,000
Michelle Muscillo	2,280,000	-	(1,140,000)	-	1,140,000
Tony Pearson	3,420,000	-	(1,140,000)	-	2,280,000
Munkhsaikhan Dambiinyam	8,500,000	-	-	-	8,500,000
Spencer Cole	8,500,000	-	-	-	8,500,000
	48,510,000	-	(4,560,000)	-	43,950,000

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of Xanadu Mines Ltd under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
21 January 2021	30 June 2023	\$0.000	-
21 January 2021	30 June 2024	\$0.000	-
17 June 2021	30 June 2023	\$0.000	-
17 June 2021	30 June 2024	\$0.000	-
17 June 2021	30 June 2025	\$0.000	1,140,000
21 January 2021	21 January 2027	\$0.000	38,250,000
5 October 2021	5 October 2023	\$0.000	3,000,000
			42,390,000

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

In the subsequent period, additional options were granted in early 2023, in conjunction with a shareholder vote to approve Zijin's investment in Xanadu. These are outlined below.

Grant date	Expiry date	Exercise price	Number under option
28 February 2023	28 February 2029	\$0.000	79,470,000

Shares under share rights

There were no unissued ordinary shares of Xanadu Mines Ltd under share rights outstanding at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of Xanadu Mines Ltd issued on the exercise of options during the year ended 31 December 2022 and up to the date of this report.

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the Directors and Executives of the Company (as named in the Remuneration Report) against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 25 to the financial statements.

Directors' Report

31 December 2022

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 25 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former partners of Ernst & Young

There are no officers of the Company who are former partners of Ernst & Young.

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.

Auditor's independence declaration

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

Auditor

Ernst & Young continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Colin Moorhead
Chairman

31 March 2023



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

As lead auditor for the audit of the financial report of Xanadu Mines Limited for the financial year ended 31 December 2022, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.
- c) no non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

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

A stylized, handwritten signature of the Ernst & Young firm, featuring the letters 'EY' in a large, bold, cursive font.

Ernst & Young

A handwritten signature of Siobhan Hughes, written in a cursive script.

Siobhan Hughes
Partner
31 March 2023

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2022

		Consolidated 31 Dec 2021 (Restated*) \$'000	31 Dec 2022 \$'000
Note			
	Other income		
	Other income	5	61
	Expenses		
	Other expenses	6	(4,483)
	Share-based payments expense	34	(397)
	Depreciation and amortisation expense		(69)
	Impairment of exploration and evaluation assets	15	-
	Finance costs		(36)
	Loss before income tax expense from continuing operations		(4,924)
	Income tax expense	7	-
	Loss after income tax expense from continuing operations		(4,924)
	Loss after income tax expense from discontinued operations	12	(167)
	Loss after income tax expense for the year		(5,091)
	Other comprehensive income		
	<i>Items that may be reclassified subsequently to profit or loss</i>		
	Foreign currency translation		(5,378)
	Other comprehensive income for the year, net of tax		(5,378)
	Total comprehensive income for the year		(10,469)
	Loss for the year is attributable to:		
	Non-controlling interest		(526)
	Owners of Xanadu Mines Ltd	20	(4,565)
			(5,091)
	Total comprehensive income for the year is attributable to:		
	Non-controlling interest		(825)
	Owners of Xanadu Mines Ltd		(9,644)
			(10,469)

* For basis of restatement, please refer to note 12, Discontinued Operations

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

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2022

		Cents	Cents
Earnings per share for loss from discontinued operations attributable to the owners of Xanadu Mines Ltd			
Basic earnings per share	33	(0.01)	(0.01)
Diluted earnings per share	33	(0.01)	(0.01)
 Earnings per share for loss attributable to the owners of Xanadu Mines Ltd			
Basic earnings per share	33	(0.33)	(0.77)
Diluted earnings per share	33	(0.33)	(0.77)

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

Consolidated statement of financial position

For the year ended 31 December 2022

	Note	Consolidated 2022 \$'000	31 Dec 2021 \$'000
Assets			
Current assets			
Cash and cash equivalents	8	61	3,321
Other receivables	9	52	86
Prepayments and other assets		-	15
		<u>113</u>	<u>3,422</u>
Assets of disposal groups classified as held for sale	10	42,803	-
Total current assets		<u>42,916</u>	<u>3,422</u>
Non-current assets			
Property, plant and equipment	13	84	559
Right-of-use assets	14	401	323
Deferred exploration and evaluation expenditure	15	6,975	50,328
Total non-current assets		<u>7,460</u>	<u>51,210</u>
Total assets		<u>50,376</u>	<u>54,632</u>
Liabilities			
Current liabilities			
Trade and other payables	16	95	253
Employee benefits		17	9
Lease liabilities	17	67	40
		<u>179</u>	<u>302</u>
Liabilities directly associated with assets of disposal groups classified as held for sale:			
Total current liabilities	11	32	-
		<u>211</u>	<u>302</u>
Non-current liabilities			
Lease liabilities	17	256	192
Total non-current liabilities		<u>256</u>	<u>192</u>
Total liabilities		<u>467</u>	<u>494</u>
Net assets		<u>49,909</u>	<u>54,138</u>
Equity			
Issued capital	18	151,671	145,659
Reserves	19	(8,431)	(3,580)
Accumulated losses	20	(96,570)	(92,005)
Non-controlling interest	21	3,239	4,064
Total equity		<u>49,909</u>	<u>54,138</u>

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

Consolidated statement of changes in equity
For the year ended 31 December 2022

Consolidated	Issued capital \$'000	Foreign currency translation reserve \$'000	Share-based payments reserves \$'000	Transactions with owners reserve \$'000	Accumulated losses \$'000	Non-controlling interest \$'000	Total equity \$'000
Balance at 1 January 2021	136,005	(16,253)	10,016	(537)	(82,197)	3,672	50,706
Profit/(loss) after income tax expense for the year	-	-	-	-	(9,305)	187	(9,118)
Other comprehensive income for the year, net of tax	-	2,502	-	-	-	179	2,681
Total comprehensive income for the year	-	2,502	-	-	(9,305)	366	(6,437)
Contributions of equity, net of transaction costs (note 18)	9,531	-	-	-	-	-	9,531
Share-based payments expensed (note 34)	-	-	815	-	-	-	815
Options exercised (note 18)	123	-	(123)	-	-	-	-
Additional investment in subsidiary (note 30)	-	-	-	-	(503)	26	(477)
Balance at 31 December 2021	<u>145,659</u>	<u>(13,751)</u>	<u>10,708</u>	<u>(537)</u>	<u>(92,005)</u>	<u>4,064</u>	<u>54,138</u>

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

Consolidated statement of changes in equity

For the year ended 31 December 2022

Consolidated	Issued capital \$'000	Foreign currency translation reserve \$'000	Share-based payments reserves \$'000	Transactions with owners reserve \$'000	Accumulated losses \$'000	Non-controlling interest \$'000	Total equity \$'000
Balance at 1 January 2022	145,659	(13,751)	10,708	(537)	(92,005)	4,064	54,138
Loss after income tax expense for the year	-	-	-	-	(4,565)	(526)	(5,091)
Other comprehensive income for the year, net of tax	-	(5,079)	-	-	-	(299)	(5,378)
Total comprehensive income for the year	-	(5,079)	-	-	(4,565)	(825)	(10,469)
Share-based payments expensed (note 34)	-	-	397	-	-	-	397
Options exercised (note 18)	169	-	(169)	-	-	-	-
Shares issued as payment for E&E consulting services	283	-	-	-	-	-	283
Shares issued in placement	5,560	-	-	-	-	-	5,560
Balance at 31 December 2022	<u>151,671</u>	<u>(18,830)</u>	<u>10,936</u>	<u>(537)</u>	<u>(96,570)</u>	<u>3,239</u>	<u>49,909</u>

