



XANADU MINES



Unlocking Mongolia's copper belts

SEPTEMBER 2014



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The information in this presentation relating to Exploration Targets and Results is based on information compiled or reviewed by Dr. Andrew Stewart, who is an employee of Xanadu and is a Member of the Australasian Institute of Geoscientists. Dr. Andrew Stewart 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. Andrew Stewart consents to the inclusion in the presentation of the matters based on his information in the form and context in which it appears.

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 ($\text{CuEq} = \text{Cu}\% + (\text{Au (ppm)} \times 0.6284)$); Price assumptions: Cu (US \$3.20lb) and Au (US\$1,375oz).

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Xanadu Mines – the key highlights

- 1. Flagship Kharmagtai copper-gold project**

- 2. Exploration success at Altan Tolgoi prospect**

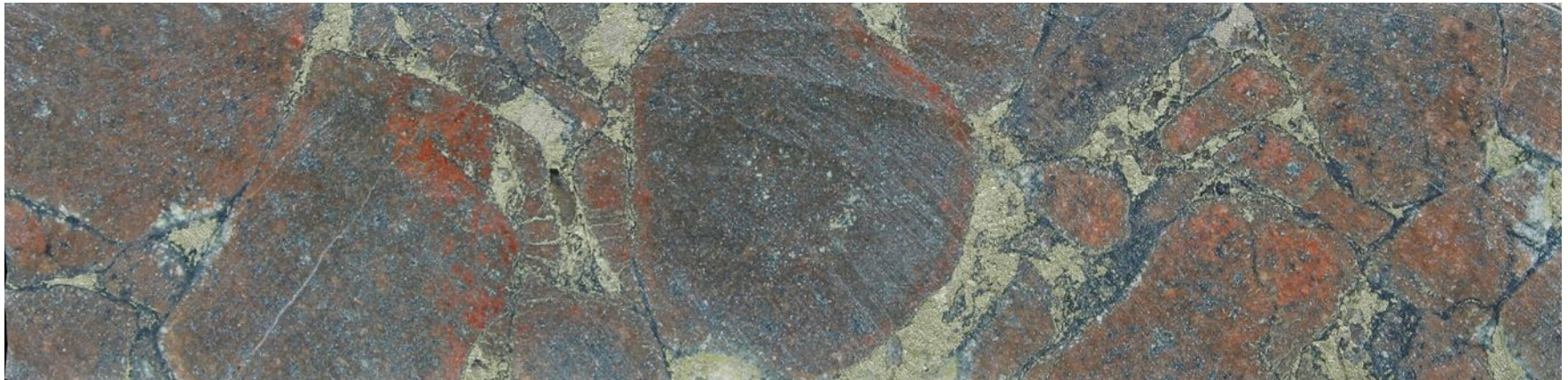
- 3. Proven South Gobi development environment**

- 4. Strong team with track record of discovery**



Contents

1. Introduction to Xanadu	5
2. South Gobi copper-gold strategy	13
3. Kharmagtai copper-gold project	17
4. Altan Tolgoi discovery	24
5. Altan Tolgoi geology	29
6. Milestones & analogues	32
Corporate directory	35





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SECTION 1: Introduction to Xanadu





Corporate snapshot

About Xanadu Mines (ASX: XAM)

- > Mongolian porphyry copper-gold strategy
- > Flagship Kharmagtai copper-gold project
 - Altan Tolgoi exploration success
 - New tourmaline breccia system
 - Multiple 200m intercepts grading >1% CuEq
- > Advanced Oyut Ulaan copper-gold project
- > Low cost, high impact exploration programs
- > Highly experienced and driven team

