

16 January 2017

## NEW GOLD RICH PORPHYRY CENTRE IDENTIFIED UNDER SHALLOW COVER

### HIGHLIGHTS

- Diamond drilling discovers new gold-rich porphyry under shallow cover at Kharmagtai;
- KHDDH395 intersected 220m grading 0.64g/t Au and 0.15% Cu, including 26m @ 2.27g/t Au from 42m;
- Shallow higher-grade gold mineralisation hosted in oxide cap above a mineralised porphyry;
- Mineralisation remains open along strike and down dip;
- Subsequent drilling underway to delineate the near surface oxide enrichment zone and locate the highest-grade primary mineralisation of this new porphyry discovery.

Xanadu Mines Ltd (ASX: XAM – “Xanadu” or “Company”) is pleased to announce that the first diamond drill hole following up shallow bedrock drilling has discovered a new porphyry named Altan Burged (Golden Eagle) within the Kharmagtai copper-gold district, in the South Gobi region of Mongolia (Figure 1), by intersecting a broad zone of near surface gold-rich porphyry copper mineralisation. Diamond drill hole KHDDH395 intersected **220m grading 0.64g/t Au and 0.15% Cu from 42m**, which includes a shallow zone of supergene gold enrichment of **26m grading 2.27g/t Au from a depth of 42m**. The newly discovered Altan Burged porphyry is located approximately 2.5km east of the Altan Tolgoi, Tsagaan Sudal and Zesen Uul copper-gold deposits. The gold-rich Altan Burged porphyry was discovered in December 2016 as part of the highly successful bedrock drilling programme (see Xanadu’s ASX announcement – 22 December 2016).

The intersection in KHDDH395 represents a significant development for Xanadu’s ongoing exploration efforts within the Kharmagtai district. While exploration of this emerging porphyry centre is still at an early stage, the width, intensity of alteration and porphyry stockwork mineralisation and tenor of the gold mineralisation intersected is very encouraging.

Xanadu’s Managing Director & Chief Executive Officer, Dr Andrew Stewart, said “The results of this first diamond drill hole are very exciting. The discovery of a new porphyry centre under cover adds further weight to the geological model for the Kharmagtai district as an emerging porphyry district comprising multiple centres of copper-gold and gold mineralisation. It also validates our under cover targeting methods and the importance of these techniques as key exploration tools in unlocking the potential of the large porphyry district. The current diamond drill program will now focus on delineating the near surface oxide gold enrichment zone and target the highest-grade primary portions of this new porphyry system.”

### FIRST DIAMOND DRILL HOLE

The first diamond drill hole at the Altan Burged porphyry centre (Figures 2 and 3), KHDDH395 intersected **220m grading 0.64g/t Au and 0.15% Cu from 42m** (top of basement), which includes **102m grading 1g/t Au and 0.16% Cu from 42m**. This broad intercept includes a shallow zone of supergene gold enrichment of **26m grading 2.27g/t Au from 42m** (Figure 4). Both oxide and primary gold and copper mineralisation have been intersected in KHDDH395. The shallow higher grade oxide mineralisation is hosted in a strongly silicified and clay altered zone above a quartz monzodiorite porphyry stock (Figure 5), with fine-grained visible gold observed in core. Primary gold and copper mineralisation is associated with high density centreline quartz-sulphide veins

and strong albite-chlorite-pyrite alteration (Figure 5). This is a similar assemblage to the high-grade Zesen Uul porphyry and is interpreted to be related to same porphyry mineralisation event, confirming a district-scale mineral event.

Mineralisation remains open along strike and down dip with the hole finishing in low density stock work mineralisation grading higher than 0.2 g/t Au. The current exploration target dimensions are 500m long by 300m wide and initial drilling indicates that there is potential for Altan Burged to host a significant high-grade porphyry gold-copper deposit adjacent to the three outcropping porphyry deposits (Altan Tolgoi, Tsagaan Sudal and Zesen Uul; Figure 2) where Xanadu has already defined over 1.5 Mlb copper and over 2 million ounces of gold resource (see Xanadu's ASX announcement – 19 March 2015 – Kharmagtai Maiden Resource ).

Drilling will continue to delineate the near surface oxide enrichment zone and locate the highest-grade primary portions of this new porphyry discovery at Kharmagtai.

### **OYUT ULAAN EXPLORATION UPDATE**

As reported in the September quarterly, a soil survey was completed over approximately 40% of the Oyut Ulaan lease (Figure 2). Multi-element geochemical data from this survey has highlighted extensive Au and Cu anomalism across the entire survey area and vector elements within the data are assisting to define the scale of porphyry mineralisation across the lease. A total of 47 targets were identified, ranked and scheduled for trenching based on the size and amplitude of the anomalies. The results of this extensive trenching program will be available before the end of the month.

### **COMPETENT PERSON STATEMENT**

The information in this announcement that relates to exploration results is based on information compiled by Dr Andrew Stewart who is responsible for the exploration data, comments on exploration target sizes, QA/QC and geological interpretation and information. Dr Stewart, who is an employee of Xanadu and is a Member of the Australasian Institute of Geoscientists, has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as the "Competent Person" as defined in the 2012 Edition of the "Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves". Dr Stewart consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Kharmagtai Mineral Resource estimate: The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of Mineral Resources that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not materially changed from the original market announcement.

