

## Interim Report - 30 June 2023

13 September 2023

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

### BY ELECTRONIC LODGEMENT

### Interim Report - 30 June 2023

Please find attached for release to the market, the Xanadu Mines Limited's *Interim Report for the six months ended 30 June 2023*.

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### For further information, please contact:

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

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

### About Xanadu Mines Ltd:

Xanadu is an ASX and TSX listed Exploration company operating in Mongolia. We give investors exposure to globally significant, large-scale copper-gold discoveries and low-cost inventory growth. Xanadu maintains a portfolio of exploration projects and remains one of the few junior explorers on the ASX or TSX who jointly control a globally significant copper-gold deposit in our flagship Kharmagtai project. Xanadu is the Operator of a 50-50 JV with Zijin Mining Group in Khuiten Metals Pte Ltd, which controls 76.5% of the Kharmagtai project.

For information on Xanadu visit: [www.xanadumines.com](http://www.xanadumines.com).

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

#### AUSTRALIA

c/o Company Matters Pty Limited  
Level 12, 680 George Street  
Sydney NSW 2000  
T: +612 8280 7497

#### MONGOLIA

Suite 23, Building 9B  
Olympic St, Sukhbaatar District  
Ulaanbaatar, Mongolia  
T: +967 7012 0211

Xanadu Mines Ltd ACN 114 249 026

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

XANADU MINES

# Interim Report

30 June 2023

ASX:XAM  
XANADUMINES.COM

ABN 92 114 249 026

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<b>Directors</b>	Colin Moorhead - Executive Chairman & Managing Director Ganbayar Lkhagvasuren - Executive Director Michele Muscillo - Independent Non-Executive Director Tony Pearson – Independent Non-Executive Director Shaoyang Shen - Non-Executive Director
<b>Company secretary</b>	William Hundy
<b>Registered Office - Australia</b>	c/o Company Matters Pty Limited Level 12, 680 George Street Sydney NSW 2000 Tel: +61 2 8280 7497 Fax: +61 2 9287 0350
<b>Registered Office - Mongolia</b>	Suite 23, Building 9B Olympic Street, Khoroo 1, Sukhbaatar District Ulaanbaatar 14240 Tel: +976 11 7012 0211
<b>Share register</b>	Computershare Investor Services Pty Limited Level 3, 60 Carrington Street Sydney NSW 2000 Tel: +61 1300 855 080
<b>Auditor</b>	Ernst and Young 200 George Street Sydney NSW 2000
<b>Stock exchange listing</b>	Xanadu Mines Ltd shares are listed on the Australian Securities Exchange and Toronto Stock Exchange (ASX and TSX code: XAM)
<b>Website</b>	<a href="http://www.xanadumines.com">www.xanadumines.com</a>
<b>ABN</b>	92 114 249 026
<b>Corporate Governance Statement</b>	The Company's Corporate Governance Statement can be found on the Company's website: <a href="http://www.xanadumines.com/site/about/corporate-governance">www.xanadumines.com/site/about/corporate-governance</a>

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## General

This Management Discussion and Analysis (**MD&A**) is current to 30 June 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](http://www.sedar.com), on the ASX Announcements platform under the Company's code **XAM** and on the Company's website at [www.xanadumines.com](http://www.xanadumines.com).

The information in this MD&A relating to the broader Kharmagtai project is supported by the technical report titled *NI43-101 Preliminary Economic Assessment Technical Report* prepared by Andrew Stewart of Xanadu Mines and Robert Spiers of Spiers Geological Consultants, dated 20 June 2022.

## Forward-looking statements

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

## Description of Business

Xanadu is an Australian incorporated public company with its shares listed on the ASX and TSX under the code XAM. The principal activity of the Company (and its subsidiaries) is metals exploration and development in Mongolia. The Company holds interests in two tenements: (a) the Kharmagtai copper-gold project via the Joint Venture with Zijin; and (b) the Red Mountain copper-gold project (100% Xanadu) (**Figure 1**).

## Review of Operations

During the six months ended 30 June 2023 (June half), **Xanadu Mines Ltd (Xanadu or the Company)** completed Phase 2 and Phase 3 of the strategic alliance with **Zijin Mining Group Co., Ltd. (Zijin)** on the 10<sup>th</sup> of March 2023, following shareholder approval at the Extraordinary General Meeting (**EGM**)<sup>1</sup> and Zijin receiving regulatory approval from the People's Republic of China<sup>2</sup>. After commencement of the Joint Venture, operations ramped up to full scale of the Pre-Feasibility (**PFS**) programme and Discovery Exploration activities at our flagship Kharmagtai copper-gold project. This was funded by US\$35 million cash from the Joint Venture (**JV** or **Khuiten JV**) with Zijin. Significant progress was made in both PFS and Exploration, on schedule and budget, building tangible value at Kharmagtai.

The Company released its third annual Sustainability Report for 2022 and held a successful Annual General Meeting (**AGM**)<sup>3</sup>.

Importantly Xanadu's share price saw a material positive rerating during the period which the Company considers reflects market recognition of Kharmagtai de-risking, and the significance of the positive steps taken thus far to both enhance the project and to move the project further along the path to production.

## HIGHLIGHTS DURING THE PERIOD

### PFS Infill Drilling Programme

- Excellent results delivered from a 4-diamond drill rig program, with grades on the most part better or in line with the 2021 Mineral Resource Estimate (MRE).
  - Significant extensions to high-grade mineralisation identified at Stockwork Hill.<sup>4</sup>
  - New high-grade copper-gold zone (core) emerging at White Hill.<sup>5</sup>
- New >1% ECu cores at Stockwork Hill and White Hill demonstrate potential to enhance the 2021 MRE (3Mt copper and 8Moz gold [1.98Mt ECu Indicated, 2.33Mt ECu Inferred]).<sup>6</sup>
- Approximately 27,000m of Phase One infill drilling completed (out of 30,000m total) at both the Stockwork Hill and White Hill deposits, putting Xanadu on track for MRE upgrade by Q4 CY2023.

### PFS Data Acquisition and Studies

- Sulphide (main orebody) metallurgical test-work is rapidly advancing at ALS laboratories in Perth and TruTRC laboratories in Ulaanbaatar; both flotation and comminution testing is well advanced, results expected Q4 CY2023.
- Oxide (currently treated as mineralised waste) metallurgical samples delivered to MPS laboratories in Perth for assessment of glycine leach technologies and processing route selection; first results expected Q1 CY2024.
- Hydrological drilling programme to commence in Q3 CY2023.
- Construction of camp upgrades, core process facility and grid power connection are all proceeding on time and budget, with delivery on-track for Q4 CY2023.
- Outcomes from Water Reserve study, Power Supply selection, Tailings Storage Facility (TSF) location and design, and other supporting surface infrastructure requirements expected Q1 CY2024.
- Kharmagtai PFS including maiden Ore Reserve are on-track for Q3 CY2024.

### Discovery Drilling Programme

- Aggressive 18,000m growth-focussed exploration drilling programme (2 diamond drill rigs) underway for New Discoveries at Kharmagtai.
- Deep exploration drilling is advancing, targeting high-grade, large-scale mineralisation at depth.