Strategic Partners

Noble Group

Significant shareholder and project partner

Mongol Metals LLC

JV with Mongolian businessman and director
Ganbayar Lkhagvasuren

Capital Structure

Share price¹ A\$0.130

Issued shares 241.5m

Market capitalisation A\$31.4m

Cash² A\$4.4m

Debt^{2,3} A\$3.5m

Enterprise Value A\$30.5m

Undrawn debt US\$2.0m

24.2m Dec 2014 options exercisable at A\$0.50-1.80

3.0m Jun 2016 options exercisable at A\$0.60-1.80

11.6m share rights (exercise prices A\$0.11-0.19)

35m Oyut Ulaan project JORC milestone options

1. As at 10 September 2014

2. As at 30 June 2014

3. Includes % Kharmagtai deferred consideration

Leadership

Chairman Mark Wheatley

Managing Director George Lloyd

Executive Director Ganbayar Lkhagvasuren

CFO, Mongolia Munkhsaikhan Dambiinyam

Chief Geologist Andrew Stewart

Major Shareholders

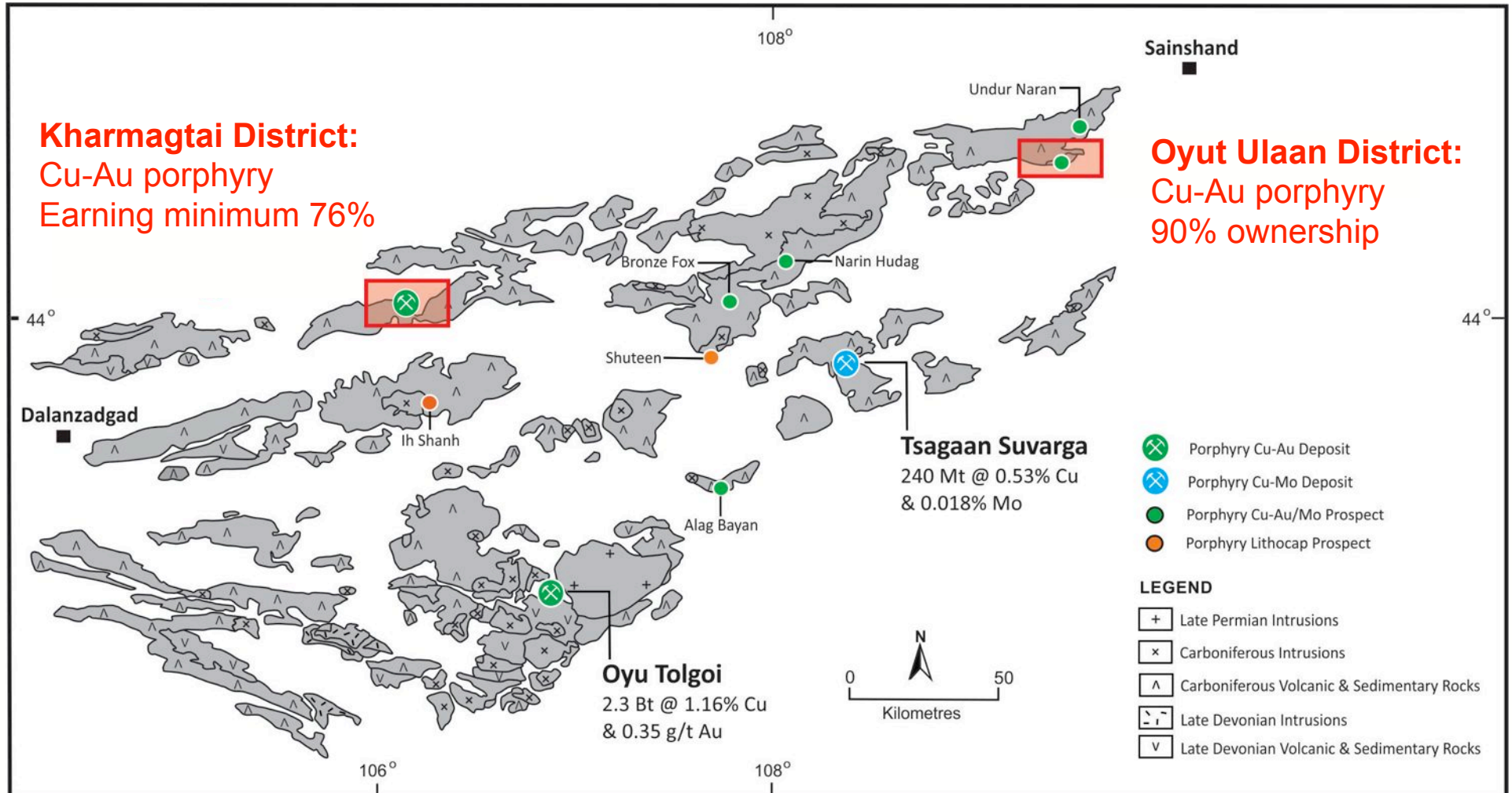
Sakari Energy (owned by PTT) 11%

Noble Group 9%



Strategic South Gobi position

Interests in two advanced copper-gold projects in the South Gobi porphyry belt





Senior corporate and commercial experience

Board and senior management team has strong multi-disciplinary experience



Mark Wheatley – Independent Chairman *Engineering & commercial*

- › Engineer with over 30 years in mining and related industries
- › Non-executive board roles have included former Chair of Gold One International, Norton Goldfields and Goliath Gold as well as directorships of St Barbara Mines Limited and Uranium One Inc.



Dr. Darryl Clark – Non-executive Director *Geology & commercial*

- › Geologist with over 20 years of corporate and exploration experience with BHP Billiton and SRK and senior exploration roles in Mongolia with Ivanhoe and Vale
- › Currently General Director of the Inkai Joint Venture mining operation in Kazakhstan owned by Cameco Corporation and Kazatomprom



Hannah Badenach – Non-executive Director *Commodities & legal*

- › Hannah is Director, Mongolia at Noble Resources International Pte Ltd.
- › Has extensive Mongolian experience including having managed QGX LLC until the company was sold in 2008 and 2 years practising law with Lynch & Mahoney prior to running Noble's business in Mongolia.



George Lloyd – Managing Director *Corporate finance & natural resources*