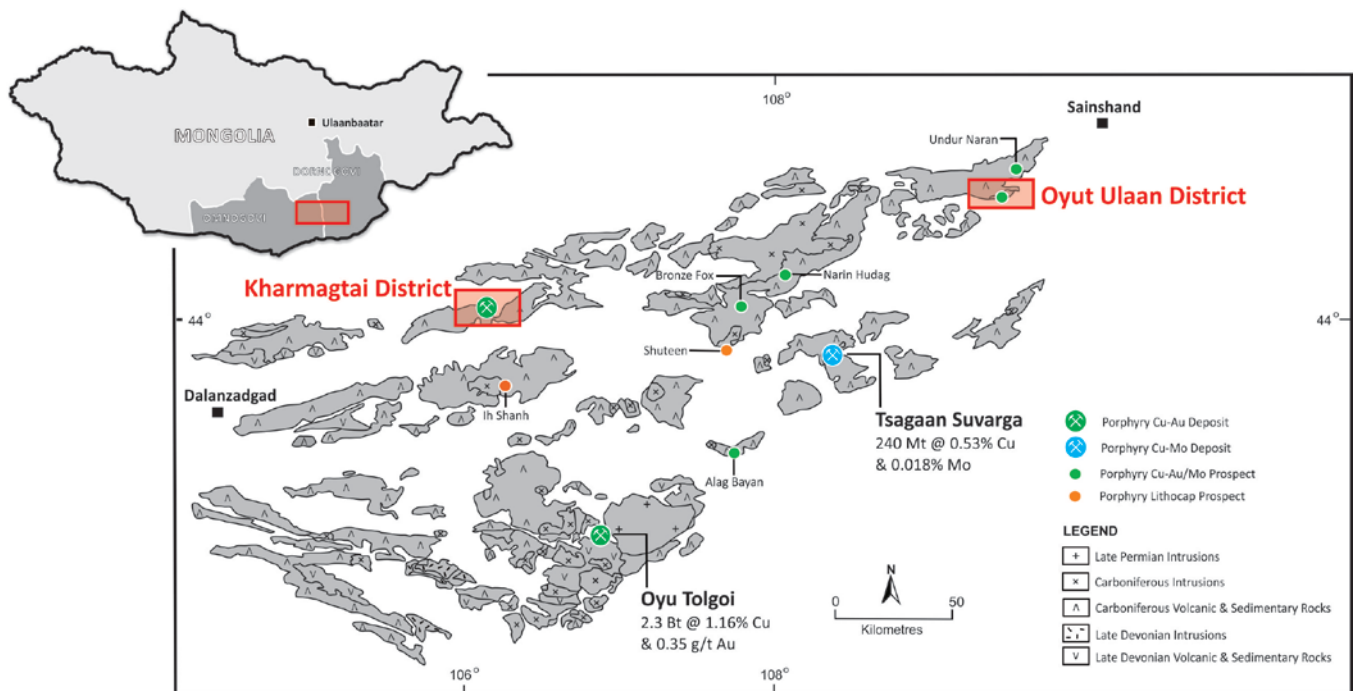
### **COPPER EQUIVALENT CALCULATIONS**

The copper equivalent (CuEq) calculation represents the total metal value for each metal, multiplied by the conversion factor, summed and expressed in equivalent copper percentage. Grades have not been adjusted for metallurgical or refining recoveries and the copper equivalent grades are of an exploration nature only and intended for summarising grade. The copper equivalent calculation is intended as an indicative value only. The following copper equivalent conversion factors and long term price assumptions have been adopted: Copper Equivalent Formula ( $\text{CuEq} = \text{Cu}\% + (\text{Au (ppm)} \times 0.6378)$ ). Based on a copper price of \$2.60/lb and a gold price of \$1,300/oz.

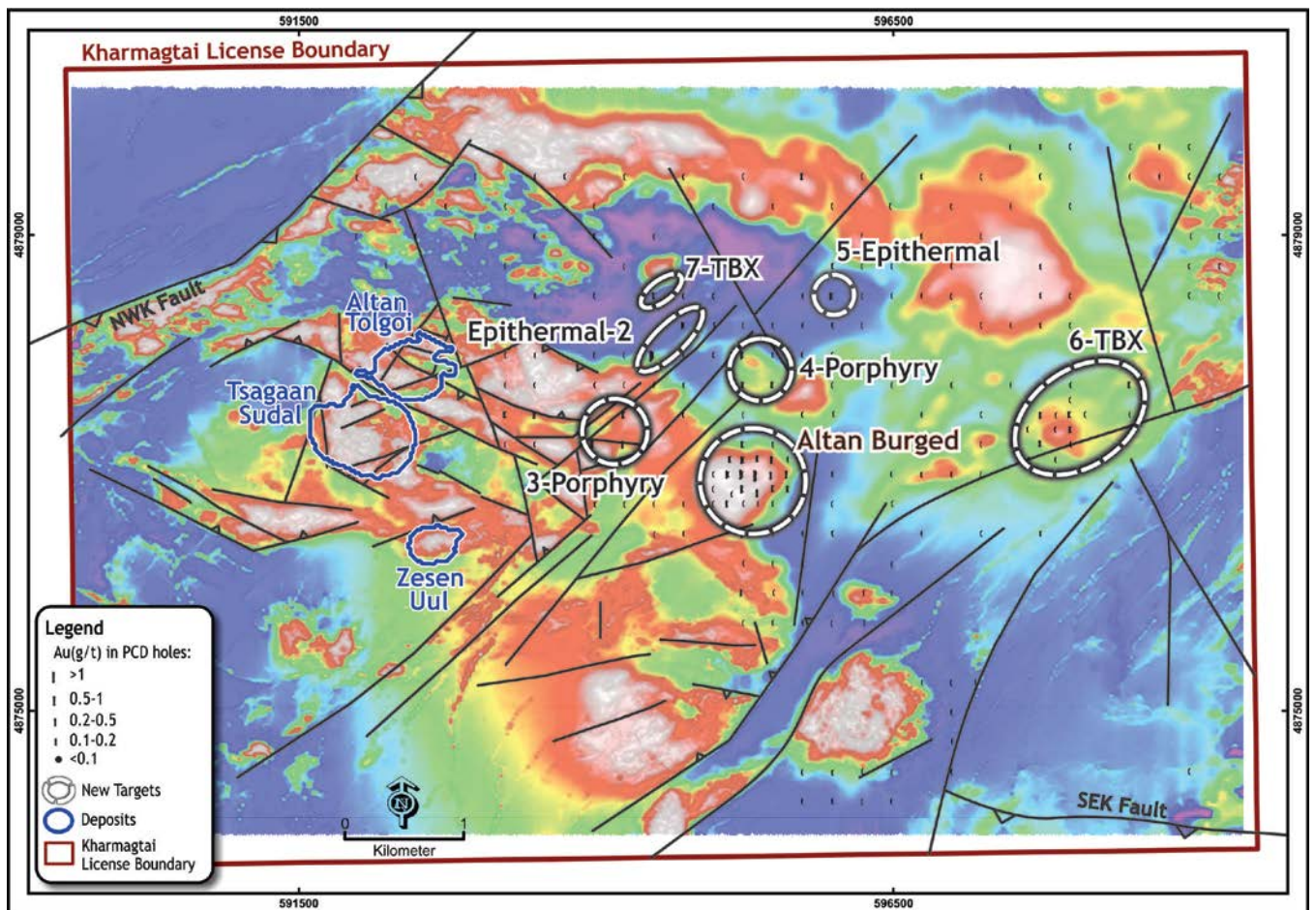
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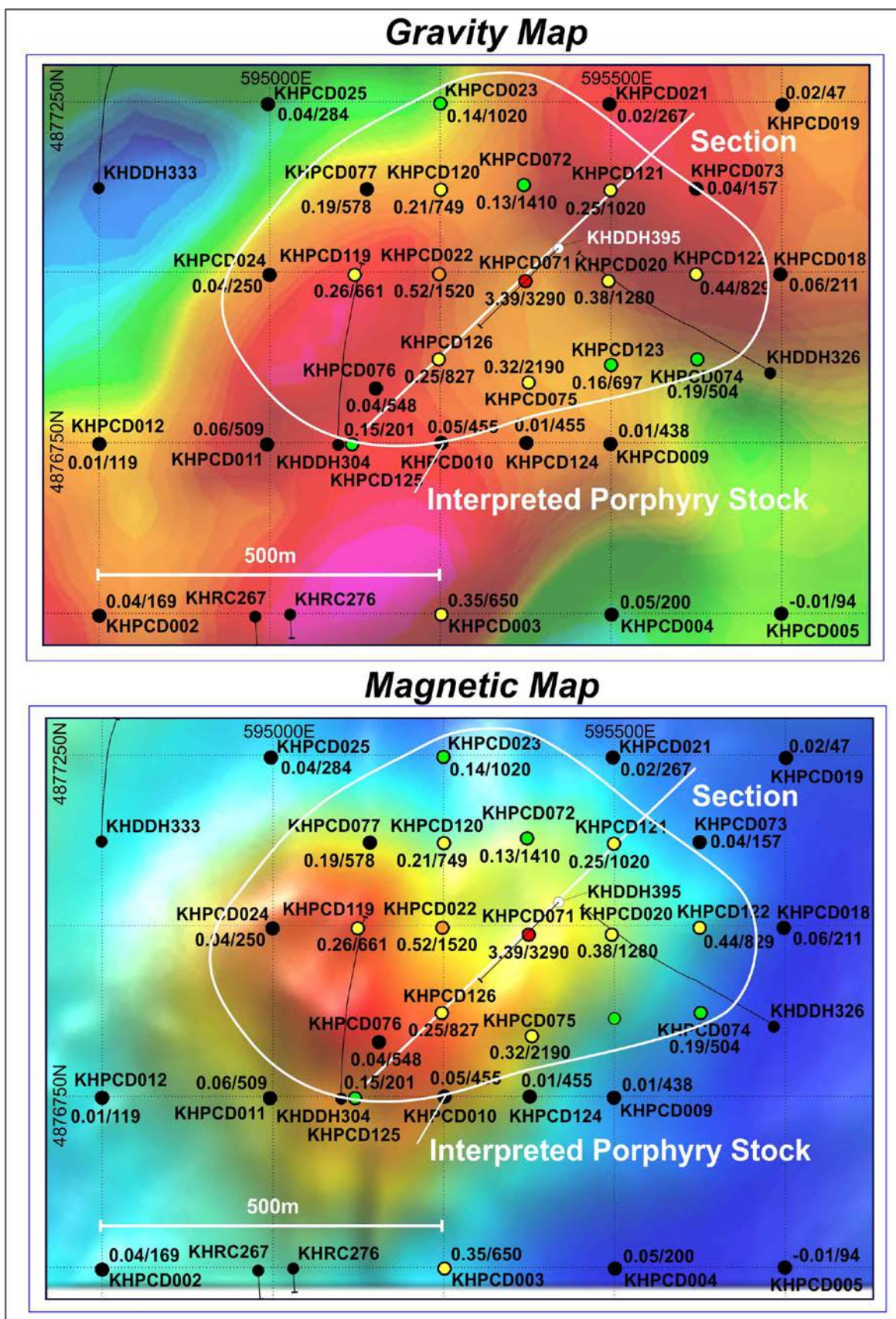