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

Consolidated statement of cash flows

For the year ended 31 December 2022

	Note	Consolidated 2022 \$'000	31 Dec 2021 \$'000
Cash flows from operating activities			
Payments to suppliers and employees		(4,761)	(3,618)
Interest received		41	1
Interest and other finance costs paid		(44)	(35)
Net cash used in operating activities	32	(4,764)	(3,652)
Cash flows from investing activities			
Payments for property, plant and equipment	13	(9)	(422)
Payments for exploration and evaluation expenditure	15	(3,772)	(9,529)
Payments for exploration and evaluation on behalf of JOGMEC	15	-	(2,082)
Proceeds from JOGMEC Red Mtn earn-in payments	15	-	1,776
Proceeds from JOGMEC Red Mtn option payments capitalised	15	-	162
Proceeds from disposal of property, plant and equipment		33	-
Payments for additional investment in subsidiary	30	-	(477)
Net cash used in investing activities		(3,748)	(10,572)
Cash flows from financing activities			
Proceeds from issue of shares	18	5,560	10,154
Transaction costs on issue of shares	18	-	(623)
Repayment of lease liabilities	17	(50)	(49)
Net cash from financing activities		5,510	9,482
Net decrease in cash and cash equivalents		(3,002)	(4,742)
Cash and cash equivalents at the beginning of the financial year		3,321	7,687
Effects of exchange rate changes on cash and cash equivalents		(201)	376
Cash and cash equivalents at the end of the financial year	8	118	3,321

Notes to the consolidated financial statements

31 December 2022

Note 1. Corporate information

The financial statements cover Xanadu Mines Ltd as a Group consisting of Xanadu Mines Ltd and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Xanadu Mines Ltd's functional and presentation currency. The functional currency of the Company's Mongolian subsidiaries is the Mongolian Tugrik ('MNT').

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

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

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 March 2023.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

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

Going concern

The Financial Report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realization of assets and settlement of liabilities in the ordinary course of business.

The Group has incurred net losses after tax of \$5,091,000 (2021: \$9,118,000) and net cash outflows from operations of \$4,764,000 (2021: \$3,652,000) for the year ended 31 December 2022. At year end, cash and cash equivalents were \$61,000 (2021: \$3,321,000). 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.

Subsequent to year end, on 10 March 2023, Xanadu completed Phase 2 and Phase 3 of its strategic partnership with Zijin. Phase 2 was an equity placement in Xanadu Mines by Zijin, which resulted in the Group receiving \$7,164,645. Phase 3 is the sale of a 50% interest in the Kharmagtai Project resulting in the receipt of US\$35M for the 50% stake disposed. This US\$35m has paid by Zijin directly into the Kharmagtai project joint venture and must be used to fund this project through to completion of the Pre-Feasibility stage and decision to mine.

Whilst some of the Group's corporate operating and administrative costs can be recharged to the joint venture to the extent they pertain directly to the Kharmagtai project, there are ongoing corporate overhead costs and Red Mountain exploration costs which the Group must continue to self-fund.

In the Director's opinion, the going concern basis of preparation remains appropriate given the \$7,164,645 raised in March 2023 and the ability to partially recharge applicable Group costs to the Kharmagtai project. However should these funds be fully utilised, the Group will need to implement further potential actions to fund ongoing activity which includes, but is not limited to: ongoing corporate operating and administrative costs (that are not rechargeable to Kharmagtai), exploration at the Red Mountain project and new project acquisition. The Directors have a reasonable basis to believe this will be achievable through the following actions:

Note 2. Significant accounting policies (continued)

- raising equity funds in capital markets, noting that the Group has a history of successful equity raisings;
- entering into farm-out, sell down or joint venture agreements at Red Mountain in order to continue to advance the project through further exploration work including a pre-feasibility study based on strong copper prices and current market sentiment; and
- deferral of discretionary corporate operating and administrative costs and exploration expenditures.

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.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for certain classes of property, plant and equipment.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 29.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Xanadu Mines Ltd ('Company' or 'parent entity') as at 31 December 2022 and the results of all subsidiaries for the year then ended. Xanadu Mines Ltd and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Notes to the consolidated financial statements

31 December 2022

Note 2. Significant accounting policies (continued)

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Xanadu Mines Ltd's functional and presentation currency. The functional currency of the Company's Mongolian subsidiaries is the Mongolian Tughrik ('MNT').

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition

Interest income

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Note 2. Significant accounting policies (continued)

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Discontinued operations

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major asset, line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Notes to the consolidated financial statements

31 December 2022

Note 2. Significant accounting policies (continued)

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment	2-10 years
Motor vehicles	10 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Property, plant and equipment is subject to impairment or adjusted for any remeasurement of value.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Rehabilitation of property

Where conditions of title, or other rights to use property including rights to mine require that rehabilitation activities be carried out during the course of the use of the property, costs of such are brought to account as an expense at the time incurred. Where, due to current or previous activities, an obligation exists to carry out rehabilitation works in the future, provision is made for the mine site rehabilitation and restoration by recognising the present value of expected rehabilitation cash flows as a provision. These provisions include costs associated with reclamation, plant closure and monitoring activities. The discount on the provision unwinds as an interest expense. These costs have been determined on the basis of current costs, current legal requirements and current technology. Changes in estimates are dealt with on a prospective basis.

Uncertainty exists as to the amount of restoration obligations which will be incurred due to:

- uncertainty as to the remaining life of existing operating sites; and
- the impact of changes in environmental legislation.

Assumptions have been made as to the remaining useful life of existing sites based on studies conducted by independent and internal technical advisers. Such studies are conducted on an ongoing basis.

Deferred exploration and evaluation assets

Costs arising from exploration and evaluation activities relating to an area of interest are carried forward, provided such costs are expected to be recouped through successful development, or by sale, or where exploration and evaluation activities have not, at balance date, reached a stage to allow a reasonable assessment regarding the existence of economically recoverable resources. Rights of tenure must be current to carry forward deferred exploration and evaluation expenditure.

Costs carried forward in respect of an area of interest that is abandoned are written off in the year in which the decision to abandon is made. Costs on productive areas are amortised over the life of the area of interest to which such costs relate on the production output basis.

Note 2. Significant accounting policies (continued)**Impairment of deferred exploration and evaluation assets**

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has significant uncertainty regarding its value, the uncertain recoverability is impaired in the year in which the decision is made.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Employee benefits***Short-term employee benefits***

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Notes to the consolidated financial statements

31 December 2022

Note 2. Significant accounting policies (continued)

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to directors and employees as part of their fees and remuneration, and external service providers for goods and services provided (including acquisition of tenements).