- › 15 years corporate finance and investment experience in Asia-Pac natural resources and related sectors
- › Has advised on Mongolian coal, copper and mining services transactions since 2009
- › Earlier roles include business development at Wesfarmers and corporate finance with Grant Samuel



Ganbayar Lkhagvasuren – Executive Director *Mongolian business experience*

- › Co-founder of Xanadu and a Director since August 2006
- › Brings a vital Mongolian perspective to the Board of Directors and works closely with the Managing Director and Chief Geologist in corporate development and managing the day-to-day operations in Mongolia



Munkhsaikhan Dambiinyam – CFO, Mongolia *Accounting, finance & commercial*

- › Finance professional with 10 years experience including private equity and debt financing in the mining services sector
- › Financial advisory role with AREVA Mongol, the subsidiary of the French energy conglomerate prior to joining Xanadu.
- › Previously held CFO and Executive Board positions at a leading Mongolian drilling company.



Extensive porphyry exploration experience

Highly skilled exploration team with a track record of discovery



Dr. Andrew Stewart – Chief Geologist

- › Exploration geologist with over 15 years experience
- › Particular expertise in porphyry copper deposits
- › During his time with Ivanhoe and Vale Andrew held various technical and management positions throughout Asia
- › Involved in several greenfields copper discoveries



Munkhbat Baatar – Exploration Manager

- › Exploration geologist with over 20 years of experience
- › Primarily focussed on porphyry copper exploration throughout the South Gobi region of Mongolia
- › During his time with Ivanhoe he held various senior positions
- › Critical team member in numerous discoveries including the Kharmagtai cluster of porphyries and recently the high-grade Merlin IOCG deposit in the Cloncurry district of Australia



Dorjsuren Otgonbayar – Senior Geophysicist

- › Exploration geophysicist with over 10 years experience
- › Has held senior positions at Vale focussed primarily on porphyry copper exploration
- › Has particular expertise in integrating geological and geophysical data sets for area selection and targeting, data acquisition, processing, modelling, and interpretation