**FIGURE 1:** Location of the Kharmagtai Project, in the South Gobi porphyry copper belt.

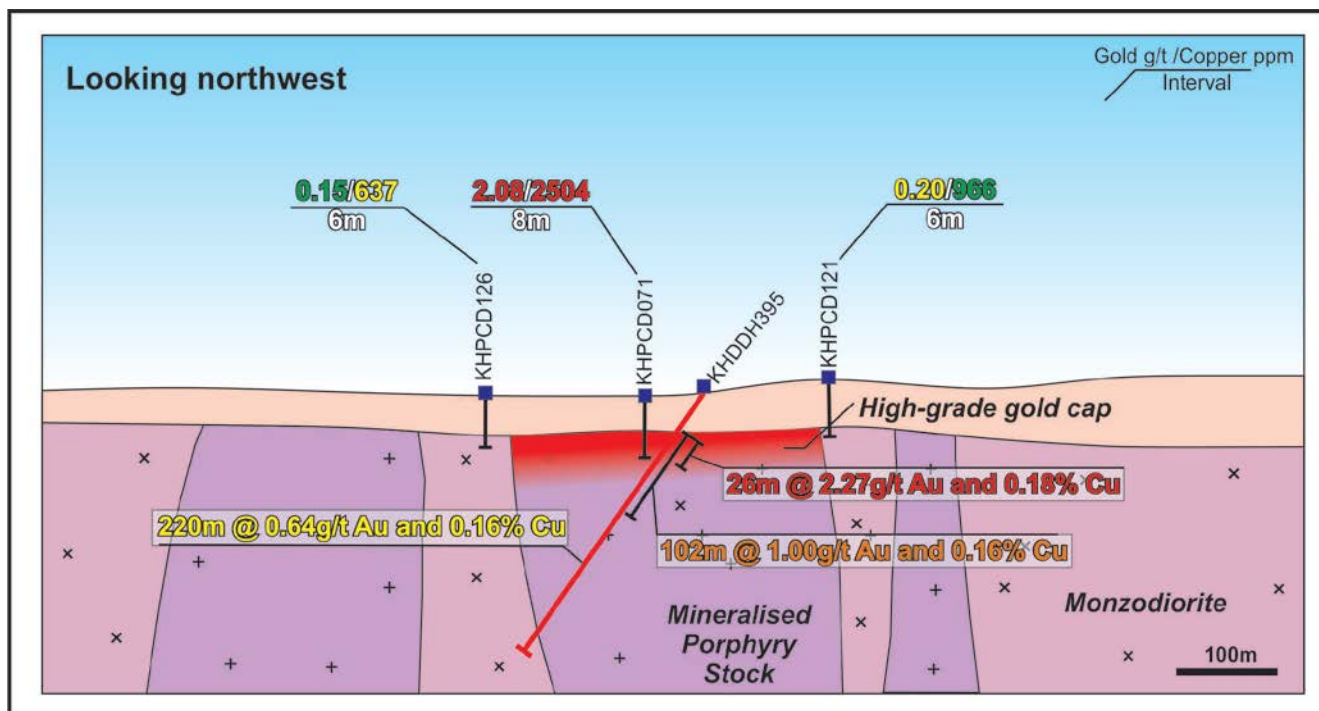


**FIGURE 2:** The Kharmagtai Mining Licence showing ground magnetic data and known porphyry deposits. Location of bedrock drilling collars and seven new targets are also shown.



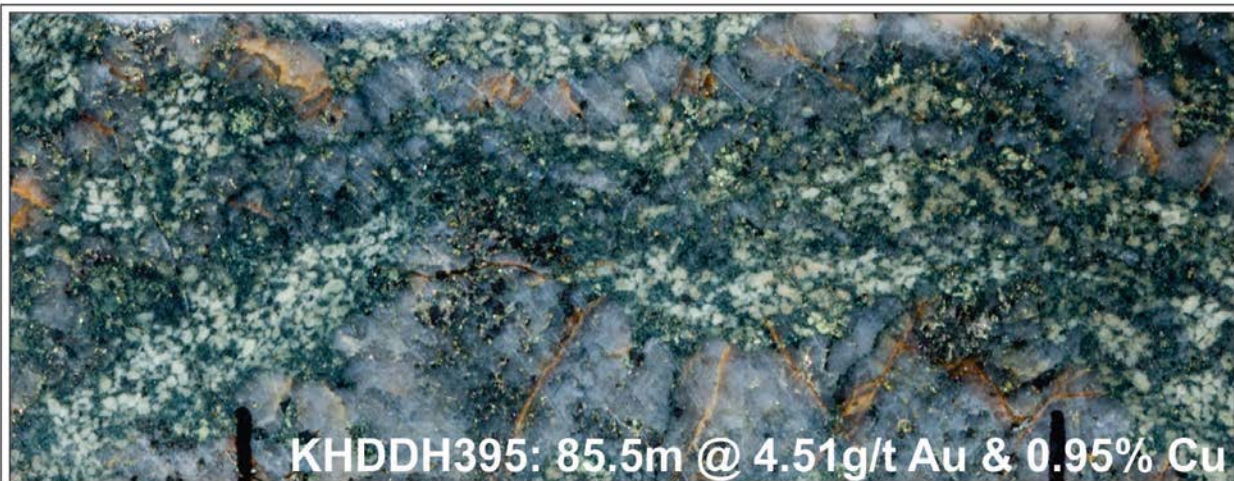


**FIGURE 3:** Gravity and magnetic data over the new Altan Burged porphyry showing PCD drilling results and drill hole KHDDH395. Section line for figure 4 is noted.