<sup>1</sup> ASX/TSX Announcement 7 February 2023 – Results of Extraordinary General Meeting

<sup>2</sup> ASX/TSX Announcement 24 February 2023 – Final regulatory approvals received for Zijin Joint Venture

<sup>3</sup> ASX/TSX Announcement 29 May 2023 – Results of 2023 Annual General Meeting

<sup>4</sup> ASX/TSX Announcement 7 June 2023 – New Higher-Grade Zones Found in Kharmagtai Infill Drilling

<sup>5</sup> ASX/TSX Announcement 19 July 2023 – New High-Grade Copper-Gold Zone Emerging at White Hill

<sup>6</sup> ASX/TSX Announcement – 8 December 2021, Kharmagtai Resource Grows to 1.1 Billion Tonnes, Containing 3Mt Cu and 8Moz Au

- New shallow discoveries made across three largely unexplored porphyry clusters, intersecting both high-density stockwork, breccia mineralisation and gold only mineralisation; follow up drill testing planned.<sup>7</sup>

## Corporate

- Completed bridging placement on 18 January 2023, issuing 41,887,844 fully paid ordinary shares at an issue price of \$0.027 each, raising \$1.1M (before costs).<sup>8</sup>
- Mr. William Hundy appointed Company Secretary on 31 January 2023, upon retirement of Mr. Philip Mackey.<sup>9</sup>
- Completed investment deal with Zijin Mining Group and cash received on 10 March 2023.
  - Receipt of approval from Xanadu Mines Shareholders at 7 February 2023 EGM
  - A\$7,164,645.28 million Phase 2 placement for 179,116,132 Xanadu shares at \$0.04 per share, a 33% premium to previous market close, increasing Zijin shareholding to 19.42% of Xanadu.<sup>10</sup>
  - US\$35 million Phase 3 investment directly into the Kharmagtai project, creating a 50/50 Joint Venture (JV) in Khuiten Metals, which controls Kharmagtai.
  - Appointment of Non-Executive Director from Zijin, Mr Shaoyang Shen.<sup>10</sup>
- Successful AGM held; all resolutions passing with >90% shareholder support.<sup>11</sup>
- Third annual Sustainability Report for 2022 released.<sup>12</sup>
- Announced an updated 3-horizon strategy including Horizon 1 PFS, Horizon 2 Discovery, and Horizon 3 Portfolio Growth.<sup>13</sup>
- Kharmagtai PFS and Discovery Exploration funded by US\$35M from the Khuiten JV with Zijin Mining Group<sup>14</sup>; with US\$26.8 million in cash on 30 June 2023.
- Xanadu is well-funded, with A\$5.1 million in cash at 30 June 2023.



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

<sup>7</sup> ASX/TSX Announcement 5 July 2023 – Shallow Drilling Confirms Kharmagtai Discovery Potential

<sup>8</sup> ASX/TSX Announcement 18 January 2023 - \$1.1 million placement

<sup>9</sup> ASX/TSX Announcement 31 January 2023 – Change of Company Secretary

<sup>10</sup> ASX/TSX Announcement 13 March 2023 – Zijin & Xanadu Transaction Completed

<sup>11</sup> ASX/TSX Announcement 29 May 2023 – Results of 2023 Annual General Meeting

<sup>12</sup> ASX/TSX Announcement 4 May 2023 – Sustainability Report 2022

<sup>13</sup> ASX/TSX Announcement 16 May 2023 – RIU Sydney Resources Roundup Presentation

<sup>14</sup> ASX/TSX Announcement 29 December 2022 – Investment Deal Signed with Zijin

## Operations Update

### Kharmagtai Copper-Gold Project

During the June Half, the Company aggressively progressed its PFS Program including operational site construction upgrade works and Discovery Exploration activities, which are funded by US\$35 million from the JV with Zijin. Xanadu is operator of the joint venture during the PFS delivery period of 18 months, after which Zijin will become operator for final engineering, construction, and operations delivery.

With the PFS incorporating both the upcoming Resource Upgrade and the upside opportunities as discussed in the June Quarterly Report<sup>15</sup>, Xanadu and Zijin have confidence for a real and sustained uplift relative to the Scoping Study economics.

### PFS Deliverables & Schedule

During the PFS, Xanadu and its partner Zijin will complete all major project trade-off decisions and refine capital and operating cost estimates to +/-25%, leading to selection of a single go-forward option for final engineering and construction. PFS, Resource and Reserve outcomes will be reported to international requirements consistent with JORC and NI43-101 standards.

The timeline for the PFS is broken into four key stages, followed by FID in Q4 CY2024.

- Stage 1 – Data Acquisition (Q2-Q3 CY2023)
- Stage 2 – Trade-Off Studies & Resource Upgrade (Q4 CY2023)
- Stage 3 – Convergent Study (Q1-Q2 CY2024)
- Stage 4 – PFS Completion & Maiden Ore Reserve (Q3 CY2024)

The current Data Acquisition stage is tracking on time and within budget, recognising this as the primary data collection step for Kharmagtai prior to production. Data Acquisition stage focus areas include the following.

- Infill Drilling for Resource Upgrade
- Metallurgical Test-Work focused on the main orebody sulphide material
- Metallurgical Test-Work focused on oxide material, currently treated as waste
- Water Reserve Studies and Drilling
- Tailings Storage location and construction material studies
- Power Supply studies
- System Optimisation incorporating mine and process technology scenarios
- Environmental and socioeconomic baseline studies
- Waste rock and tailings geochemistry

### Infill Drilling & Resource Update

Four diamond drill rigs are now in operation at Kharmagtai with a primary strategy to target areas with potential for future Mineral Resource to Ore Reserve conversion. Phase One infill drilling is specifically targeting areas for growing the Indicated Resource. Later phases of infill drilling will be a combination of closing out any further Resource infill knowledge gaps and following up high-grade extensions at Stockwork Hill and the newly identified White Hill high-grade core.

An upgraded Resource is expected to be released in Q4 CY2023 once all assays have been received and resource modelling has been completed. This Resource will enable Xanadu to start economic trade-off studies and will be supplemented by subsequent PFS study scheduled for completion during Q4 CY2024.

<sup>15</sup> ASX/TSX Announcement 31 July 2023 – Quarterly Activities Report & Appendix 5B



Approximately 27,000m of Phase One diamond drilling has been completed (out of 30,000m total) at both the Stockwork Hill and White Hill deposits, at Kharmagtai. All drill data can be found in the Xanadu June 2023 Quarterly Report.<sup>16</sup>

## Discovery Exploration Update

Results from Phase One Shallow Discovery Exploration drilling have been encouraging and highlight the potential for new deposits and are consequently informing more appropriate infrastructure locations. Follow-up drill testing planned has been planned for high priority targets, and we expect to uncover more as we continue through the planned programme.

Phase One Deep Discovery Exploration recently commenced, and we will share material results as they become available. Furthermore, we look forward to sharing a comprehensive progress update on the Deep exploration discovery programme later this year once we've completed a good portion of Phase One drilling. All drill data can be found in the Xanadu June 2023 Quarterly Report.<sup>17</sup>

## Red Mountain Copper-Gold Project

Xanadu continued to review the targeting program developed through the 2022 trenching and geophysical modelling program. The exploration plan for Red Mountain is expected to commence following identification of a partner to fund program execution.