Batbayar Enkhbold – Senior Geologist

- › Experienced exploration geologist who previously worked as an exploration geologist for East Asia Minerals in Indonesia
- › Part of the Miwah high-sulphidation Au deposit and the Barisan cluster of porphyry Cu-Au deposits discovery teams with East Asia Minerals



Batbaatar Nyamsuren – Senior Geologist

- › Has over 20 years porphyry exploration experience
- › Currently leads the Xanadu reconnaissance exploration team responsible for prospect evaluation, ground selection and geological mapping
- › Previously worked as a senior exploration geologist for Ivanhoe and Fortress Minerals exploring for porphyry copper deposits throughout Mongolia



Strong partnerships

Xanadu has formed strategic alliances with key Mongolian investors



- › Kharmagtai acquired via Mongol Metals LLC joint venture company
- › Ganbayar Lkhagvasuren is joint shareholder in Mongol Metals
 - Xanadu Executive Director
 - Xanadu co-founder in 2005
 - US\$4.0m cash equity



- › Market leading global commodities supply chain manager
- › Experienced in marketing for natural resources projects
- › Experienced and well-established in Mongolia
- › Market intelligence and access to global customer and technical networks
- › Strategic alliance with Xanadu formed in February 2011
- › Xanadu equity holder and debt provider



Investment proposition

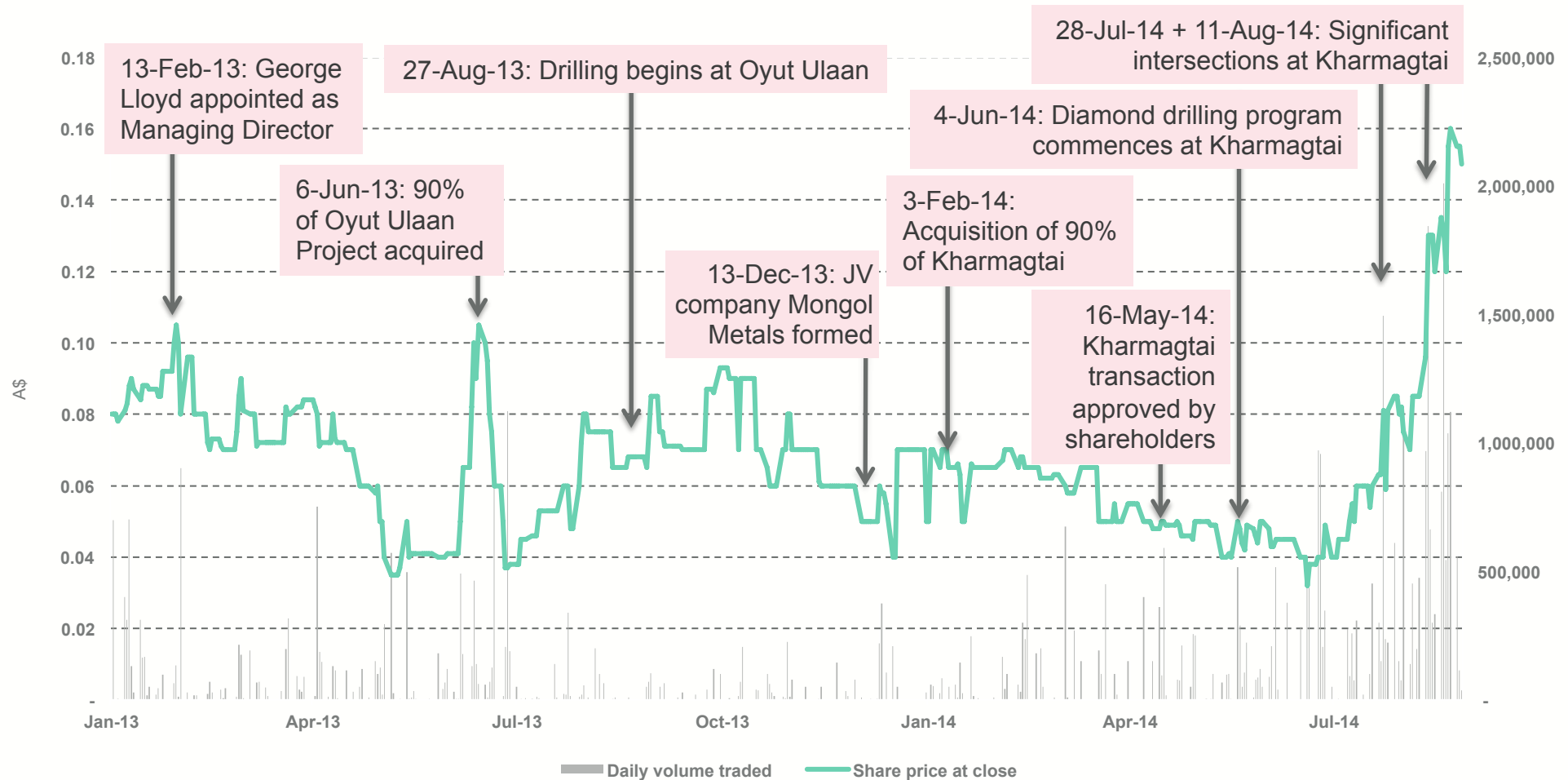
Xanadu has built strong foundations for exploration and operational success