**FIGURE 4:** Cross section through new porphyry Altan Burged showing drill hole KHDDH395 with assay intercepts and the location of higher-grade gold cap above a mineralised porphyry stock.





**FIGURE 5:** Core photographs from KHDDH395.

**Top:** Strongly oxidised sheeted centrelines quartz hematite (after sulphide) veins host the high grade gold rich cap to Altan Burged. **Middle:** Gold rich unidirectional solidification textures (UST's). UST's often form at the top of a porphyry system and are a sign of a fluid rich and potentially high grade porphyry system. **Bottom:** High-density stock work mineralisation.

**TABLE 1: KHDDH395 Collar Location.**

Hole ID	Prospect	East	North	RL	Azimuth (°)	Dip	Depth (m)
KHDDH395	Altan Burged	595404	4877021	1266	220	-60	262

**TABLE 2: KHDDH396 Assay Results.**

Hole ID	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (ppm)
KHDDH395	42	44	2	2.26	0.112
KHDDH395	44	46	2	1.12	0.282
KHDDH395	46	48	2	1.09	0.249
KHDDH395	48	50	2	2.48	0.148
KHDDH395	50	52	2	2.12	0.146
KHDDH395	52	54	2	3.33	0.175
KHDDH395	54	56	2	3.49	0.235
KHDDH395	56	58	2	0.78	0.11
KHDDH395	58	60	2	3.35	0.0979
KHDDH395	60	62	2	1.96	0.113
KHDDH395	62	64	2	3.25	0.176
KHDDH395	64	66	2	2.21	0.227
KHDDH395	66	68	2	2.01	0.326
KHDDH395	68	70	2	0.35	0.119
KHDDH395	70	72	2	0.18	0.042
KHDDH395	72	74	2	0.06	0.0466
KHDDH395	74	76	2	0.06	0.0223
KHDDH395	76	78	2	0.09	0.0211
KHDDH395	78	80	2	0.98	0.224
KHDDH395	80	82	2	0.32	0.131
KHDDH395	82	84	2	2.26	0.499
KHDDH395	84	86	2	4.51	0.938
KHDDH395	86	88	2	0.94	0.247
KHDDH395	88	90	2	0.45	0.214
KHDDH395	90	92	2	0.29	0.142
KHDDH395	92	94	2	0.54	0.144
KHDDH395	94	96	2	0.24	0.0963
KHDDH395	96	98	2	0.39	0.109
KHDDH395	98	100	2	0.56	0.131
KHDDH395	100	102	2	0.35	0.0987
KHDDH395	102	104	2	0.38	0.111
KHDDH395	104	106	2	0.31	0.122
KHDDH395	106	108	2	0.35	0.118
KHDDH395	108	110	2	0.38	0.118
KHDDH395	110	112	2	0.33	0.127



KHDDH395	112	114	2	0.43	0.119
KHDDH395	114	116	2	0.35	0.125
KHDDH395	116	118	2	0.45	0.146
KHDDH395	118	120	2	0.45	0.149
KHDDH395	120	122	2	0.54	0.16
KHDDH395	122	124	2	0.61	0.156
KHDDH395	124	126	2	0.4	0.125
KHDDH395	126	128	2	0.37	0.123
KHDDH395	128	130	2	0.5	0.15
KHDDH395	130	132	2	0.4	0.13
KHDDH395	132	134	2	0.58	0.141
KHDDH395	134	136	2	0.36	0.119
KHDDH395	136	138	2	0.52	0.127
KHDDH395	138	140	2	0.38	0.132
KHDDH395	140	142	2	0.34	0.134
KHDDH395	142	144	2	0.45	0.132
KHDDH395	144	146	2	0.32	0.124
KHDDH395	146	148	2	0.26	0.113
KHDDH395	148	150	2	0.36	0.149
KHDDH395	150	152	2	0.29	0.119
KHDDH395	152	154	2	0.42	0.149
KHDDH395	154	156	2	0.37	0.137
KHDDH395	156	158	2	0.27	0.148
KHDDH395	158	160	2	0.3	0.0961
KHDDH395	160	162	2	0.2	0.0834
KHDDH395	162	164	2	0.2	0.0915
KHDDH395	164	166	2	0.3	0.109
KHDDH395	166	168	2	0.32	0.129
KHDDH395	168	170	2	0.16	0.122
KHDDH395	170	172	2	0.66	0.167
KHDDH395	172	174	2	0.34	0.115
KHDDH395	174	176	2	0.26	0.141
KHDDH395	176	178	2	0.38	0.109
KHDDH395	178	180	2	0.41	0.143
KHDDH395	180	182	2	0.35	0.12
KHDDH395	182	184	2	0.36	0.126
KHDDH395	184	186	2	0.34	0.114
KHDDH395	186	188	2	0.2	0.0729
KHDDH395	188	190	2	0.41	0.12
KHDDH395	190	192	2	0.39	0.128
KHDDH395	192	194	2	0.46	0.151
KHDDH395	194	196	2	0.45	0.128
KHDDH395	196	198	2	0.68	0.202

KHDDH395	198	200	2	0.72	0.222
KHDDH395	200	202	2	0.46	0.144
KHDDH395	202	204	2	0.64	0.19
KHDDH395	204	206	2	0.47	0.131
KHDDH395	206	208	2	0.32	0.0919
KHDDH395	208	210	2	0.2	0.0769
KHDDH395	210	212	2	0.16	0.0748
KHDDH395	212	214	2	0.23	0.0979
KHDDH395	214	216	2	0.37	0.122
KHDDH395	216	218	2	0.4	0.146
KHDDH395	218	220	2	0.3	0.131
KHDDH395	220	222	2	0.28	0.0997
KHDDH395	222	224	2	0.19	0.0677
KHDDH395	224	226	2	0.14	0.0637
KHDDH395	226	228	2	0.26	0.0956
KHDDH395	228	230	2	0.24	0.124
KHDDH395	230	232	2	0.28	0.164
KHDDH395	232	234	2	0.23	0.151
KHDDH395	234	236	2	0.37	0.198
KHDDH395	236	238	2	0.32	0.189
KHDDH395	238	240	2	0.41	0.197
KHDDH395	240	242	2	0.32	0.212
KHDDH395	242	244	2	0.27	0.198
KHDDH395	244	246	2	0.26	0.161
KHDDH395	246	248	2	0.26	0.173
KHDDH395	248	250	2	0.33	0.19
KHDDH395	250	252	2	0.38	0.182
KHDDH395	252	254	2	0.3	0.149
KHDDH395	254	256	2	0.3	0.156
KHDDH395	256	258	2	0.28	0.158
KHDDH395	258	260	2	0.2	0.139
KHDDH395	260	262	2	0.26	0.134

## APPENDIX 1: KHARMAGTAI TABLE 1 (JORC 2012)

Set out below is Section 1 and Section 2 of Table 1 under the JORC Code, 2012 Edition for the Kharmagtai project. Data provided by Xanadu. This Table 1 updates the JORC Table 1 disclosure dated 22 December 2016.