Equity-settled transactions are awards of shares, or options over shares, that are provided to directors and employees as part of their fees and remuneration, and external service providers for goods and services provided (including acquisition of tenements). Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Monte Carlo or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 2. Significant accounting policies (continued)

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Xanadu Mines Ltd, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

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 for indicators of impairment of 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. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Notes to the consolidated financial statements

31 December 2022

Note 3. Critical accounting judgements, estimates and assumptions (continued)

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 estimated 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 principle activity of the Company is exploration for copper and gold. Xanadu classifies each of its exploration tenements as an operating segment. For each 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 15 'Deferred exploration and evaluation expenditure'. No segment revenues are disclosed, as all segment expenditure is capitalised, with the exception of expenditure written off. The non-current assets of Xanadu, attributable to the parent entity, are located in Mongolia.

Note 5. Other income

	Consolidated 31 Dec 2022 \$'000	31 Dec 2021 \$'000
Net gain on disposal of property, plant and equipment	58	-
Interest income	3	1
Other income	61	1

Note 6. Other expenses

	Consolidated 31 Dec 2022 \$'000	31 Dec 2021 \$'000 (Restated)*
Administration expenses	1,683	1,190
Wages and management fees	2,146	1,876
Consulting fees	654	383
Net foreign currency (gains) / losses	-	1
Other expenses	4,483	3,450

* See Note 12 – Discontinued Operations for further detail

Notes to the consolidated financial statements

31 December 2022

Note 7. Income tax expense

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense from continuing operations	(4,924)	(8,991)
Loss before income tax expense from discontinued operations	(167)	(127)
	<u>(5,091)</u>	<u>(9,118)</u>
Tax at the statutory tax rate of 25% (2021: 26%)	(1,273)	(2,371)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Impairment of E&E assets	-	1,206
Share-based payments	99	212
Blackhole Expenses	200	-
Sundry items	-	(36)
	<u>(974)</u>	<u>(989)</u>
Current year tax losses not recognised	823	1,011
Adjustment recognised for prior periods	244	(43)
Difference in overseas tax rates - Mongolia at 25% (2021: 25%)	-	9
Difference in overseas tax rates - Singapore at 17% (2021: 17%)	14	12
s40-880 Capital Deduction	(117)	-
Annual Leave - Net Movement	10	-
Income tax expense	<u>-</u>	<u>-</u>

As at 31 December 2022, Xanadu Mines Ltd has carried forward tax losses of \$32,186,000 (31 December 2021: \$29,872,000) and carried forward capital losses of \$12,859,000 (31 December 2021: \$12,859,000). These losses are potentially able to be utilised against future taxable income and future capital gains respectively.

These losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

A deferred tax asset has not been recognised because it is not probable that future taxable income will be available in the foreseeable future to use against such losses.

Xanadu Mines Ltd is not part of an Australian tax-consolidated group. Current and deferred tax amounts (if any) are measured as a stand-alone taxpayer. There are no tax funding arrangements or tax sharing agreements in place.

Notes to the consolidated financial statements

31 December 2022

Note 8. Cash and cash equivalents

	Consolidated 31 Dec 2022 \$'000	31 Dec 2021 \$'000
<i>Current assets</i>		
Cash at bank	61	3,321
<i>Reconciliation to cash and cash equivalents at the end of the financial year</i>		
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:		
Balances as above	61	3,321
Cash and cash equivalents - classified as held for sale (note 10)	57	-
Balance as per statement of cash flows	118	3,321

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Note 9. Other receivables

	Consolidated 31 Dec 2022 \$'000	31 Dec 2021 \$'000
<i>Current assets</i>		
Sundry debtors	40	52
GST recoverable	12	34
	52	86

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

Note 10. Assets of disposal groups classified as held for sale

As part of Xanadu's strategic partnership with the Zijin Group to obtain further funding to advance the Kharmagtai gold project and create a 50-50 Joint Venture (JV) between the two parties, the Kharmagtai operating entity has been reclassified as an asset held for sale. This is due to the fact that the assets will be jointly controlled upon completion of the transaction upon creation of the Joint Venture. As a result of the execution of the agreement with Zijin in December 2022, the transaction became highly probable and all assets and liabilities within the Kharmagtai entity have been reclassified. Subsequent to year end all regulatory approvals have been received and on 10 March 2023, the transaction has been completed. Alongside the assets and liabilities detailed in Note 10 below and Note 11, there were Foreign currency translation reserves of (\$11,690,000) and non-controlling interest amounts of \$1,453,000 within the entity classified as held for sale.

Set out below are the assets and liabilities transferred to held for sale as at 31 December 2022:

Notes to the consolidated financial statements

31 December 2022

Note 10. Assets of disposal groups classified as held for sale (continued)

	Consolidated 2022 \$'000	31 Dec 2021 \$'000
<i>Current assets</i>		
Cash and cash equivalents	57	-
Trade and other receivables	39	-
Property, plant and equipment	441	-
Capitalized Mining and Exploration Expense	42,266	-
	<u>42,803</u>	<u>-</u>

Note 11. Liabilities directly associated with assets of disposal groups classified as held for sale:

	Consolidated 2022 \$'000	31 Dec 2021 \$'000
<i>Current liabilities</i>		
Trade payables	10	-
Other payables	8	-
Accrued expenses	14	-
	<u>32</u>	<u>-</u>

Note 12. Discontinued operations

In April 2022 the Group publicly announced its intention to create a 50:50 Joint Venture with the Zijin Group within Khuiten Metals, a company previously controlled 100% by Xanadu. The completion of this sale transaction is expected to be completed within a year from the reporting date. Accordingly, at 31 December 2022 the assets and liabilities of Khuiten Metals was classified as a disposal group held for sale and as a discontinued operation as the entity being part disposed of represents a separate major line of Xanadu's business. Please refer to Note 10 and 11 for details of the assets and liabilities associated with the disposal.

The financial performance of the operating entity being classified as discontinued is as follows:

Financial performance information

	Consolidated 2022 \$'000	31 Dec 2021 \$'000
Discontinued Administration expense	(157)	(123)
Discontinued Wages and Salaries expense	(10)	(4)
Total expenses	<u>(167)</u>	<u>(127)</u>
Loss before income tax expense	(167)	(127)
Income tax expense	-	-
Loss after income tax expense from discontinued operations	<u>(167)</u>	<u>(127)</u>

Notes to the consolidated financial statements

31 December 2022

Note 12. Discontinued operations (continued)

Cash flow information

	Consolidated 2022 \$'000	31 Dec 2021 \$'000
Net cash used in operating activities	(167)	(127)

	Consolidated 31 Dec 2022 \$'000	31 Dec 2021 \$'000
<i>Earnings per share</i>		
Basic, profit/(loss) for the year from discontinued operations	(0.01)	(0.01)
Diluted, profit/(loss) for the year from discontinued operations	(0.01)	(0.01)

Note 13. Property, plant and equipment

	Consolidated 31 Dec 2022 \$'000	31 Dec 2021 \$'000
<i>Non-current assets</i>		
Plant and equipment - at cost	308	876
Less: Accumulated depreciation	(300)	(370)
	8	506
Motor vehicles - at cost	86	178
Less: Accumulated depreciation	(10)	(125)
	76	53
	84	559

Notes to the consolidated financial statements

31 December 2022

Note 13. Property, plant and equipment (continued)

Reconciliations

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

Consolidated	Plant & Equipment \$'000	Motor Vehicles \$'000	Total \$'000
Balance at 1 January 2021	97	31	128
Additions	422	-	422
Exchange differences	2	28	30
Depreciation expense	(15)	(6)	(21)
Balance at 31 December 2021	506	53	559
Additions	9	-	9
Classified as held for sale	(418)	(23)	(441)
Disposals	-	(10)	(10)
Exchange differences	(77)	63	(14)
Depreciation expense	(12)	(7)	(19)
Balance at 31 December 2022	8	76	84

Note 14. Right-of-use assets

	Consolidated	
	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Non-current assets		
Motor vehicles - right-of-use	498	427
Less: Accumulated depreciation	(97)	(104)
	401	323

Reconciliations

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

Consolidated	Motor vehicles - right-of-use \$'000	Total \$'000
Balance at 1 January 2021	238	238
Additions	131	131
Exchange differences	(12)	(12)
Depreciation expense	(34)	(34)
Balance at 31 December 2021	323	323
Additions	175	175
Exchange differences	(45)	(45)
Depreciation expense	(52)	(52)
Balance at 31 December 2022	401	401

Notes to the consolidated financial statements

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Note 14. Right-of-use assets (continued)

During the period, the Group made the following lease payments which have been capitalised to deferred exploration expenditure:

- office lease rental payments of \$75,532 (2021: \$77,396) in respect of the short term office lease in Mongolia; and
- equipment lease rental payments \$1,049,506 (2021: \$1,969,825) in respect of leases on various equipment for 90 days periods.