## Corporate

During the March Quarter, Xanadu completed the Zijin Strategic Partnership and Placement as well as a Bridging Equity Placement. This included the appointment of a new Non-Executive Director and conclusion of a successful Extraordinary General Meeting. The Company also appointed a new Company Secretary. During the June Quarter, Xanadu outlined an updated corporate strategy, released its third annual Sustainability Report for 2022 and held its Annual General Meeting.

### Zijin Strategic Partnership and Placement

The strategic partnership<sup>18</sup> included three phases of investment. The first phase (**Phase 1 Placement**) was completed on 27 April 2022, raising A\$5.56 million via a subscription by Zijin to 139 million fully paid ordinary shares in Xanadu at A\$0.04 per share to provide Zijin with a 9.9% shareholding in the Company. The two subsequent phases were completed on 10 March 2023 and included a second placement of ordinary shares at A\$0.04 per share to increase Zijin's total shareholding in the Company to 19.42% (**Phase 2 Placement**) and the creation of a 50/50 Joint Venture in Khuiten Metals Pte. Ltd., the entity currently 100% owned by Xanadu that holds a 76.5% effective interest in Kharmagtai (**Phase 3 JV**), for a cash investment of US\$35 million. Following the 18-month PFS, Xanadu has the option to fund its share of construction, sell its 50% of the Phase 3 JV to Zijin for US\$50 million or sell half of its share of the Phase 3 JV (25%) to Zijin for US\$25 million plus a loan carry for Xanadu's remaining share of costs until commercial production.

### Bridging Equity Placement

Xanadu announced an A\$1.1 million equity placement on 18 January 2023 to provide working capital during final approvals stage for the Zijin Strategic Partnership. This was well supported by both domestic and international institutions. This included the issue of 41,887,844 fully paid ordinary shares in Xanadu (New Shares) at an issue price of \$0.027 each to raise \$1.1M (before costs). Bell Potter Securities Limited acted as the Lead Manager to the Placement.<sup>19</sup>

### Appointment of Non-Executive Director

Mr Shaoyang Shen was appointed Non-Executive Director of Xanadu, effective 10 March 2023, having been nominated by Zijin in accordance with the Phase 2 Share Subscription Agreement. Mr Shaoyang Shen is the Deputy President for Corporate Development & Overseas Operations of Zijin Mining Group.<sup>20</sup>

### Appointment of Company Secretary

<sup>16</sup> ASX/TSX Announcement 31 July 2023 – Quarterly Activities Report & Appendix 5B

<sup>17</sup> ASX/TSX Announcement 31 July 2023 – Quarterly Activities Report & Appendix 5B

<sup>18</sup> ASX/TSX Announcement 10 March 2023 – Zijin and Xanadu Transaction Completed and Kharmagtai PFS Underway

<sup>19</sup> ASX/TSX Announcement 18 January 2023 - \$1.1 million Placement

<sup>20</sup> ASX/TSX Announcement 10 March 2023 – Zijin and Xanadu Transaction Completed and Kharmagtai PFS Underway

Mr. William Hundy was appointed Company Secretary upon the retirement of Mr. Philip Mackey, effective 31 January 2023.<sup>21</sup>

## Extraordinary General Meeting

An Extraordinary General Meeting (EGM) was held on 7 January 2023 to approve Phase 2 of the Strategic Partnership with Zijin. Xanadu also sought approval to update the Employee Share Option Plan per the most recent legislation, issue options to Directors linking their award to effective delivery of the Kharmagtai PFS and refresh the Company's placement capacity under Listing Rule 7.1. All resolutions were approved by Shareholders.<sup>22</sup>

## Three Horizon Strategy

Xanadu outlined a three-horizon strategy to deliver shareholder value (Figure 1)<sup>23</sup> These are described below:

- Horizon 1 – Kharmagtai PFS Value: Uplift Kharmagtai value by de-risking the project and delivering on project upside opportunities.
- Horizon 2 – Discovery Value: Deliver significant new discovery via exploration at Kharmagtai and Red Mountain.
- Horizon 3 – Position for Future: Build a portfolio of future facing metals projects through exploration and acquisition.

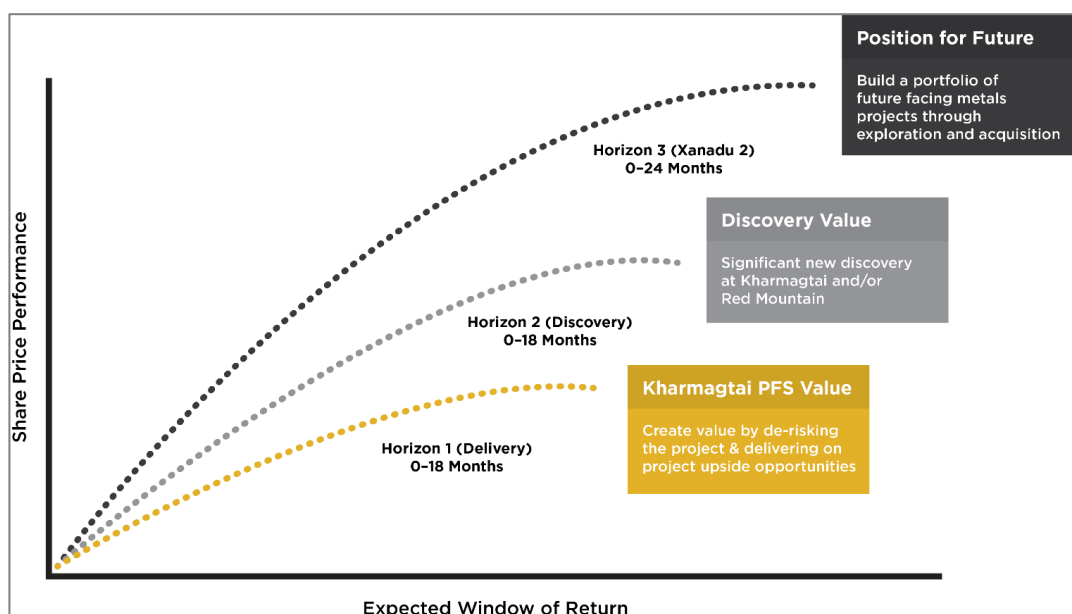


Figure 1: Xanadu's Three Horizon Strategy<sup>24</sup>

## Sustainability Report

On 4 May 2023, Xanadu issued its third annual Sustainability Report for 2022, highlighting our commitment to responsible and transparent ESG.<sup>25</sup> This report further expanded disclosure and continued Xanadu's ESG journey to be a leader in sustainable exploration.