### 1.1 JORC TABLE 1 - SECTION 1 - SAMPLING TECHNIQUES AND DATA

Criteria	JORC Code (Section 1) Explanation	Commentary
<b>Sampling techniques</b>	<ul style="list-style-type: none"> <li>Nature and quality of sampling and assaying.</li> <li>Measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</li> <li>Aspects of the determination of mineralisation that are Material to the Public Report.</li> </ul>	<ul style="list-style-type: none"> <li>Representative 2 metre samples were taken from ½ HQ diamond core.</li> <li>Only assay result results from recognised, independent assay laboratories were used after QAQC was verified.</li> </ul>
<b>Drilling techniques</b>	<ul style="list-style-type: none"> <li>Drill type and details.</li> </ul>	<ul style="list-style-type: none"> <li>DDH drilling has been the primary drilling method in basement. Basin rocks were drilled with rotary mud. Samples only come from DDH drilling.</li> </ul>
<b>Drill sample recovery</b>	<ul style="list-style-type: none"> <li>Method of recording and assessing core and chip sample recoveries and results assessed.</li> <li>Measures taken to maximise sample recovery and ensure representative nature of the samples.</li> <li>Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.</li> </ul>	<ul style="list-style-type: none"> <li>DDH core recoveries have been very good, averaging between 95% and 99% for all of the deposits. In localised areas of faulting and/or fracturing the recoveries decrease; however this is a very small percentage of the overall mineralised zones.</li> <li>Recovery measurements were collected during all DDH programs. The methodology used for measuring recovery is standard industry practice.</li> <li>Analysis of recovery results vs. grade indicates no significant trends. Indicating bias of grades due to diminished recovery and / or wetness of samples.</li> </ul>
<b>Logging</b>	<ul style="list-style-type: none"> <li>Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.</li> <li>Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.</li> <li>The total length and percentage of the relevant intersections logged.</li> </ul>	<ul style="list-style-type: none"> <li>Drill and trench samples are logged for lithology, mineralisation and alteration and geotechnical aspects using a standardised logging system, including the recording of visually estimated volume percentages of major minerals.</li> <li>Drill core was photographed after being logged by a geologist.</li> <li>The entire interval drilled and trenched has been logged by a geologist.</li> </ul>
<b>Sub-sampling techniques and sample preparation</b>	<ul style="list-style-type: none"> <li>If core, whether cut or sawn and whether quarter, half or all core taken.</li> <li>If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.</li> <li>For all sample types, the nature, quality and appropriateness of the sample preparation technique.</li> <li>Quality control procedures adopted for all sub-sampling stages to maximize</li> </ul>	<ul style="list-style-type: none"> <li>DDH Core is cut in half with a diamond saw, following the line marked by the geologist. The rock saw is regularly flushed with fresh water.</li> <li>Sample intervals are a constant 2m interval down-hole in length.</li> <li>Routine sample preparation and analyses of DDH samples were carried out by ALS Mongolia LLC (ALS Mongolia), who operates an independent sample</li> </ul>



Criteria	JORC Code (Section 1) Explanation	Commentary
	<p>representivity of samples.</p> <ul style="list-style-type: none"> <li>Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.</li> <li>Whether sample sizes are appropriate to the grain size of the material being sampled.</li> </ul>	<p>preparation and analytical laboratory in Ulaanbaatar.</p> <ul style="list-style-type: none"> <li>All samples were prepared to meet standard quality control procedures as follows: Crushed to 90% passing 3.54 mm, split to 1kg, pulverised to 90% - 95% passing 200 mesh (75 microns) and split to 150g.</li> <li>Certified reference materials (CRMs), blanks and pulp duplicate were randomly inserted to manage the quality of data.</li> <li>Sample sizes are well in excess of standard industry requirements.</li> </ul>
Quality of assay data and laboratory tests	<ul style="list-style-type: none"> <li>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</li> <li>For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.</li> <li>Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.</li> </ul>	<ul style="list-style-type: none"> <li>All samples were routinely assayed by ALS Mongolia for gold</li> <li>Au is determined using a 25g fire assay fusion, cupelled to obtain a bead, and digested with Aqua Regia, followed by an atomic absorption spectroscopy (AAS) finish, with a lower detection (LDL) of 0.01 ppm.</li> <li>All samples were submitted to ALS Perth for the Complete characterization package for whole rock package ME-ICP06 plus carbon and sulfur by combustion furnace (ME-IR08) to quantify the major elements in a sample. Trace elements including the full rare earth element suites are reported from three digestions with either ICP-AES or ICP-MS finish: a lithium borate fusion for the resistive elements (ME-MS81), a four acid digestion for the base metals (ME-4ACD81) and an aqua regia digestion for the volatile gold related trace elements (ME-MS42). Cu, Ag, Pb, Zn, As and Mo were routinely determined using a three-acid-digestion of a 0.3g sub-sample followed by an AAS finish (AAS21R). Samples are digested with nitric, hydrochloric and perchloric acids to dryness before leaching with hydrochloric acid to dissolve soluble salts and made to 15ml volume with distilled water. The LDL for copper using this technique was 2ppm. Where copper is over-range (&gt;1% Cu), it is analysed by a second analytical technique (AAS22S), which has a higher upper detection limit (UDL) of 5% copper.</li> <li>Quality assurance was provided by introduction of known certified standards, blanks and duplicate samples on a routine basis.</li> <li>Assay results outside the optimal range for methods were re-analysed by appropriate methods.</li> <li>Ore Research Pty Ltd certified copper and</li> </ul>