The Group also made lease payments which have not been capitalised as follows:

- office lease rental payments of \$63,772 (2021: \$53,172) in respect of the short term office lease in Melbourne; and
- office lease rental payments of \$30,920 (2021: \$22,500) in respect of the short term office lease in Sydney.

Note 15. Deferred exploration and evaluation expenditure

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
<i>Non-current assets</i>		
Deferred exploration and evaluation expenditure – Red Mountain	12,494	15,289
Less: Accumulated impairment	(5,519)	(9,197)
	<u>6,975</u>	<u>6,092</u>
Deferred exploration and evaluation expenditure - Kharmagtai	-	44,236
	<u>6,975</u>	<u>50,328</u>

The accumulated impairment relates to deferred exploration expenditure assets at Red Mountain of \$5,755,000. Note that impairments were booked in Mongolian currency and therefore will vary with exchange rate.

Yellow Mountain is not presented above, as it was fully impaired during 2019, and the licence expired in May 2020 without renewal. The company is seeking compensation for this licence as exploration was restricted due to forestry regulations. No amount has been recognised for any compensation.

During the year ended 31 December 2021, an impairment loss on E&E assets for \$4,637,000 was recognised. This impairment related to the Red Mountain exploration asset and was triggered by the exit of Japan Oil Gas and Metals National Corporation ('JOGMEC') from a Joint Exploration Agreement. This impairment was further supported by an independent valuation report. There is no impairment of E&E during the year ended 31 December 2022.

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below.

Consolidated	Exploration and evaluation \$'000
Balance at 1 January 2021	43,317
Additions ⁽ⁱ⁾	9,367
Impairment of assets	(4,637)
Exchange differences	<u>2,281</u>
Balance at 31 December 2021	50,328
Additions ⁽ⁱ⁾	4,056
Exchange differences	(5,143)
Net Assets classified as held for sale	<u>(42,266)</u>
Balance at 31 December 2022	<u><u>6,975</u></u>

Notes to the consolidated financial statements

31 December 2022

Note 15. Deferred exploration and evaluation expenditure (continued)

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
(i) Additions made up of:		
Additions Funded by Xanadu:		
Cashflow payments for exploration and evaluation at Kharmagtai	2,810	8,721
Cashflow payments for exploration and evaluation at Red Mountain	962	808
Total cashflow payments for exploration and evaluation expenditure (see Statement of cashflow investing activities)	3,772	9,529
Additions Related to Red Mountain Joint Exploration Agreement with JOGMEC:		
Cashflow payments for exploration and evaluation on behalf of JOGMEC (see Statement of cashflow investing activities)	-	2,082
Proceeds from JOGMEC earn-in payments (see Statement of cash flows investing activities)	-	(1,776)
Proceeds from JOGMEC earn-in payments (see and Statement of cashflow investing activities for 2020)	-	(306)
Proceeds from option payments (see Statement of cash flows investing activities)	-	(162)
	-	(162)
Other Additions:		
Kharmagtai additions via shares issued to consultants	284	-
Total additions to exploration and evaluation asset	4,056	9,367
The Company held interests in two tenements during 2022:		
(a) the Kharmagtai copper-gold project; and		
(b) the Red Mountain copper-gold project.		

Kharmagtai Copper-Gold Project

The Kharmagtai copper-gold Project is located within the South Gobi porphyry copper province of Mongolia, approximately 440 kilometres (km) south-southwest of the capital, Ulaanbaatar and 120km north of Turquoise Hill's Oyu Tolgoi copper-gold mine. Access from Ulaanbaatar to Kharmagtai is via sealed highway for 450km and then along a well-used gravel road for 70km. The project holds a 30-year mining license and Xanadu owns 76.5% with two minority partners.

Exploration activities at Kharmagtai were limited while the partnership with Zijin was finalised. These included the processing of previous drill core through multi spectral scanning and the refinement of domains and geoscientific models in preparation for the 2023 Pre-Feasibility Study infill drilling and exploration program. No exploration drilling was undertaken at Kharmagtai during 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 period, the project was subject to a Joint Exploration Agreement with JOGMEC, dated March 2020, in which JOGMEC would earn 51% interest by sole funding US\$7.2 million of expenditure over four years. This agreement was terminated in November 2021, prior to completion of earn-in conditions.

Notes to the consolidated financial statements

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Note 15. Deferred exploration and evaluation expenditure (continued)

Exploration during 2022 consisted of a detailed target generation exercise. This included a review of prior drilling, geochemistry and geophysics data, multi spectral analysis, and a 6,500-metre trenching program. The results of this target generation program will underpin a future diamond drilling program in 2023.

Note 16. Trade and other payables

	Consolidated 31 Dec 2022 \$'000	31 Dec 2021 \$'000
<i>Current liabilities</i>		
Trade payables	87	25
Accrued expenses and other payables	8	228
	<u>95</u>	<u>253</u>

Refer to note 23 for further information on financial risk management objectives and policies.

Trade payables and other creditors are non-interest bearing and are normally settled on 30-day terms.

Note 17. Lease liabilities

	Consolidated 31 Dec 2022 \$'000	31 Dec 2021 \$'000
<i>Current liabilities</i>		
Lease liability - motor vehicles	67	40
<i>Non-current liabilities</i>		
Lease liability - motor vehicles	256	192
	<u>323</u>	<u>232</u>

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

Opening balance	232	152
Additions to lease borrowings	130	117
Repayment of lease liabilities	(49)	(49)
Exchange differences	10	12
Closing balance	<u>323</u>	<u>232</u>

Amounts of leases capitalised to deferred exploration expenditure include:

	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Office lease rental payments in respect of the office lease in Mongolia	76	77
Equipment lease rental payments in respect of leases on various equipment for 90 days periods	1,050	1,970

Refer to note 23 for further information on financial risk management objectives and policies.