## Annual General Meeting

Xanadu's Annual General Meeting (AGM) was held on 29 May 2023 with resolutions including the following:

- Re-election of Director, Mr. Ganbayar Lkhagvasuren
- Re-election of Director, Mr Shaoyang Shen

<sup>21</sup> ASX/TSX Announcement 31 January 2023 – Change of Company Secretary

<sup>22</sup> ASX/TSX Announcement 7 February 2023 – Results of Extraordinary General Meeting

<sup>23</sup> ASX/TSX Announcement 16 May 2023 – RIU Sydney Resources Roundup Presentation

<sup>24</sup> ASX/TSX Announcement 16 May 2023 – RIU Sydney Resources Roundup Presentation

<sup>25</sup> ASX/TSX Announcement 4 May 2023 – Sustainability Report 2022

- Remuneration Report
- Ratification of Prior Issue of Shares on 24 January 2023

All resolutions were passed with “For” votes between 90.1% and 99.0%.<sup>26</sup>

## Competent Person’s Statements

The information in this MD&A that relates to Mineral Resources is based on information compiled by Mr Robert Spiers, who is responsible for the Mineral Resource estimate. Mr Spiers is a full time Principal Geologist employed by Spiers Geological Consultants (SGC) and is a Member of the Australian Institute of Geoscientists. He has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as the Qualified Person as defined in the CIM Guidelines and National Instrument 43-101 and as a Competent Person under JORC Code, 2012. Mr Spiers consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

The information in this MD&A that relates to exploration results and to the Scoping Study is based on information compiled by Dr Andrew Stewart, who is responsible for the exploration data, comments on exploration target sizes, QA/QC and geological interpretation and information. Dr Stewart, who is an employee of Xanadu and is a Member of the Australasian Institute of Geoscientists, has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as the Competent Person as defined in the 2012 Edition of the JORC Code 2012 and the National Instrument 43-101. Dr Stewart consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

## 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.

## Designated Foreign Issuer (TSX)

For TSX reporting purposes, Xanadu is designated as a Foreign Issuer and is not required to provide further Quarterly Updates to the TSX until such time the foreign issue exemption no longer applies. Please note the following disclosures related to this designation.

- For TSX reporting purposes, the Company is a “designated foreign issuer”, as such term is defined in National Instrument 71-102 – Continuous Disclosure and Other Exemptions Relating to Foreign Issuers (“NI 71-102”). As such, the Company is exempt from certain reporting requirements imposed on reporting issuers in Canada. The Company is subject to the foreign regulatory requirements of ASX, which is a “foreign regulatory authority” (as defined in NI 71-102). Generally, the Company will comply with Canadian ongoing reporting requirements if it complies with the regulatory requirements of ASX and files any documents required to be filed with or furnished to ASX on SEDAR.
- The Company continues to be listed on the TSX and to be a ‘reporting issuer’ in the Province of Ontario, Canada. The Company also continues to be a ‘designated foreign issuer’, as defined in National Instrument 71-102 – Continuous Disclosure and Other Exemptions Relating to Foreign Issuers of the Canadian Securities Administrators.

<sup>26</sup> ASX/TSX Announcement 29 May 2023 – Results of 2023 Annual General Meeting

As such, the Company is not subject to the same ongoing reporting requirements as most other reporting issuers in Canada. Generally, the Company will be in compliance with Canadian ongoing reporting requirements if it complies with the Australia Securities and Investments Commission (ASIC) in their capacity as the competent authority for the Corporations Act 2001 (Australia), as amended from time to time, and the applicable laws of Australia and files on its SEDAR profile at [www.sedar.com](http://www.sedar.com) any documents required to be filed or furnished pursuant to Australia Rules.

- The Company confirms that it is a designated foreign issuer as defined in National Instrument 71-102 – Continuous Disclosure and Other Exemptions Relating to Foreign Issuers and is subject to Australian law and the regulatory requirements of the ASX. As a result, the Company does not include a management information circular pursuant to National Instrument 51-102 - Continuous Disclosure Obligations (“NI 51-102”) in this Interim Report.
- The Company is listed on the Australian Securities Exchange and Toronto Stock Exchange. It is a “designated foreign issuer” as defined in National Instrument 71-102–Continuous Disclosure and Other Exemptions Relating to Foreign Issuers and is subject to the regulatory requirements of the Australian Securities & Investments Commission and the Australian Securities Exchange.
- The Company has determined that as at the beginning of the financial year 1 January 2023, it is a “designated foreign issuer” as defined in National Instrument 71-102 – Continuous Disclosure and other Exemptions Relating to Foreign Issuers (“NI 71-102”) and subject to the foreign regulatory requirements of ASX, a market operated by the Australian Stock Exchange. Accordingly, the Company is able to rely on certain exemptions from the continuous disclosure obligations imposed under Canadian securities legislation as permitted under NI 71-102.

## Results of Operations

The impact of the issue of new shares by Khuiten Metals Pte Ltd resulted in the deconsolidation of Khuiten Metals and its subsidiaries and the impact was reflected in the accounts as at 30 June 2023. The impacts included a gain booked in the P&L of \$1.155M and a reversal of Foreign Currency Translation differences in other comprehensive income. The Total Comprehensive Income for the period ended 30 June 2023 was a profit of \$9.165M (30 June 2022: loss \$4.674). Further details are attached in the Condensed Interim Consolidated Financial Statements. The selected quarterly information presented below excludes the gain on disposal and the impact of the foreign currency reclassification.

## Selected Quarterly Information

	50% Ownership of Khuiten Metals <sup>a</sup>		100% Ownership of Khuiten Metals <sup>a</sup>	
	Quarter ended 30 Jun 2023 \$'000	Quarter ended 31 Mar 2023 \$'000	Quarter ended 31 Dec 2022 \$'000	Quarter ended 30 Sep 2022 \$'000
Gross exploration expenditure incurred <sup>a</sup>				
Kharmagtai	8,892	1,850	402	749
Red Mountain	33	29	261	343
Exploration expenditures capitalised	33 <sup>d</sup>	29 <sup>d</sup>	663	1,092
Impairment of deferred exploration expenditure	-	-	-	-
Corporate general and administration	4,496 <sup>e</sup>	1,267	939	1,042
Less Khuiten JV income	(1,001) <sup>f</sup>	-	-	-
Net corporate general and administrative	3,495	1,267		
Kharmagtai drilling (metres) <sup>b</sup>	28,032	6,111	-	-
Red Mountain drilling (metres) <sup>c</sup>	-	-	-	-
			100% Ownership of Khuiten Metals <sup>a</sup>	
	Quarter ended 30 Jun 2022 \$'000	Quarter ended 31 Mar 2022 \$'000	Quarter ended 31 Dec 2021 \$'000	Quarter ended 30 Sep 2021 \$'000
Gross exploration expenditure incurred				
Kharmagtai	1,140	802	2,028	2,756
Red Mountain <sup>g</sup>	117	242	435	1,090
Exploration expenditures capitalised	1,257	1,044	2,178	3,092
Impairment of deferred exploration expenditure	-	-	4,637	-
Corporate general and administration	1,641	861	854	929
Kharmagtai drilling (metres)	-	-	5,716	11,146
Red Mountain drilling (metres) <sup>h</sup>	-	-	-	2,948

- a. The Company issued new shares in its subsidiary Khuiten Metals Pte Ltd (Khuiten) on 10 March 2023 as part of the Zijin Strategic Partnership for consideration of US\$35M. This transaction reduces the Company's shareholding from 100% to 50% in Khuiten, and in effect loss of majority control. The March and June Qtr 2023 results above are presented on the basis of the treatment of the investment of Khuiten as a 50% JV under the equity accounting method (i.e., the Khuiten operational results are not included on consolidation). The prior period quarters have not been restated.
- b. Reflects invoiced metres paid during the quarter under drilling contract. Physical metres drilled during the quarter may vary due to invoice timing.
- c. Excludes horizontal trenching metres.
- d. Excludes Kharmagtai JV Gross exploration expenditure no longer consolidated in the Company's results.
- e. Includes success fee of AUD\$753k paid to Jeffries in April 2023 following completion of Khuiten JV with Zijin.
- f. As operator of Khuiten JV, the operator overheads are recoverable in accordance with the Shareholders Joint Venture Agreement for management overheads and also rental of motor vehicles.
- g. Red Mountain exploration was primarily funded by JOGMEC Joint Exploration Agreement in 2021 and not capitalised.
- h. Excludes horizontal trenching metres.