Criteria	JORC Code (Section 1) Explanation	Commentary
		<p>gold standards have been implemented as a part of QAQC procedures, as well as coarse and pulp blanks, and certified matrix matched copper-gold standards.</p> <ul style="list-style-type: none"> <li>• QAQC monitoring is an active and ongoing processes on batch by batch basis by which unacceptable results are re-assayed as soon as practicable.</li> </ul>
<b>Verification of sampling and assaying</b>	<ul style="list-style-type: none"> <li>• The verification of significant intersections by either independent or alternative company personnel.</li> <li>• The use of twinned holes.</li> <li>• Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</li> <li>• Discuss any adjustment to assay data.</li> </ul>	<ul style="list-style-type: none"> <li>• All assay data QAQC is checked prior to loading into the Geobank data base.</li> <li>• The data is managed by XAM geologists.</li> <li>• The database and geological interpretation is collectively managed by XAM.</li> </ul>
<b>Location of data points</b>	<ul style="list-style-type: none"> <li>• Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.</li> <li>• Specification of the grid system used.</li> <li>• Quality and adequacy of topographic control.</li> </ul>	<ul style="list-style-type: none"> <li>• Diamond drill holes have been surveyed with a differential global positioning system (DGPS) to within 10cm accuracy.</li> <li>• All diamond drill holes have been down hole surveyed to collect the azimuth and inclination at specific depths. Two principal types of survey method have been used over the duration of the drilling programs including Eastman Kodak and Flexit.</li> <li>• UTM WGS84 48N grid.</li> <li>• The DTM is based on 1m contours with an accuracy of <math>\pm 0.01\text{m}</math>.</li> </ul>
<b>Data spacing and distribution</b>	<ul style="list-style-type: none"> <li>• Data spacing for reporting of Exploration Results.</li> <li>• Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.</li> <li>• Whether sample compositing has been applied.</li> </ul>	<ul style="list-style-type: none"> <li>• Holes were drilled on an initial 250m grid which has been infilled to 125m where needed.</li> <li>• Holes are vertical.</li> <li>• The data spacing and distribution is sufficient to establish anomalism and targeting for both porphyry, tourmaline breccia and epithermal target types.</li> </ul>
<b>Orientation of data in relation to geological structure</b>	<ul style="list-style-type: none"> <li>• Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</li> <li>• If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.</li> </ul>	<ul style="list-style-type: none"> <li>• Drilling is conducted in a predominantly regular grid to allow unbiased interpretation and targeting.</li> </ul>
<b>Sample security</b>	<ul style="list-style-type: none"> <li>• The measures taken to ensure sample security.</li> </ul>	<ul style="list-style-type: none"> <li>• Samples are dispatched from site through via company employees and secure company vehicles to the Laboratories.</li> <li>• Samples are signed for at the Laboratory with confirmation of receipt emailed through.</li> <li>• Samples are then stored at the lab and</li> </ul>

Criteria	JORC Code (Section 1) Explanation	Commentary
		returned to a locked storage site.
<b>Audits or reviews</b>	<ul style="list-style-type: none"> <li>The results of any audits or reviews of sampling techniques and data</li> </ul>	<ul style="list-style-type: none"> <li>Internal audits of sampling techniques and data management on a regular basis, to ensure industry best practice is employed at all times.</li> </ul>

## 1.2 JORC TABLE 1 - SECTION 2 - REPORTING OF EXPLORATION RESULTS

(Criteria in this section apply to all succeeding sections).

Criteria	JORC Code (Section 2) Explanation	Commentary
<b>Mineral tenement and land tenure status</b>	<ul style="list-style-type: none"> <li>Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.</li> <li>The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.</li> </ul>	<ul style="list-style-type: none"> <li>The Project comprises 1 Mining Licence (MV 17387A).</li> <li>100% owned by Oyut Ulaan LLC.</li> <li>Xanadu and its joint venture partner, Mongol Metals can earn a 90% interest in the Kharmagtai porphyry copper-gold project. The remaining 10% is owned by Quincunx Ltd, which in turn is owned by an incorporated joint venture between Kerry Holdings Ltd. and MCS Holding LLC.</li> <li>The Mongolian Minerals Law (2006) and Mongolian Land Law (2002) govern exploration, mining and land use rights for the project.</li> </ul>
<b>Exploration done by other parties</b>	<ul style="list-style-type: none"> <li>Acknowledgment and appraisal of exploration by other parties.</li> </ul>	<ul style="list-style-type: none"> <li>Previous exploration was conducted by Quincunx Ltd, Ivanhoe Mines Ltd and Turquoise Hill Resources Ltd including extensive drilling, surface geochemistry, geophysics, mapping and mineral resource estimation to NI 43-101 standards.</li> </ul>
<b>Geology</b>	<ul style="list-style-type: none"> <li>Deposit type, geological setting and style of mineralisation.</li> </ul>	<ul style="list-style-type: none"> <li>The mineralisation is characterised as porphyry copper-gold type.</li> <li>Porphyry copper-gold deposits are formed from magmatic hydrothermal fluids typically associated with felsic intrusive stocks that have deposited metals as sulphides both within the intrusive and the intruded host rocks. Quartz stockwork veining is typically associated with sulphides occurring both within the quartz veinlets and disseminated throughout the wall rock. Porphyry deposits are typically large tonnage deposits ranging from low to high grade and are generally mined by large scale open pit or underground bulk mining methods. The deposits at Kharmagtai are atypical in that they are associated with intermediate intrusions of diorite to quartz diorite composition, however the deposits are in terms of contained gold significant, and similar gold-rich porphyry deposits.</li> </ul>
<b>Drill hole Information</b>	<ul style="list-style-type: none"> <li>A summary of all information material to the understanding of the exploration results including a tabulation of the following</li> </ul>	<ul style="list-style-type: none"> <li>Diamond drill holes are the principal source of geological and grade data for the Project.</li> </ul>



Criteria	JORC Code (Section 2) Explanation	Commentary
	information for all Material drill holes: <ul style="list-style-type: none"> <li>– easting and northing of the drill hole collar.</li> <li>– elevation or RL Reduced Level – elevation above sea level in metres) of the drill hole collar.</li> <li>– dip and azimuth of the hole</li> <li>– down hole length and interception depth</li> <li>– hole length.</li> </ul> <ul style="list-style-type: none"> <li>• If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.</li> </ul>	<ul style="list-style-type: none"> <li>• See figures in main report.</li> </ul>
<b>Data Aggregation methods</b>	<ul style="list-style-type: none"> <li>• In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.</li> <li>• Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.</li> <li>• The assumptions used for any reporting of metal equivalent values should be clearly stated.</li> </ul>	<ul style="list-style-type: none"> <li>• A nominal cut-off of 0.1% Cu is used for identification of potentially significant intercepts for reporting purposes.</li> <li>• Most of the reported intercepts are shown in sufficient detail, including maxima and subintervals, to allow the reader to make an assessment of the balance of high and low grades in the intercept.</li> <li>• Informing samples have been composited to two metre lengths honouring the geological domains and adjusted where necessary to ensure that no residual sample lengths have been excluded (best fit).</li> <li>• Metal equivalents used the following formula:  <math display="block">\text{CuEq} = \text{Cu\%} \times (\text{Aug/t} \times 0.6378)</math> <p>Formula is based on a \$2.60/lb copper price and a \$1,300/oz gold price. A gold recovery factor of 78.72% was used.</p> </li> </ul>
<b>Relationship between mineralisation on widths and intercept lengths</b>	<ul style="list-style-type: none"> <li>• These relationships are particularly important in the reporting of Exploration Results.</li> <li>• If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.</li> <li>• If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').</li> </ul>	<ul style="list-style-type: none"> <li>• Mineralised structures are variable in orientation, and therefore drill orientations have been adjusted from place to place in order to allow intersection angles as close as possible to true widths.</li> <li>• Exploration results have been reported as an interval with 'from' and 'to' stated in tables of significant economic intercepts. Tables clearly indicate that true widths will generally be narrower than those reported.</li> </ul>
<b>Diagrams</b>	<ul style="list-style-type: none"> <li>• Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.</li> </ul>	<ul style="list-style-type: none"> <li>• See figures in main report.</li> </ul>
<b>Balanced</b>	<ul style="list-style-type: none"> <li>• Where comprehensive reporting of all</li> </ul>	<ul style="list-style-type: none"> <li>• Resources have been reported at a range</li> </ul>