Notes to the consolidated financial statements

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Note 18. Issued capital

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

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 January 2021	1,091,841,522		136,005
Ordinary Shares issued - placement	3 May 2021	163,776,228	\$0.062	10,154
Fair value of Options vested and exercised	22 July 2021	3,420,000	\$0.000	123
Share issue costs		-	\$0.000	(623)
Balance	31 December 2021	1,259,037,750		145,659
Fair value of options vested and exercised	7 January 2022	4,560,000	\$0.000	169
Shares issued as payment for E&E consulting services (note 12)	1 March 2022	1,473,606	\$0.029	43
Shares issued as payment for E&E consulting services (note 12)	20 April 2022	8,188,859	\$0.029	240
Shares issued - phase 1 placement to Zijin	27 April 2022	139,000,000	\$0.040	5,560
Balance	31 December 2022	<u>1,412,260,215</u>		<u>151,671</u>

Movements in options

Details	Date	Options
Balance	1 January 2021	-
Unlisted Remuneration Options issued to non-executive directors	21 January 2021	10,260,000
Unlisted Remuneration Options issued to non-executive directors	17 June 2021	3,420,000
Unlisted Performance Options issued to executive directors	21 January 2021	21,250,000
Unlisted Performance Options issued to management	21 January 2021	17,000,000
Unlisted Options exercised	22 July 2021	(3,420,000)
Unlisted options issued to consultants	5 October 2021	3,000,000
Balance	31 December 2021	51,510,000
Options exercised during the period	07 January 2022	(4,560,000)
Balance	31 December 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.

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Note 18. Issued capital (continued)

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 Xanadu's capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of expenditure and debt levels, distributions to shareholders and share and option issues. The capital risk management policy remains unchanged from the 31 December 2021 Annual Report.

Note 19. Reserves

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
Foreign currency translation reserve	(18,830)	(13,751)
Share-based payments reserve	10,936	10,708
Transactions with owners' reserve	(537)	(537)
	<u>(8,431)</u>	<u>(3,580)</u>

Foreign currency translation reserve

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

Share-based payments reserve

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

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Foreign currency translation reserve \$'000	Share-based payments reserve \$'000	Transactions with owners reserve \$'000	Total \$'000
Balance at 1 January 2021	(16,253)	10,016	(537)	(6,774)
Share-based payments	-	815	-	815
Foreign currency translation	2,502	-	-	2,502
Options exercised	-	(123)	-	(123)
Balance at 31 December 2021	(13,751)	10,708	(537)	(3,580)
Share-based payments	-	397	-	397
Options Exercised	-	(169)	-	(169)
Foreign currency translation	(5,079)	-	-	(5,079)
Balance at 31 December 2022	<u>(18,830)</u>	<u>10,936</u>	<u>(537)</u>	<u>(8,431)</u>

Notes to the consolidated financial statements

31 December 2022

Note 20. Accumulated losses

	Consolidated 31 Dec 2022 \$'000	31 Dec 2021 \$'000
Accumulated losses at the beginning of the financial year	(92,005)	(82,197)
Adjustment for additional investment in subsidiary	-	(503)
Accumulated losses at the beginning of the financial year - restated	(92,005)	(82,700)
Loss after income tax expense for the year	(4,565)	(9,305)
Accumulated losses at the end of the financial year	<u>(96,570)</u>	<u>(92,005)</u>

Note 21. Non-controlling interest

	Consolidated 31 Dec 2022 \$'000	31 Dec 2021 \$'000
Non-controlling interest	<u>3,239</u>	<u>4,064</u>

Note 22. Dividends

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

Note 23. Financial risk management objectives and policies

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

The Board of Directors is responsible for the determination of the Group's risk management objectives and policies. The Board has delegated to the Group'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 Group's competitiveness and flexibility. Further details regarding these policies are set out below.

Market risk

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

Foreign currency risk

The Group is exposed to foreign exchange fluctuations with respect to Australian Dollars ('A\$'), US Dollars ('US\$'), Mongolian Tugrik ('MNT'), and Canadian Dollars ('C\$'). The Group's financial results are reported in A\$. Salaries for certain local employees in Mongolia may be paid in MNT. The Group'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 Group's financial position and results are impacted by the exchange rate fluctuations among A\$, US\$, MNT and C\$. Such fluctuations may materially affect the Group's financial position and results.

The Group's currency risk to US\$ and MNT foreign denominated financial assets and liabilities at the end of the reporting period, expressed in Australian Dollars, was as follows:

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Note 23. Financial risk management objectives and policies (continued)

Consolidated	Assets		Liabilities	
	31 Dec 2022 \$'000	31 Dec 2021 \$'000	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Cash and cash equivalents denominated in US\$	23	917	-	-
Cash and cash equivalents denominated in MNT	62	70	-	-
Other financial assets denominated in MNT	-	40	-	-
Financial liabilities denominated in MNT	-	-	-	86
	<u>85</u>	<u>1,027</u>	<u>-</u>	<u>86</u>

The following sensitivity is based on the foreign currency risk exposures in existence at the balance date:

Consolidated – 31 Dec 2022		% change	A\$ strengthened		% change	A\$ weakened	
			Effect on profit before tax	Effect on equity		Effect on profit before tax	Effect on equity
A\$/US\$	'000	10%	2	2	(10%)	(2)	(2)
A\$/MNT	'000	10%	6	6	(10%)	(6)	(6)
			<u>8</u>	<u>8</u>		<u>(8)</u>	<u>(8)</u>

Consolidated - 31 Dec 2021		% change	A\$ strengthened		% change	A\$ weakened	
			Effect on profit before tax	Effect on equity		Effect on profit before tax	Effect on equity
A\$/US\$	'000	10%	92	92	(10%)	(92)	(92)
A\$/MNT	'000	10%	7	7	(10%)	(7)	(7)
			<u>99</u>	<u>99</u>		<u>(99)</u>	<u>(99)</u>

Commodity price risk

Even if commercial quantities of mineral deposits are discovered, there is no guarantee that a profitable market will exist for the sale of the metals produced. Factors beyond the control of the Group 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 Group, 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 Group is in the exploration stage and does not generate revenue, so it has minimal risk associated with short term metals price movements.

Equity price risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Group does not hold equity in any publicly listed companies.

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 Group 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 Group considers this risk to be immaterial.

The Group's exposure to market risk for changes in interest rates relates primarily to its cash held in variable interest accounts.

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31 December 2022

Note 23. Financial risk management objectives and policies (continued)

As at the reporting date, Group had the following cash and cash equivalents and variable rate borrowings outstanding:

	31 Dec 2022		31 Dec 2021	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Consolidated				
Cash and cash equivalents	-	118	0.01%	3,321
Net exposure to cash flow interest rate risk		<u>118</u>		<u>3,321</u>

The following sensitivity is based on the interest rate risk exposures in existence at the balance date:

Consolidated - 31 Dec 2021	Basis points increase			Basis points decrease		
	Basis points change	Effect on profit before tax	Effect on equity	Basis points change	Effect on profit before tax	Effect on equity
Net interest rate risk exposure (\$'000)	100	<u>33</u>	<u>33</u>	(100)	<u>(33)</u>	<u>(33)</u>

The movements in post-tax profit are due to the movements in interest amounts from lower cash balances held that balance date in comparison to the prior period.

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 Group consist primarily of cash and amounts receivable. Cash is maintained with financial institutions of reputable credit and may be redeemed upon demand.

The Group's maximum exposure to credit risk at the reporting date is the carrying value of its cash and cash equivalents of \$118,000 (31 December 2021 \$3,321,000).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The primary source of funds available to the Group is from equity financing. The Group has in place a planning and budgeting process to help determine the funds required to support the Group'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 Group does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through equity or debt transactions. The Group does not have unlimited financial resources and there is no assurance that sufficient additional funding or financing will be available to the Group or its direct and indirect subsidiaries on acceptable terms, or at all, for further exploration or development of its properties or to fulfil its obligations under any applicable agreements.