## Capital Management

The Company had \$5.1 million cash on hand on 30 June 2023 (31 December 2022: \$0.1 million).

On 24 January 2023 the Company closed a brokered placement of 41,887,844 New Shares raising \$1.1 million, for a price of \$0.027 per share. Subsequently and in conjunction with Phase 2 of the strategic partnership with Zijin, the company placed an unbrokered placement of 179,116,132 shares raising \$7.1M on 10<sup>th</sup> of March 2023.

The Company has an unlimited number of ordinary shares authorized, with 1,633,264,191 fully paid ordinary shares and 92,320,000 options over ordinary shares on issue on June 30, 2022.

Other than as discussed herein, the Company is not aware of any trends, demands, commitments, events or uncertainties that may result in the Company's liquidity or capital resources materially increasing or decreasing at present or in the

foreseeable future. Material increases or decreases in the Company's liquidity and capital resources will be substantially determined by the results of the Company's exploration programs and its ability to obtain sufficient equity financing.

## Financial Instruments and Risk Management

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

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

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

### Market risk

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

#### *Foreign currency risk*

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

#### *Commodity price risk*

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

#### *Equity price risk*

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

#### *Interest rate risk*

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

## Credit risk

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

The Company's maximum exposure to credit risk at the reporting date is the carrying value of its cash and cash equivalents of \$5.1 million (31 December 2022 \$0.1 million).

## Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The primary source of funds available to the Company is from equity financing and from its capital raising and also Joint Venture with Zijin Mining for the Kharmagtai copper-gold project.

The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis, to support its exploration and development plans, and to ensure that it will have sufficient liquidity to meet its liabilities when due. To the extent the Company does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through equity or debt transactions. The Company does not have unlimited financial resources and there is no assurance that sufficient additional funding or financing will be available to the Company or its direct and indirect subsidiaries on acceptable terms, or at all, for further exploration or development of its properties or to fulfil its obligations under any applicable agreements.

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

## Other business risks

### *Political and legal risks*

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

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

### *Licence risks*

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

## *Mineral resource assumptions risk*

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

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

## *Environmental risk*

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

## *Operational risk*

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

## *Contractual risk*

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

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

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

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



The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Xanadu Mines Ltd (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the period ended 30 June 2023.

## Directors

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

Colin Moorhead	Executive Chairman and Managing Director
Ganbayar Lkhagvasuren	Executive Director
Michele Muscillo	Independent Non-Executive Director
Tony Pearson	Independent Non-Executive Director
Shaoyang Shen	Non-Executive Director

## Principal activities

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

## Dividends

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

## Review of operations

The loss for the Group after providing for income tax and non-controlling interest amounted to \$3,607,000 (30 June 2022: \$2,831,000). A more detailed 'review of operations' and 'results of operations' is included in the Management discussion and analysis ('MD&A') presented before the Directors' report.

## Significant changes in the state of affairs

In March 2023, Xanadu's 100% wholly owned subsidiary and the holding company for Xanadu's investment in Kharmagtai, Khuiten Metals Pte Ltd (Khuiten), issued new shares to Zijin as part of phase 3 of the strategic partnership. As a result of the issue of new shares Xanadu lost effective control as both Xanadu and Zijin have a 50% interest. With the loss of control, Xanadu no longer consolidates the Khuiten in its results, and treats the investment as an equity investment. The impact was in the half, there was a deconsolidation of Khuiten and its subsidiaries and impacts are detailed in the accounts, including a gain on sale of the investment, and also booking previous years Foreign Currency Translation movements out of reserves and expensed in the Profit & Loss.

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

## Matters subsequent to the end of the financial period

No matters or circumstance have arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

## Rounding of amounts

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

## Auditor's independence declaration

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

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

On behalf of the directors:



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Colin Moorhead

Executive Chairman & Managing Director

13 September 2023



**Building a better  
working world**

Ernst & Young  
200 George Street  
Sydney NSW 2000 Australia  
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555  
Fax: +61 2 9248 5959  
ey.com/au

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

As lead auditor for the review of the half-year financial report of Xanadu Mines Limited for the half-year ended 30 June 2023, 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;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- 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 period.

A stylized, handwritten signature of Ernst &amp; Young in black ink.

Ernst & Young

A handwritten signature of Siobhan Hughes in black ink.

Siobhan Hughes  
Partner  
13 September 2023

# Statement of Profit or Loss and Other Comprehensive Income

30 June 2023

XANADU MINES

	Note	Consolidated 30 Jun 2023 \$'000	30 Jun 2022 \$'000
<b>Revenue</b>			
Other income	5	1,001	14
Gain on deconsolidation of subsidiary	6	1,155	-
<b>Expenses</b>			
Other expenses	7	(4,442)	(2,502)
Share-based payments expense	22	(515)	(292)
Depreciation and amortisation expense		(31)	(33)
Finance costs		(23)	(18)
Share of loss of a joint venture		(752)	-
<b>Loss before income tax expense</b>		<b>(3,607)</b>	<b>(2,831)</b>
Income tax expense		-	-
<b>Loss after income tax expense for the half-year</b>		<b>(3,607)</b>	<b>(2,831)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation:			
Translation of foreign operations		(512)	(1,843)
Share of foreign currency translation of a joint venture		776	-
Reclassified to profit or loss		12,508	-
Other comprehensive income for the half-year, net of tax		12,772	(1,843)
<b>Total comprehensive income for the half-year</b>		<b>9,165</b>	<b>(4,674)</b>
Loss for the half-year is attributable to:			
Non-controlling interest		-	(182)
Owners of Xanadu Mines Ltd		(3,607)	(2,649)
		<b>(3,607)</b>	<b>(2,831)</b>
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		-	(293)
Owners of Xanadu Mines Ltd		9,165	(4,381)
		<b>9,165</b>	<b>(4,674)</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	21	(0.23)	(0.20)
Diluted earnings per share	21	(0.23)	(0.20)

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

# Statement of Financial Position

30 June 2023

XANADU MINES

		<b>Consolidated</b>	
	<b>Note</b>	<b>30 Jun 2023</b>	<b>31 Dec 2022</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		5,077	61
Other receivables	8	207	52
		5,284	113
Assets of disposal groups classified as held for sale	6	-	42,803
<b>Total current assets</b>		<u>5,284</u>	<u>42,916</u>
<b>Non-current assets</b>			
Investment accounted for using the equity method	9	53,062	-
Property, plant and equipment	10	88	84
Right-of-use assets	11	384	401
Deferred exploration and evaluation expenditure	12	7,005	6,975
<b>Total non-current assets</b>		<u>60,539</u>	<u>7,460</u>
<b>Total assets</b>		<u>65,823</u>	<u>50,376</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		814	95
Employee benefits		80	17
Lease liabilities	13	75	67
		969	179
Liabilities directly associated with assets classified as held for sale	6	-	32
<b>Total current liabilities</b>		<u>969</u>	<u>211</u>
<b>Non-current liabilities</b>			
Lease liabilities	13	154	256
<b>Total non-current liabilities</b>		<u>154</u>	<u>256</u>
<b>Total liabilities</b>		<u>1,123</u>	<u>467</u>
<b>Net assets</b>		<u>64,700</u>	<u>49,909</u>
<b>Equity</b>			
Issued capital	14	159,898	151,671
Reserves	15	4,979	(8,431)
Accumulated losses		(100,177)	(96,570)
Equity attributable to the owners of Xanadu Mines Ltd		64,700	46,670
Non-controlling interest		-	3,239
<b>Total equity</b>		<u>64,700</u>	<u>49,909</u>