Criteria	JORC Code (Section 2) Explanation	Commentary
<b>reporting</b>	Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.	of cut-off grades, above a minimum suitable for open pit mining, and above a minimum suitable for underground mining.
<b>Other substantive exploration data</b>	<ul style="list-style-type: none"> <li>Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.</li> </ul>	<ul style="list-style-type: none"> <li>Extensive work in this area has been done, and is reported separately.</li> </ul>
<b>Further work</b>	<ul style="list-style-type: none"> <li>The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).</li> <li>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</li> </ul>	<ul style="list-style-type: none"> <li>The mineralisation is open at depth and along strike.</li> <li>Current estimates are restricted to those expected to be reasonable for open pit mining. Limited drilling below this depth (-300m rl) shows widths and grades potentially suitable for underground extraction.</li> <li>Exploration on going.</li> </ul>

### 1.3 JORC TABLE 1 – SECTION 3 ESTIMATION AND REPORTING OF MINERAL RESOURCES

(Criteria listed in section 1, and where relevant in section 2, also apply to this section.)

Criteria	JORC Code (Section 3) Explanation	Commentary
<b>Database integrity</b>	<ul style="list-style-type: none"> <li>Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes.</li> <li>Data validation procedures used.</li> </ul>	<ul style="list-style-type: none"> <li>The database is a Geobank data base system.</li> <li>Data is logged directly into an Excel spreadsheet logging system with drop down field lists.</li> <li>Validation checks are written into the importing program ensures all data is of high quality.</li> <li>Digital assay data is obtained from the Laboratory, QAQC checked and imported</li> <li>Geobank exported to Access, and connected directly to the GemcomSurpac Software.</li> <li>Data was validated prior to resource estimation by the reporting of basic statistics for each of the grade fields, including examination of maximum values, and visual checks of drill traces and grades on sections and plans.</li> </ul>
<b>Site visits</b>	<ul style="list-style-type: none"> <li>Comment on any site visits undertaken by the Competent Person and the outcome of those visits.</li> <li>If no site visits have been undertaken indicate why this is the case.</li> </ul>	<ul style="list-style-type: none"> <li>Andrew Vigar of Mining Associates visited site from 24 and 25 October 2014.</li> <li>The site visit included a field review of the exploration area, an inspection of core, sample cutting and logging procedures and</li> </ul>



Criteria	JORC Code (Section 3) Explanation	Commentary
		discussions of geology and mineralisation with exploration geologists.
<b>Geological interpretation</b>	<ul style="list-style-type: none"> <li>• Confidence in (or conversely, the uncertainty of the geological interpretation of the mineral deposit.</li> <li>• Nature of the data used and of any assumptions made.</li> <li>• The effect, if any, of alternative interpretations on Mineral Resource estimation.</li> <li>• The use of geology in guiding and controlling Mineral Resource estimation.</li> <li>• The factors affecting continuity both of grade and geology.</li> </ul>	<ul style="list-style-type: none"> <li>• Mineralisation resulted in the formation of comprises quartz-chalcopyrite-pyrite-magnetite stockwork veins and minor breccias.</li> <li>• The principle ore minerals of economic interest are chalcopyrite, bornite and gold, which occur primarily as infill within these veins. Gold is intergrown with chalcopyrite and bornite.</li> <li>• The ore mineralised zones at Altan Tolgoi, Tsagaan Sudal and Zesen Uul are associated with a core of quartz veins that were intensely developed in and the quartz diorite intrusive stocks and/or dykes rocks. These vein arrays can be described as stockwork, but the veins have strong developed preferred orientations.</li> <li>• Sulphidemineralisation is zoned from a bornite-rich core that zone outwards to chalcopyrite-rich and then outer pyritic haloes, with gold closely associated with bornite.</li> <li>• Drilling indicates that the supergene profile has been oxidised to depths up to 60 metres below the surface. The oxide zone comprises fracture controlled copper and iron oxides; however there is no obvious depletion or enrichment of gold in the oxide zone.</li> </ul>
<b>Dimensions</b>	<ul style="list-style-type: none"> <li>• The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource.</li> </ul>	<ul style="list-style-type: none"> <li>• Altan Tolgoi comprises two main mineralised zones, northern and southern stockwork zones (AT-N and AT-S) which are approximately 100 metres apart and hosted in diorite and quartz diorite porphyries. The AT-S is at least 550 metres long, 600 metres deep and contains strong quartz-chalcopyrite-pyrite stockwork veining and associated high grade copper-gold mineralisation. The stockwork zone widens eastward from a 20 to 70 metres wide high-grade zone in the western and central sections to a 200 metres wide medium-grade zone in the eastern most sections. Mineralisation remains open at depth and along strike to the east.</li> <li>• The AT-N consists of a broad halo of quartz that is 250 metres long, 150 metres wide long and at least 350 metres deep.</li> <li>• TS consists of a broad halo of quartz veins that is 850 metres long, 550 metres wide long and at least 500 metres deep, and forms a pipe like geometry.</li> <li>• ZU forms a sub vertical body of stockwork</li> </ul>



Criteria	JORC Code (Section 3) Explanation	Commentary
		approximately 350 × 100 metres by at least 200 metres and plunges to the southeast.
<b>Estimation and modelling techniques</b>	<ul style="list-style-type: none"> <li>• The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used.</li> <li>• The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data.</li> <li>• The assumptions made regarding recovery of by-products.</li> <li>• Estimation of deleterious elements or other non-grade variables of economic significance (eg sulphur for acid mine drainage characterisation).</li> <li>• In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed.</li> <li>• Any assumptions behind modelling of selective mining units.</li> <li>• Any assumptions about correlation between variables.</li> <li>• Description of how the geological interpretation was used to control the resource estimates.</li> <li>• Discussion of basis for using or not using grade cutting or capping.</li> <li>• The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available.</li> </ul>	<ul style="list-style-type: none"> <li>• The estimate Estimation Performed using Ordinary Kriging.</li> <li>• Variograms are reasonable along strike.</li> <li>• Minimum &amp; Maximum Informing samples is 5 and 20 (1st pass), Second pass is 3 and 20.</li> <li>• Copper and Gold Interpreted separately on NS sections and estimated as separate domains.</li> <li>• Halo mineralisation defined as 0.12% Cu and 0.12g/t Au Grade.</li> <li>• The mineralised domains were manually digitised on cross sections defining mineralisation. Three dimensional grade shells (wireframes) for each of the metals to be estimated were created from the sectional interpretation. Construction of the grade shells took into account prominent lithological and structural features. For copper, grade shells were constructed for each deposit at a cut-off of 0.12% and 0.3% Cu. For gold, wireframes were constructed at a threshold of 0.12g/t and 0.3 g/t. These grade shells took into account known gross geological controls in addition to broadly adhering to the above mentioned thresholds.</li> <li>• Cut off grades applied are copper-equivalent (CuEq) cut off values of 0.3% for appropriate for a large bulk mining open pit and 0.5% for bulk block caving underground.</li> <li>• A set of plans and cross-sections that displayed colour-coded drill holes were plotted and inspected to ensure the proper assignment of domains to drill holes.</li> <li>• The faulting interpreted to have had considerable movement, for this reason, the fault surface were used to define two separate structural domains for grade estimation.</li> <li>• Six metre down-hole composites were chosen for statistical analysis and grade estimation of Cu and Au. Compositing was carried out downhole within the defined mineralisation halos. Composite files for individual domains were created by selecting those samples within domain wireframes, using a fix length and 50% minimum composite length.</li> <li>• A total of 4,428 measurements for specific gravity are recorded in the database, all of which were determined by the water immersion method. The average density of</li> </ul>