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

Notes to the consolidated financial statements

31 December 2022

Note 23. Financial risk management objectives and policies (continued)

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 31 Dec 2022	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	87	-	-	-	87
Other payables	-	8	-	-	-	8
<i>Interest-bearing - variable</i>						
Lease liability	12.00%	107	100	132	31	370
Total non-derivatives		202	100	132	31	465
Consolidated - 31 Dec 2021	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	25	-	-	-	25
Other payables	-	228	-	-	-	228
<i>Interest-bearing - fixed rate</i>						
Lease liability	17.00%	75	53	160	79	367
Total non-derivatives		328	53	160	79	620

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Other business risks

Political and legal risks

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

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

Note 23. Financial risk management objectives and policies (continued)*Licence risks*

The Group has licenses covering the Kharmagtai project and the Red Mountain project. The Government of Mongolia could revoke either of these licenses if the Group 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 Group's mining licenses by the Government of Mongolia could materially and adversely affect the Group's reputation, business, prospects, financial conditions and results of operations. In addition, the Group would require additional licenses or permits to conduct the Group's mining or exploration operations in Mongolia. There can be no assurance that the Group will be able to obtain and maintain such licenses or permits on terms favourable to it, or at all, for the Group'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 Group's Mineral Resource Estimate and Mineral Reserve Estimate for the Kharmagtai project are based on a number of assumptions. There are numerous uncertainties inherent in estimating quantities of mineral reserves and grades of mineralization, including many factors beyond the control of the Group. There can be no assurance that the mineral resources and mineral reserve estimates will be recovered in the quantities, qualities or yields presented in this prospectus or set out in the Kharmagtai Technical Report.

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

Environmental risk

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

Operational risk

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

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization, and during 2020 and 2021 this had a significant impact on the global economy and the mining industry. Despite this and due to a cautious approach by the Government of Mongolia, exploration and mining activities in the South Gobi were minimally impacted during 2021. The ongoing scale and duration of the pandemic remains uncertain as at the date of this report and may yet have an impact on our forecast cash flow and financial condition.

Contractual risk

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

As in any contractual relationship, the ability for the Group to ultimately receive benefits from these contracts is dependent upon the relevant third party complying with its contractual obligations. Specifically, the Group'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 Group's original acquisition of the Kharmagtai project, the Group 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 Group's obligations to the extent they exist.

Notes to the consolidated financial statements

31 December 2022

Note 23. Financial risk management objectives and policies (continued)

In respect of these agreements and obligations, it may be necessary for the Group 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 the Group that a legal remedy will ultimately be granted on appropriate terms.

Note 24. Key management personnel disclosures

Directors

The following persons were directors of Xanadu Mines Ltd during the financial year:

Colin Moorhead	Executive Chairman and Managing Director (formerly Independent Non-Executive Chairman)
Andrew Stewart	Vice President Exploration (formerly Chief Executive Officer) – resigned as Director 31 March 2022
Ganbayar Lkhagvasuren	Executive Director
Michele Muscillo	Independent Non-Executive Director
Tony Pearson	Independent Non-Executive Director

Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, during the financial year:

Munkhsaikhan Dambiinyam	Chief Operating Officer
Spencer Cole	Chief Financial Officer and Chief Development Officer (formerly Chief Financial Officer)
Mat Brown	Chief Geologist

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
Short-term employee benefits	2,294,656	2,192,612
Post-employment benefits	60,598	57,317
Share-based payments	388,859	812,217
	<u>2,744,113</u>	<u>3,062,146</u>

Note 25. Remuneration of auditors

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
Auditors of the Group - Ernst & Young		
Audit and review of financial statements		
Group	130,191	93,187
Non-audit services		
Cyber risk review and recommendations *	-	15,000
Total services provided by Ernst & Young	<u>130,191</u>	<u>108,187</u>

Notes to the consolidated financial statements

31 December 2022

Note 25. Remuneration of auditors (continued)

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
Other auditors and their related network firms		
Audit and review of financial statements		
Controlled entities and joint operations	-	7,915
Total services provided by other auditors (excluding Ernst & Young)	-	7,915

* Service provided in 2021, paid in February 2022

Note 26. Contingent liabilities

There are no material contingent liabilities relating to the Group.

Note 27. Commitments

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
Lease commitments		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	106	75
One to five years	231	213
More than five years	31	79
Total commitment	368	367
Less: Future finance charges	(105)	(135)
Net commitment recognised as liabilities	263	232

The above commitments are in relation to vehicles lease liabilities.

Commitments in relation to exploration licences contracted at the reporting date, including regulatory charges such as license fees and corporate administrations, but not recognised as liabilities within one year are \$0.13 million (31 December 2021: \$0.13 million).

As the future exploration activity is in most cases dependent upon reserves being found, it is not possible to set out the funds due to be contributed in more than one year's time.

Note 28. Related party transactions

Parent entity

Xanadu Mines Ltd is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 30.

Key management personnel

Disclosures relating to key management personnel are set out in note 24 and the remuneration report included in the directors' report.

Notes to the consolidated financial statements

31 December 2022

Note 28. Related party transactions (continued)

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
Payment for goods and services:		
Office rent, paid to Ganbayar Lkhagvasuren ⁽ⁱ⁾	75,532	77,396
Legal fees, paid to HopgoodGanim Lawyers ⁽ⁱⁱ⁾	171,946	58,440
Consultant fees paid to consultants employed by through Colin Moorhead and Associates ⁽ⁱⁱⁱ⁾	4,808	59,056
Melbourne office rent and operations support paid to Colin Moorhead and Associates ^(iv)	63,772	53,172
Sydney office rent paid to Bastion Minerals ^(v)	30,920	22,500

- (i) The Company maintains a rental agreement for its Ulaanbaatar office with Ganbayar Lkhagvasuren, an Executive Director of the Company. The transaction between these related parties is on normal commercial terms and conditions no more or less favourable than those available to other parties that are arm's length.
- (ii) The Company sources legal services from HopgoodGanim Lawyers, where Non-Executive Director Michele Muscillo is a partner. These services are provided on normal commercial terms and conditions, no more or less favourable than those available to other parties.
- (iii) The consultants are employed through Colin Moorhead & Associates, a company associated with Colin Moorhead, the Non-Executive chairman of the Company, as arm's length, pass through costs.
- (iv) The Company maintains a rental and executive support agreement related to a Melbourne office with Colin Moorhead & Associates, as an arm's length, pass through cost arrangement.
- (v) The Company maintains a rental agreement related to a Sydney office with Bastion Minerals, a company at which Dr. Andrew Stewart, CEO and Executive Director of the Company, is a Non-Executive Director. The transactions between these parties are on normal commercial terms and conditions, no more or less favourable than those available to other parties that are at arm's length.

Please refer to the Remuneration Report for salaries and compensation paid to Company Directors.