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

# Statement of Changes in Equity

30 June 2023

XANADU MINES

	Issued capital \$'000	Foreign currency translation reserve \$'000	Share-based payments reserve \$'000	Transactions with owners reserve \$'000	Accumulated losses \$'000	Non-controlling interest \$'000	Total equity \$'000
<b>Consolidated</b>							
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 half-year	-	-	-	-	(2,649)	(182)	(2,831)
Other comprehensive income for the half-year, net of tax	-	(1,732)	-	-	-	(111)	(1,843)
Total comprehensive income for the half-year	-	(1,732)	-	-	(2,649)	(293)	(4,674)
<i>Transactions with owners in their capacity as owners:</i>							
Contributions of equity, net of transaction costs	5,843	-	-	-	-	-	5,843
Share-based payments (note 22)	-	-	292	-	-	-	292
Options exercised	169	-	(169)	-	-	-	-
Balance at 30 June 2022	<u>151,671</u>	<u>(15,483)</u>	<u>10,831</u>	<u>(537)</u>	<u>(94,654)</u>	<u>3,771</u>	<u>55,599</u>
<b>Consolidated</b>							
Balance at 1 January 2023	151,671	(18,830)	10,936	(537)	(96,570)	3,239	49,909
Loss after income tax expense for the half-year	-	-	-	-	(3,607)	-	(3,607)
Other comprehensive income for the half-year, net of tax	-	12,853	-	-	-	(81)	12,772
Total comprehensive income for the half-year	-	12,853	-	-	(3,607)	(81)	9,165
<i>Transactions with owners in their capacity as owners:</i>							
Contributions of equity, net of transaction costs (note 14)	8,227	-	-	-	-	-	8,227
Share-based payments expensed (note 22)	-	-	515	-	-	-	515
Disposal of Subsidiary	-	-	-	-	-	(3,158)	(3,158)
Other share-based payment movements	-	-	42	-	-	-	42
Balance at 30 June 2023	<u>159,898</u>	<u>(5,977)</u>	<u>11,493</u>	<u>(537)</u>	<u>(100,177)</u>	<u>-</u>	<u>64,700</u>

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

# Statement of Cash Flows

30 June 2023

XANADU MINES

		Consolidated	
	Note	30 Jun 2023 \$'000	30 Jun 2022 \$'000
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(3,995)	(2,710)
Receipts from joint venture		1,001	-
Interest and other finance costs paid		(23)	(18)
Net cash used in operating activities	20	(3,017)	(2,728)
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(7)	(9)
Payment for exploration and evaluation expenditure		(87)	(2,018)
Proceeds from disposal of property, plant and equipment		-	28
Net cash used in investing activities		(94)	(1,999)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	14	8,227	5,560
Repayment of lease liabilities		(94)	(34)
Net cash from financing activities		8,133	5,526
Net increase in cash and cash equivalents		5,022	799
Cash and cash equivalents at the beginning of the financial half-year		61	3,321
Effects of exchange rate changes on cash and cash equivalents		(6)	(15)
Cash and cash equivalents at the end of the financial half-year		5,077	4,105

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

## 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 half-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 Tughrik ('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 13 September 2023.

## Note 2. Material accounting policy information

These general-purpose financial statements for the interim half-year reporting period ended 30 June 2023 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general-purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2022 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

### **New or amended Accounting Standards and Interpretations adopted**

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

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



## Note 2. Material accounting policy information (continued)

### Going concern basis of accounting

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 \$3,607,000 (30 June 2022: \$2,831,000) and net cash outflows from operations of \$3,017,000 (30 June 2022 \$2,728,000) for the period ended 30 June 2023. At period end, cash and cash equivalents were \$5,077,000. 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 ongoing operations.

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 been 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. Whilst the Group has cash on hand at 30 June 2023 and has the ability to partially recharge applicable Group costs to the Kharmagtai project, given the Group does not generate revenue there is uncertainty on the Group's ability to maintain a positive cash position over the coming 12 months, whilst also funding 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:

- 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.

As a result of the above, a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include adjustments relating to the recoverability or classification of the recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

### Rounding of amounts

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

**Note 3. Critical accounting judgements, estimates and assumptions**

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

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

The Group assesses indicators of impairment for non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. Considerations include the results of exploration activities during the period, budgeted future expenditure, recent comparable transaction information (when available), resource multiples. These also consider fair value less costs of disposal or value-in-use calculations. If an indicator of impairment exists, the recoverable amount of the asset is determined.

*Exploration and evaluation costs*

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

**Note 4. Operating segments**

Xanadu operates predominantly in the minerals exploration sector. The principle activity of the Company is exploration for metals. Xanadu classifies these activities under a single operating segment, the Mongolian exploration projects. Regarding the exploration operating segment, the Chief Operating Decision Maker (determined to be the Board of Directors) receives information on the exploration expenditure incurred. This information is disclosed in note 12 'Deferred exploration and evaluation expenditure'. No segment revenues are disclosed, as all segment expenditure is capitalised, with the exception of expenditure written off. The non-current assets of Xanadu, attributable to the parent entity, are located in Mongolia.

**Note 5. Other income**

	<b>Consolidated</b>	
	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Net gain on disposal of property, plant and equipment	-	14
Operator overhead income	888	-
Rental income	113	-
	<hr/>	<hr/>
Other income	<u>1,001</u>	<u>14</u>

Operator overhead income pertains to the allocated costs incurred and charged by Xanadu to the joint venture for its services for the joint venture.

**Note 6. Gain on deconsolidation of subsidiary**

In prior year, the Group entered into a series of agreements with Zijin Mining Group Co., Ltd (Zijin) to sell 50% of the share capital in Khuiten Metals Pte Ltd ("Khuiten Metals") which owns the Group's Kharmagtai Project. At 31 December 2022, the Group has reclassified \$42.8m of assets and \$32k of liabilities to Held for Sale.