Criteria	JORC Code (Section 3) Explanation	Commentary
		<p>all samples is 2.74 t/m<sup>3</sup>. In detail there are some differences in density between different rock types, but since the model does not include geological domains a single pass ID2 interpolation was applied.</p> <ul style="list-style-type: none"> <li>• Primary grade interpolation for the two metals was by ordinary kriging of capped 6m composites. A two-pass search approach was used, whereby a cell failing to receive a grade estimate in a previous pass would be resubmitted in a subsequent and larger search pass.</li> <li>• The Mineral Resource estimate meets the requirements of JORC 2012 and has been reported considering geological characteristics, grade and quantity, prospects for eventual economic extraction and location and extents. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories using relevant copper-equivalent cut-off values;</li> </ul> <p><math>CuEq = Cu\% \times (Aug/t \times 0.6378)</math>        Formula is based on a \$2.60/lb copper price and a \$1,300/oz gold price. A gold recovery factor of 78.72% was used.</p>
<b>Moisture</b>	<ul style="list-style-type: none"> <li>• Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content.</li> </ul>	<ul style="list-style-type: none"> <li>• All tonnages are reported on a dry basis.</li> </ul>
<b>Cut-off parameters</b>	<ul style="list-style-type: none"> <li>• The basis of the adopted cut-off grade(s) or quality parameters applied.</li> </ul>	<ul style="list-style-type: none"> <li>• Cut off grades applied are copper-equivalent (CuEq) cut off values of 0.3% for possible open pit and 0.5% for underground.</li> </ul>
<b>Mining factors or assumptions</b>	<ul style="list-style-type: none"> <li>• Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made.</li> </ul>	<ul style="list-style-type: none"> <li>• No mining factors have been applied to the in situ grade estimates for mining dilution or loss as a result of the grade control or mining process.</li> <li>• The deposit is amenable to large scale bulk mining.</li> <li>• The Mineral resource is reported above an optimised pit shell. (Lerch Grossman algorithm), mineralisation below the pit shell is reported at a higher cut-off to reflect the increased costs associated with block cave underground mining</li> </ul>
<b>Metallurgical factors or assumptions</b>	<ul style="list-style-type: none"> <li>• The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical</li> </ul>	<ul style="list-style-type: none"> <li>• No metallurgical factors have been applied to the in situ grade estimates.</li> </ul>

Criteria	JORC Code (Section 3) Explanation	Commentary
	treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made.	
<b>Environmental factors or assumptions</b>	<ul style="list-style-type: none"> <li>Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made.</li> </ul>	<ul style="list-style-type: none"> <li>An environmental baseline study was completed in 2003 by Eco Trade Co. Ltd. of Mongolia in cooperation with Sustainability Pty Ltd of Australia. The baseline study report was produced to meet the requirements for screening under the Mongolian Environmental Impact Assessment (EIA) Procedures administered by the Mongolian Ministry for Nature and Environment (MNE).</li> </ul>
<b>Bulk density</b>	<ul style="list-style-type: none"> <li>Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples.</li> <li>The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vugs, porosity, etc), moisture and differences between rock and alteration zones within the deposit.</li> <li>Discuss assumptions for bulk density estimates used in the evaluation process of the different materials.</li> </ul>	<ul style="list-style-type: none"> <li>A total of 4,428 measurements for specific gravity are recorded in the database, all of which were determined by the water immersion method.</li> <li>The average density of all samples is approximately 2.74 t/m<sup>3</sup>. In detail there are some differences in density between different rock types, but since the model does not include geological domains a single estimation pass (ID2) was applied to a density attribute.</li> <li>There is no material impact on global tonnages, but it should be noted that density is a function of both lithology and alteration (where intense magnetite/sulphide is present).</li> </ul>
<b>Classification</b>	<ul style="list-style-type: none"> <li>The basis for the classification of the Mineral Resources into varying confidence categories.</li> <li>Whether appropriate account has been taken of all relevant factors (ie relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data).</li> <li>Whether the result appropriately reflects the Competent Person's view of the deposit.</li> </ul>	<ul style="list-style-type: none"> <li>The mineral resource classification protocols, for drilling and sampling, sample preparation and analysis, geological logging, database construction, interpolation, and estimation parameters are described in the Main Report have been used to classify the 2015 resource.</li> <li>The Mineral Resource statement relates to global estimates of in situ tonnes and grade</li> <li>The Mineral Resource estimate has been classified in accordance with the JORC Code, 2012 Edition using a qualitative approach. The classifications reflect the competent person's view of the Kharmagtai Copper Gold Project.</li> </ul>
<b>Audits or reviews</b>	<ul style="list-style-type: none"> <li>The results of any audits or reviews of Mineral Resource estimates.</li> </ul>	<ul style="list-style-type: none"> <li>XAM's internal review and audit of the Mineral Resource Estimate consisted of</li> </ul>

Criteria	JORC Code (Section 3) Explanation	Commentary
		<p>data analysis and geological interpretation of individual cross-sections, comparing drill-hole data with the resource estimate block model.</p> <ul style="list-style-type: none"> <li>• Good correlation of geological and grade boundaries were observed</li> <li>• 2013 - Mining Associates Ltd. was engaged to conduct an Independent Technical Report to review drilling, sampling techniques, QAQC and previous resource estimates. Methods were found to conform to international best practice.</li> </ul>
<b>Discussion of relative accuracy/ confidence</b>	<ul style="list-style-type: none"> <li>• Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate.</li> <li>• The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used.</li> <li>• These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.</li> </ul>	<ul style="list-style-type: none"> <li>• An approach to the resource classification was used which combined both confidence in geological continuity (domain wireframes) and statistical analysis. The level of accuracy and risk is therefore reflected in the allocation of the measured, indicated and inferred resource categories.</li> <li>• Resource categories were constrained by geological understanding, data density and quality, and estimation parameters. It is expected that further work will extend this considerably.</li> <li>• Resources estimates have been made on a global basis and relates to in situ grades.</li> <li>• Confidence in the Indicated resource is sufficient to allow application of Modifying Factors within a technical and economic study. The confidence in Inferred Mineral Resources is not sufficient to allow the results of the application of technical and economic parameters.</li> <li>• The deposits are not currently being mined.</li> <li>• There is surface evidence of historic artisanal workings.</li> <li>• No production data is available.</li> </ul>

## 1.4 JORC TABLE 1 – SECTION 4 ESTIMATION AND REPORTING OF ORE RESERVES

Ore Reserves are not reported so this is not applicable to this report.