Receivable from and payable to related parties

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

Loans to/from related parties

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

Terms and conditions

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

Note 29. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
Loss after income tax	(5,091)	(3,396)
Total comprehensive income	(5,091)	(3,396)

Notes to the consolidated financial statements

31 December 2022

Note 29. Parent entity information (continued)

Statement of financial position

	Parent 31 Dec 2022 \$'000	31 Dec 2021 \$'000
Total current assets	86	2,853
Total assets	50,003	54,211
Total current liabilities	94	73
Total liabilities	94	73
Equity		
Issued capital	151,671	145,659
Foreign currency translation reserve	(18,931)	(13,553)
Share-based payments reserve	10,936	10,708
Accumulated losses	(93,767)	(88,676)
Total equity	49,909	54,138

Contingent liabilities

The parent entity had no contingent liabilities as at 31 December 2022.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 31 December 2022.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity; and
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 30. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2 to the financial statements:

Name	Principal place of business / Country of incorporation	Ownership interest	
		31 Dec 2022 %	31 Dec 2021 %
Xanadu Exploration Mongolia LLC	Mongolia	100.00%	100.00%
Xanadu Metals Mongolia LLC	Mongolia	100.00%	100.00%
Xanadu Copper Mongolia LLC	Mongolia	100.00%	100.00%
Xanadu Mines Singapore Pte Ltd	Singapore	100.00%	100.00%
Khuiten Metals Pte Ltd	Singapore	100.00%	100.00%
Mongol Metals LLC	Mongolia	85.00%	85.00%
Vantage LLC	Mongolia	100.00%	100.00%
Oyut Ulaan LLC	Mongolia	90.00%	90.00%

Note 31. Events after the reporting period

Notes to the consolidated financial statements

31 December 2022

Note 31. Events after the reporting period (continued)

In January 2023 the Company completed a placement to eligible professional and sophisticated investors of 41,887,844 fully paid ordinary shares in Xanadu at an issue price of \$0.027 each to raise \$1,130,971.79 (before costs). This placement was undertaken to provide bridging funds during the final approval stages of the Zijin transaction.

In March 2023 the Company completed the second and third phase of its transaction with Zijin Mining, which was first announced in April 2022. The second phase included the issue of 179,111,132 shares at \$0.04 per share to increase Zijin ownership of Xanadu to 19.42%. The third and final phase included the investment of US\$35M, creating a 50/50 Joint Venture (JV) in Khuiten Metals Pte. Ltd., the entity currently 100% owned by Xanadu, which it turn holds a 76.5% effective interest in Kharmagtai. Following completion, Xanadu holds a 38.25% effective interest in the Kharmagtai project.

No other matter or circumstance has arisen since 31 December 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 32. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
Loss after income tax expense for the year	(5,091)	(9,118)
Adjustments for:		
Depreciation and amortisation	69	55
Share-based payments	397	815
Foreign exchange differences	(10)	1
Impairment of deferred exploration and evaluation assets	-	4,637
Net gain on sale of plant and equipment	(21)	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	42	59
Decrease in prepayments	15	186
Increase/(decrease) in trade and other payables from operating activities	(173)	(292)
Increase in employee benefits	8	5
Net cash used in operating activities	<u>(4,764)</u>	<u>(3,652)</u>

Note 33. Earnings per share

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
<i>Earnings/Diluted earnings per share for loss from continuing operations</i>		
Loss after income tax attributable to the owners of Xanadu Mines Ltd	<u>(4,924)</u>	<u>(8,991)</u>

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
<i>Earnings/Diluted earnings per share for loss from discontinued operations</i>		
Loss after income tax attributable to the owners of Xanadu Mines Ltd	<u>(167)</u>	<u>(127)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>1,365,326,274</u>	<u>1,202,403,394</u>

Notes to the consolidated financial statements

31 December 2022

Note 33. Earnings per share (continued)

	Cents	Cents
Basic earnings per share	(0.01)	(0.01)
Diluted earnings per share	(0.01)	(0.01)
	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
<i>Earnings per share for loss</i>		
Loss after income tax	(5,091)	(9,118)
Non-controlling interest	526	(187)
Loss after income tax attributable to the owners of Xanadu Mines Ltd	<u>(4,565)</u>	<u>(9,305)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>1,365,326,274</u>	<u>1,202,403,394</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>1,365,326,274</u>	<u>1,202,403,394</u>
	Cents	Cents
Basic earnings per share	(0.33)	(0.77)
Diluted earnings per share	(0.33)	(0.77)

Note 34. Share-based payments

The Xanadu Equity Incentive Plan ('Plan') was approved by shareholders at the Company's 2020 Annual Greeting Meeting; with additional vesting conditions approved by shareholders during the 23 December 2020 Extraordinary General Meeting. Under the Plan, the Board may grant options and share rights over ordinary shares in the Company to certain key management personnel of the Company. The share rights are issued for nil consideration and are granted in accordance with performance guidelines established by the Board. The options were issued during 2021.

Set out below are summaries of options granted under the plan:

	Number of options 31 Dec 2022	Weighted average exercise price 31 Dec 2022	Number of options 31 Dec 2021	Weighted average exercise price 31 Dec 2021
Outstanding at the beginning of the financial year	51,510,000	\$0.000	-	\$0.000
Granted	-	\$0.000	54,930,000	\$0.000
Exercised	<u>(4,560,000)</u>	<u>\$0.000</u>	<u>(3,420,000)</u>	<u>\$0.000</u>
Outstanding at the end of the financial year	<u>46,950,000</u>	<u>\$0.000</u>	<u>51,510,000</u>	<u>\$0.000</u>
Exercisable at the end of the financial year	<u>-</u>	<u>\$0.000</u>	<u>4,560,000</u>	<u>\$0.000</u>

Notes to the consolidated financial statements

31 December 2022

Note 34. Share-based payments (continued)

31 Dec 2022

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
21/01/2021	30/06/2022	\$0.000	3,420,000	-	(3,420,000)	-	-
21/01/2021	30/06/2024	\$0.000	3,420,000	-	-	-	3,420,000
17/06/2021	30/06/2023	\$0.000	1,140,000	-	(1,140,000)	-	-
17/06/2021	30/06/2024	\$0.000	1,140,000	-	-	-	1,140,000
17/06/2021	30/06/2025	\$0.000	1,140,000	-	-	-	1,140,000
21/01/2021	31/12/2023	\$0.000	38,250,000	-	-	-	38,250,000
05/10/2021	05/10/2023	\$0.000	3,000,000	-	-	-	3,000,000
			<u>51,510,000</u>	<u>-</u>	<u>(4,560,000)</u>	<u>-</u>	<u>46,950,000</u>

31 Dec 2021

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
21/01/2021	30/06/2022	\$0.000	-	3,420,000	(3,420,000)	-	-
21/01/2021	30/06/2023	\$0.000	-	3,420,000	-	-	3,420,000
21/01/2021	30/06/2024	\$0.000	-	3,420,000	-	-	3,420,000
17/06/2021	30/06/2023	\$0.000	-	1,140,000	-	-	1,140,000
17/06/2021	30/06/2024	\$0.000	-	1,140,000	-	-	1,140,000
17/06/2021	30/06/2025	\$0.000	-	1,140,000	-	-	1,140,000
21/01/2021	31/12/2023	\$0.000	-	38,250,000	-	-	38,250,000
05/10/2021	05/10/2023	\$0.000	-	3,000,000	-	-	3,000,000
			<u>-</u>	<u>54,930,000</u>	<u>(3,420,000)</u>	<u>-</u>	<u>51,510,000</u>

Options outstanding at the end of the financial period have the following expiry date and exercise prices:

Option	Class	Exercise price	Balance of options
Unlisted Non-Executive Director Options, issued as part of share-based compensation for remuneration	Vesting in two remaining tranches upon 18 months continuous employment condition: 4,560,000 vesting on 31 Dec 2022 and expiring on 30 Jun 2024; and 1,140,000 vesting on 31 Dec 2023 and expiring on 30 Jun 2025.	\$0.000	5,700,000
Unlisted Executive Director Options, issued as part of share-based compensation for performance	Vesting in five tranches upon attainment of performance criteria, two years continuous employment condition and share price hurdles: Performance measurement/vesting on 31 Dec 2023 and expiring on 21 Jan 2027.	\$0.000	21,250,000
Unlisted Management Options, issued as part of share-based compensation for performance	Vesting in five tranches upon attainment of performance criteria, two years continuous employment condition and share price hurdles: Performance measurement/vesting on 31 Dec 2023 and expiring on 21 Jan 2027.	\$0.000	17,000,000
Consultant Options	Vesting in three tranches upon attainment of share price hurdles: Vesting on 5 Oct 2023 and expiring on 5 Oct 2023.	\$0.000	3,000,000
			<u>46,950,000</u>

Directors' Declaration

31 December 2022

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Colin Moorhead
Chairman

31 March 2023

Independent auditor's report to the members of Xanadu Mines Ltd



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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Xanadu Mines Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

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



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Assets Held for Sale

Why significant

During the period the Group entered into a series of agreements with Zijin Mining Group Co., Ltd (Zijin) to sell 50% of the share capital in the entity which owns the Group's Kharmagtai Project (collectively the Kharmagtai disposal group) in exchange for US\$35.0m in cash.

As described in Notes 10 and 11 of the financial report, the Group has assessed that at 31 December 2022 the Kharmagtai disposal group is available for sale in its present condition and the sale is highly probable. In accordance with the Australian Accounting Standards, the Group has reclassified \$42.8m of assets and \$32k of liabilities to Held for Sale at period end.

Given the judgment exercised in assessing whether the transaction is highly probable, its value and importance to the users of the financial statements, we considered this to be a key audit matter.

How our audit addressed the key audit matter

Our audit procedures included the following:

- Obtained the executed agreements in respect of the sale of the Kharmagtai disposal group and reviewed the key terms and conditions.
- Assessed the classification of the Kharmagtai disposal group as Held for Sale based on the status of the agreements executed at year end and consideration of the steps required to complete the transaction, including consideration of all required regulatory approvals and conditions precedent.
- Compared the agreed purchase price to the carrying value of the Kharmagtai disposal group in order to assess whether any adjustment to the carrying value was required on transfer to Held for Sale.
- Assessed what proportion of the Kharmagtai disposal group should be transferred to Held for Sale at year end by assessing whether the Group will have control or joint-control of the Kharmagtai disposal group upon completion of the transaction.
- Considered whether the Kharmagtai disposal group met the definition of a discontinued operation by considering whether it is a separate major line of business or geographical area.
- Assessed the adequacy of the associated disclosures in the Financial Report.

Independent auditor's report to the members of Xanadu Mines Ltd



Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2022 annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

Independent auditor's report to the members of Xanadu Mines Ltd



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included the directors' report for the year ended 31 December 2022.

In our opinion, the Remuneration Report of Xanadu Mines Limited for the year ended 31 December 2022, complies with section 300A of the *Corporations Act 2001*.

Independent auditor's report to the members of Xanadu Mines Ltd



Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

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

Ernst & Young

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

Siobhan Hughes
Partner
Sydney
31 March 2023

Shareholder Information

31 December 2022

The shareholder information set out below was applicable as at 29 March 2023. This incorporates placements completed in January 2023 and March 2023 plus issue of options in February 2023.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Ordinary shares		Options over ordinary shares	
	Number of holders	% of total shares issued	Number of holders	% of total shares issued
1 to 1,000	67	-	-	-
1,001 to 5,000	121	0.02	-	-
5,001 to 10,000	125	0.06	-	-
10,001 to 100,000	738	2.00	-	-
100,001 and over	644	97.92	9	100.00
	1,695	100.00	9	100.00
Holding less than a marketable parcel	363	-	-	-

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	344,227,601	21.02
JINPING (SINGAPORE) MINING PTE LTD	318,116,132	19.42
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	71,952,358	4.39
CANADIAN REGISTER CONTROLIC	55,513,811	3.39
CITICORP NOMINEES PTY LTD	48,643,757	2.97
TREASURY SERVICES GROUP PTY LTD <NERO RESOURCE FUND A/C>	44,217,736	2.70
FAST LANE AUSTRALIA PTY LTD	42,873,911	2.62
MR MARTIN JAMES HICKLING + MRS JANE FRANCES HICKLING <M & J HICKLING SUPER A/C>	30,000,000	1.83
MR SIMON ZHANG	26,500,000	1.62
HARBIG NOMINEES PROPRIETARY LIMITED <THE HARBIG CUNNINGHAM A/C>	26,087,096	1.59
CM SUPER FUND PTY LTD <CAROL MCCOLL SUPER FUND A/C>	25,000,000	1.53
A N SUPERANNUATION PTY LTD <ANNE NEATE SUPER FUND A/C>	21,836,645	1.33
BNP PARIBAS NOMS PTY LTD <DRP>	16,558,329	1.01
MR GANBAYAR LKHAGVASUREN	14,976,885	0.91
CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C>	12,476,600	0.76
TREASURY SERVICES GROUP PTY LTD + ATF NERO RESOURCE FUND <NERO RESOURCE FUND A/C>	11,430,000	0.70
BELL POTTER NOMINEES LTD <BB NOMINEES A/C>	11,369,431	0.69
SWISS TRADING OVERSEAS CORP	10,000,000	0.61
ROJO NERO CAPITAL PTY LTD	8,345,858	0.51
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	8,169,529	0.50
	1,148,295,679	70.11

Shareholder Information

31 December 2022

	Options over ordinary shares	
	Number held	% of total options issued
A L Stewart Family Pty Ltd [Stewart Family A/c]	25,520,000	19.95
Ganbayar Lkhagvasuren	23,670,000	18.51
Invia Custodian Pty Ltd [CF & AC Moorhead S/F A/c] and [Mr. Colin F Moorhead A/c]	23,600,000	18.46
Sierra Pacific Consulting Pty Ltd [Sierra Pacific A/c]	20,830,000	16.29
Munkhsaikhan Dambiinyam	17,500,000	13.69
Tony Pearson	6,300,000	4.93
Carmel Muscillo	6,300,000	4.93
Anastasia Audley	3,000,000	2.35
Ciao! Punto Pty Ltd [Ciao! Punto Family A/c]	1,140,000	0.89
	127,860,000	100.00

Unquoted equity securities

	Number on issue	Number of holders
Employee Options at \$0.00 28 Feb 23 - Exp 28 Feb 2029	34,100,000	3
Exec Director Options at \$0.00 28 Feb 2023 - Exp 28 Feb 2029	32,770,000	2
Executive Director Options at \$0.00 Exp 21 Jan 2027	21,250,000	2
Management Options at \$0.00 Exp 21 Jan 2027	17,000,000	2
Non-Exec Director Options at \$0.00 28 Feb 23 - Exp 28 Feb 2029	12,600,000	2
Executive Director Options at \$0.00 Exp 21 Jan 2031	6,000,000	1
Non-Executive Director Options at \$0.00 Exp 30 Jun 2025	1,140,000	1
Consultant Options at \$0.00 Exp 5 Oct 2023	3,000,000	1

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
JINPING (SINGAPORE) MINING PTE LTD	318,116,132	19.42
CAAF LTD	225,915,378	13.79

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

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.

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