In February 2023 all regulatory approvals were obtained, and the transaction was formally completed on 10 March 2023. This transaction involved the issuance of new share capital in Khuiten Metals (formerly 100% controlled by Xanadu) in exchange for cash consideration so that a 50:50 joint venture was established between the two partners. Khuiten Metals is the ultimate owner of 78.5% of the Kharmagtai Project. The result of this transaction was that Xanadu Mines have retained a 50% share in Khuiten Metals. As a result of this loss of control, Xanadu no longer includes Khuiten Metals within its consolidated results. Khuiten was thus deconsolidated in March 2023 and the following gains/(losses) were recorded as a result of the deconsolidation:

	<b>Consolidated</b>	
	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Fair value of consideration received	-	-
Fair value of the retained 50% interest in Khuiten Metals	53,038	-
	<u>53,038</u>	-
Carrying value of net assets of Khuiten Metals	(42,533)	-
Derecognition of the carrying value of Non-controlling interest	3,158	-
Foreign currency translation reclassified to profit or loss	(12,508)	-
	<u>1,155</u>	<u>-</u>

**Note 7. Other expenses**

	<b>Consolidated</b>	
	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Administration expenses	1,302	919
Wages and management fees	1,332	1,278
Consulting fees	1,803	312
Net foreign currency (gains) losses	5	(7)
	<u>4,442</u>	<u>2,502</u>

**Note 8. Other receivables**

	<b>Consolidated</b>	
	<b>30 Jun 2023</b>	<b>31 Dec 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current assets</i>		
Sundry debtors	31	40
GST recoverable	176	12
	<u>207</u>	<u>52</u>

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

**Note 9. Investment accounted for using the equity method**

	<b>Consolidated</b>	
	<b>30 Jun 2023</b>	<b>31 Dec 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Fair value of investment in joint venture	53,038	-
Share of loss of joint venture	(752)	-
Share of joint venture's foreign currency translation gain	776	-
	<u>53,062</u>	<u>-</u>

As disclosed in Note 6, the Xanadu lost control of Khuiten Metals and the remaining 50% interest in Khuiten Metals is accounted for using the equity method in the consolidated financial statements starting on 10 March 2023.

Summarised financial information of the joint venture and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

Summarised statement of financial position of Khuiten:

**Note 9. Investment accounted for using the equity method (continued)**

	<b>30 Jun 2023</b> <b>\$'000</b>
<i>Current assets</i>	
Cash	40,539
Trade and other receivables	40
Prepayments	1,274
<i>Non-current assets</i>	
Property, plant and equipment	994
Capitalised Mining and Exploration Expense	54,105
<i>Current Liabilities</i>	
Trade and other payables	(1,335)
Net assets	<u>95,617</u>
Xanadu's share in net assets at 50% ownership interest	47,809
Deferred Exploration and Evaluation	<u>5,253</u>
Carrying amount of the investment	<u><u>53,062</u></u>

Summarised statement of profit or loss and other comprehensive income from 10 March 2023 to 30 June 2023:

	30 June 2023 \$'000
Interest income	301
Administrative expenses	(76)
Operator overheard recharge	(892)
GST and withholding taxes	(588)
Net foreign currency losses	(141)
Other expenses	(108)
Profit before tax	(1,504)
Income tax expense	-
Loss after tax	(1,504)
Other comprehensive income	1,551
Total comprehensive income	<u>47</u>
Xanadu's share of loss at 50% ownership interest	(752)
Xanadu's share of other comprehensive income at 50% ownership interest	776

**Note 10. Property, plant and equipment**

	<b>Consolidated</b>	
	<b>30 Jun 2023</b>	<b>31 Dec 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Non-current assets</i>		
Plant and equipment - at cost	320	308
Less: Accumulated depreciation	(308)	(300)
	12	8
Motor vehicles - at cost	100	86
Less: Accumulated depreciation	(24)	(10)
	76	76
	88	84

*Reconciliations*

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

<b>Consolidated</b>	Plant & Equipment \$'000	Motor Vehicles \$'000	Total \$'000
Balance at 1 January 2023	8	76	84
Additions	7	14	21
Depreciation expense	(3)	(14)	(17)
Balance at 30 June 2023	12	76	88

**Note 11. Right-of-use assets**

	<b>Consolidated</b>	
	<b>30 Jun 2023</b>	<b>31 Dec 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Non-current assets</i>		
Motor vehicles - right-of-use	498	498
Less: Accumulated depreciation	(114)	(97)
	384	401
	384	401

*Reconciliations*

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

<b>Consolidated</b>	<b>Motor vehicles right-of-use</b>
Balance at 1 January 2023	401
Depreciation expense	(17)
Balance at 30 June 2023	384

**Note 12. Deferred exploration and evaluation expenditure**

	<b>Consolidated</b>	
	<b>30 Jun 2023</b>	<b>31 Dec 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Non-current assets</i>		
Deferred exploration and evaluation expenditure	12,564	12,494
Less: Accumulated impairment	(5,559)	(5,519)
	7,005	6,975
	7,005	6,975

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

*Reconciliations*

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

<b>Consolidated</b>	<b>Exploration and evaluation \$'000</b>
Balance at 1 January 2023	6,975
Additions	62
Exchange differences	65
Other movements	(97)
Balance at 30 June 2023	7,005

The consolidated Exploration and Evaluation expenditure above relates to the company held interests in the "Red Mountain" Copper-Gold project to the period to 30 June 2023:

*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 via its subsidiary Vantage LLC (a company incorporated in Mongolia).

**Note 13. Lease liabilities**

	<b>Consolidated</b>	
	<b>30 Jun 2023</b>	<b>31 Dec 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current liabilities</i>		
Lease liability - motor vehicles	75	67
<i>Non-current liabilities</i>		
Lease liability - motor vehicles	154	256
	229	323

**Note 14. Issued capital**

	Consolidated			
	30 Jun 2023 Shares	31 Dec 2022 Shares	30 Jun 2023 \$'000	31 Dec 2022 \$'000
Ordinary shares - fully paid (net of transaction costs)	1,633,264,191	1,412,260,215	159,898	151,671

*Movements in ordinary share capital*

Details	Date	Shares	Issue price	\$'000
Balance	1 January 2023	1,412,260,215		151,671
New equity placement	24 January 2023	41,887,844	\$0.02	1,140
Zijin Shareholding placement (Phase 2)	10 March 2023	179,116,132	\$0.04	7,164
Share issue costs		-	\$0.00	(77)
Balance	30 June 2023	1,633,264,191		159,898

*Ordinary shares*

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

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

*Share buy-back*

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

*Capital risk management*

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

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

Management effectively manages Xanadu's capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of expenditure and debt levels, distributions to shareholders and share and option issues. The capital risk management policy remains unchanged from the 31 December 2022 Annual Report.

**Note 15. Reserves**

	Consolidated	
	30 Jun 2023 \$'000	31 Dec 2022 \$'000
Foreign currency translation reserve	(5,977)	(18,830)
Share-based payments reserve	11,493	10,936
Transactions with owners reserve	(537)	(537)
	4,979	(8,431)

*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.



**Note 15. Reserves (continued)***Share-based payments reserve*

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

*Movements in reserves*

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

<b>Consolidated</b>	Foreign currency translation reserve \$'000	Share-based payments reserve \$'000	Transactions with owners reserve \$'000	Total \$'000
Balance at 1 January 2023	(18,830)	10,936	(537)	(8,431)
Share-based payments	-	515	-	515
Foreign currency translation	345	-	-	345
Other share-based payment movement	-	42	-	42
Disposal of Subsidiary	12,508	-	-	12,508
Balance at 30 June 2023	<u>(5,977)</u>	<u>11,493</u>	<u>(537)</u>	<u>4,979</u>

**Note 16. Dividends**

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

**Note 17. Contingent liabilities**

There are no material contingent liabilities relating to the Group.

**Note 18. Related party transactions**

The following transactions occurred with related parties.

	<b>Consolidated</b>	
	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	<b>\$</b>	<b>\$</b>
Payment for goods and services:		
Office rent, paid to Ganbayar Lkhagvasuren <sup>(i)</sup>	35,520	38,535
Legal fees, paid to HopgoodGanim Lawyers <sup>(ii)</sup>	110,746	76,102
Consultant fees paid to consultants employed through Colin Moorhead and Associates <sup>(iii)</sup>	-	1,320
Melbourne office rent and operations support paid to Colin Moorhead and Associates <sup>(iv)</sup>	38,985	31,197
Sydney office rent paid to Bastion Minerals <sup>(v)</sup>	-	18,000
Receipts from Khuiten Joint venture to Xanadu for Operator Overheads <sup>(vi)</sup>	887,079	-
Receipts from Oyut Ulaan to Xanadu Exploration Mongolia LLC for hire of vehicles <sup>(vii)</sup>	113,880	-

- (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. A benchmarking assessment was completed by Xanadu in August 2021 to verify rates are consistent with the market in Ulaanbaatar.
- (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 formerly held a rental agreement related to a Sydney office space with Bastion Minerals, a company at which Dr. Andrew Stewart, Xanadu former CEO and Executive Director of the Company, was also a Non-Executive Director of Bastion minerals. The transactions between these parties were on normal commercial terms and conditions, no more or less favourable than those available to other parties that are at arm's length. The rental agreement ceased in the 2022 year.
- (vi) Under the shareholders agreement for the Khuiten JV, Xanadu is entitled to recover operator overhead for its overheads incurred in the management of the JV and the project.
- (vii) Under the shareholders agreement for the Khuiten JV, Xanadu and its subsidiary Xanadu Exploration Mongolia are entitled to recover the cost of their motor vehicle fleet which is used on the JV.

*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.

*Mongol Metals*

Kharmagtai exploration expenditure is funded by Khuiten Metals Pte Ltd (Khuiten), a JV entity operated by Xanadu Mines and Zijin Mining. Khuiten owns 85% of Mongol Metals LLC which in turns owns Oyut Ulaan LLC, the owner of the Kharmagtai tenement. Mongol Metals is 85% owned by Khuiten and 15% owned by Ganbayar Lkhagvasuren, an Executive Director of Xanadu. Mongol metals owns 90% of Oyut Ulan LLC and 10% is owned by QGX, an unrelated party.

Prior to the 10<sup>th</sup> of March 2023, all funding for Mongol Metals since December 2017 has been provided by an operating loan from Xanadu Mines. Since 10<sup>th</sup> of March 2023, all funding for Mongol metals is provided by Khuiten strategic JV.

## Note 19. Events after the reporting period

No matter or circumstance has arisen since 30 June 2023 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 20. Reconciliation of loss after income tax to net cash used in operating activities

	<b>Consolidated</b>	
	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Loss after income tax expense for the half-year	(3,607)	(2,831)
Adjustments for:		
Depreciation and amortisation	34	33
Gain on deconsolidation of subsidiary	(1,155)	
Share of loss - joint ventures	752	-
Share-based payments	515	292
Foreign exchange differences	(183)	(8)
Net gain on disposal of property, plant & equipment	-	(16)
Change in operating assets and liabilities:		
Increase in trade and other receivables	(144)	(35)
(Increase)/decrease in prepayments	(11)	10
Increase/(decrease) in trade and other payables	719	(176)
Increase in employee benefits	63	3
Net cash used in operating activities	<u>(3,017)</u>	<u>(2,728)</u>

## Note 21. Earnings per share

	<b>Consolidated</b>	
	<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Loss after income tax	(3,607)	(2,831)
Non-controlling interest	-	182
Loss after income tax attributable to the owners of Xanadu Mines Ltd	<u>(3,607)</u>	<u>(2,649)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>1,560,245,761</u>	<u>1,298,810,623</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>1,560,245,761</u>	<u>1,298,810,623</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(0.23)	(0.20)
Diluted earnings per share	(0.23)	(0.20)

**Note 22. 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 granted during 2021.

Furthermore, the Extraordinary General Meeting held on 7 February 2023 ratified the renewal of the Employee Share and Option Plan, as well as granted options to Directors as disclosed below in the 2023 year. These options are issued for nil consideration, however are subject to performance criteria based or length of service approved by the EGM.

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

30 Jun 2023

Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/forfeited/other *	Balance at the end of the half-year
21/01/2021	30/06/2024	\$0.00	3,420,000	-	-	-	3,420,000
17/06/2021	30/06/2024	\$0.00	1,140,000	-	-	-	1,140,000
17/06/2021	30/06/2025	\$0.00	1,140,000	-	-	-	1,140,000
21/01/2021	31/12/2023	\$0.00	38,250,000	-	-	-	38,250,000
05/10/2021	05/10/2023	\$0.00	3,000,000	-	-	-	3,000,000
07/02/2023	10/09/2024	\$0.00	-	32,770,000	-	-	32,770,000
07/02/2023	10/09/2024	\$0.00	-	6,300,000	-	-	6,300,000
07/02/2023	30/11/2025	\$0.00	-	6,300,000	-	-	6,300,000
			<u>46,950,000</u>	<u>45,370,000</u>	<u>-</u>	<u>-</u>	<u>92,320,000</u>

30 Jun 2022

Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/forfeited/other *	Balance at the end of the half-year
21/01/2021	30/06/2023	\$0.00	3,420,000	-	(3,420,000)	-	-
21/01/2021	30/06/2024	\$0.00	3,420,000	-	-	-	3,420,000
17/06/2021	30/06/2023	\$0.00	1,140,000	-	(1,140,000)	-	-
17/06/2021	30/06/2024	\$0.00	1,140,000	-	-	-	1,140,000
17/06/2021	30/06/2025	\$0.00	1,140,000	-	-	-	1,140,000
21/01/2021	31/12/2023	\$0.00	38,250,000	-	-	-	38,250,000
05/10/2021	05/10/2023	\$0.00	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>

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

**Note 22. Share-based payments (continued)**

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
Executive Director Options	Vesting in tranches upon attainment of performance criteria, three years continuous employment condition and share price hurdles:	\$0.000	32,770,000
Non-Executive Director Options Tranche A	Vesting in tranches upon attainment of performance criteria, 18 months continuous employment condition and share price hurdles:	\$0.000	6,300,000
Non-Executive Director Options Tranche B	Vesting in tranches upon attainment of performance criteria, three years continuous employment condition and share price hurdles:	\$0.000	<u>6,300,000</u>
			<u>92,320,000</u>
			<b>Consolidated</b>
		<b>30 Jun 2023</b>	<b>30 Jun 2022</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Share-based payment expense</b>			
Amortisation of share-based payment options based on vesting conditions above		<u>515</u>	<u>292</u>

# Directors' Declaration

30 June 2023

XANADU MINES

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



---

Colin Moorhead  
Executive Chairman and Managing Director

13 September 2023



**Building a better  
working world**

Ernst & Young  
200 George Street  
Sydney NSW 2000 Australia  
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555  
Fax: +61 2 9248 5959  
ey.com/au

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

### Conclusion

We have reviewed the accompanying half-year financial report of Xanadu Mines Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- a) giving a true and fair view of the consolidated statement of financial position of the Group as at 30 June 2023 and of its financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### Basis for conclusion

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

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

### Material uncertainty related to going concern

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

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

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



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

Our responsibility is to express a conclusion on the half-year financial report based on our review. *ASRE 2410* requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2023 and its performance for the half-year ended on that date; and complying with Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

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

Ernst & Young

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

Siobhan Hughes  
Partner  
Sydney  
13 September 2023





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