- | | |
|-----------------------------|--|
| Advanced projects | <ul style="list-style-type: none">> Kharmagtai approaching a moderate sized Cu-Au porphyry> Multiple mineralised Cu-Au targets at Oyut Ulaan |
| Growth potential | <ul style="list-style-type: none">> East Altan Tolgoi extensions at Kharmagtai> Discovery of new tourmaline breccia system |
| Return on capital | <ul style="list-style-type: none">> Low cost, high impact exploration programs> Organic growth via exploration and discovery |
| Strategic position | <ul style="list-style-type: none">> Mongolia is emerging as a significant copper supplier> South Gobi region has proven development potential |
| Team to deliver | <ul style="list-style-type: none">> Highly experienced exploration and corporate team> Strong national and corporate partnerships |
| Attractive valuation | <ul style="list-style-type: none">> Vision to be one of Asia's next mid-tier copper producers> Targeting near-term milestones to create value |



Share price performance

Recent investor recognition of Xanadu's strategy and exploration results





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SECTION 2: South Gobi copper-gold strategy





One of the last great exploration frontiers

Mongolia is vastly under-explored yet already a proven resources province





Maturing regulatory environment

The start of a new phase of stable mining policy and sustainable investment



- > Mongolia has implemented several important changes to its minerals regime to encourage foreign and domestic investment
- > Amended 2006 Mining Law clarifies several issues and is a step towards international best practice in environmental management and community relations
- > Re-opening of the cadastral office and extension of exploration license period
- > November 2013 Investment Law promotes fiscal certainty for national and international investors alike



Proven development potential

The South Gobi region has the ingredients for successful project development



- > Flat terrain at moderate altitude
- > Established power transmission lines
- > Tavan Tolgoi mine-mouth power station proposed development
- > Existing north-south rail infrastructure
- > East-west rail infrastructure under-development
- > Substantial underground water resources
- > Well-established mining services sector
- > Close to North Asian customers



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SECTION 3: Kharmagtai copper-gold project





Acquisition terms

Kharmagtai acquisition complete and drilling program underway

Acquisition:

- › Mongol Metals JV acquired 90% interest in Kharmagtai from Turquoise Hill
- › US\$14.0m consideration
 - US\$0.5m deposit and US\$3.5m at completion – paid
 - US\$10.0m deferred 18 months
- › Option to acquire a 3% net smelter royalty
- › Approved by Xanadu shareholders in May 2014

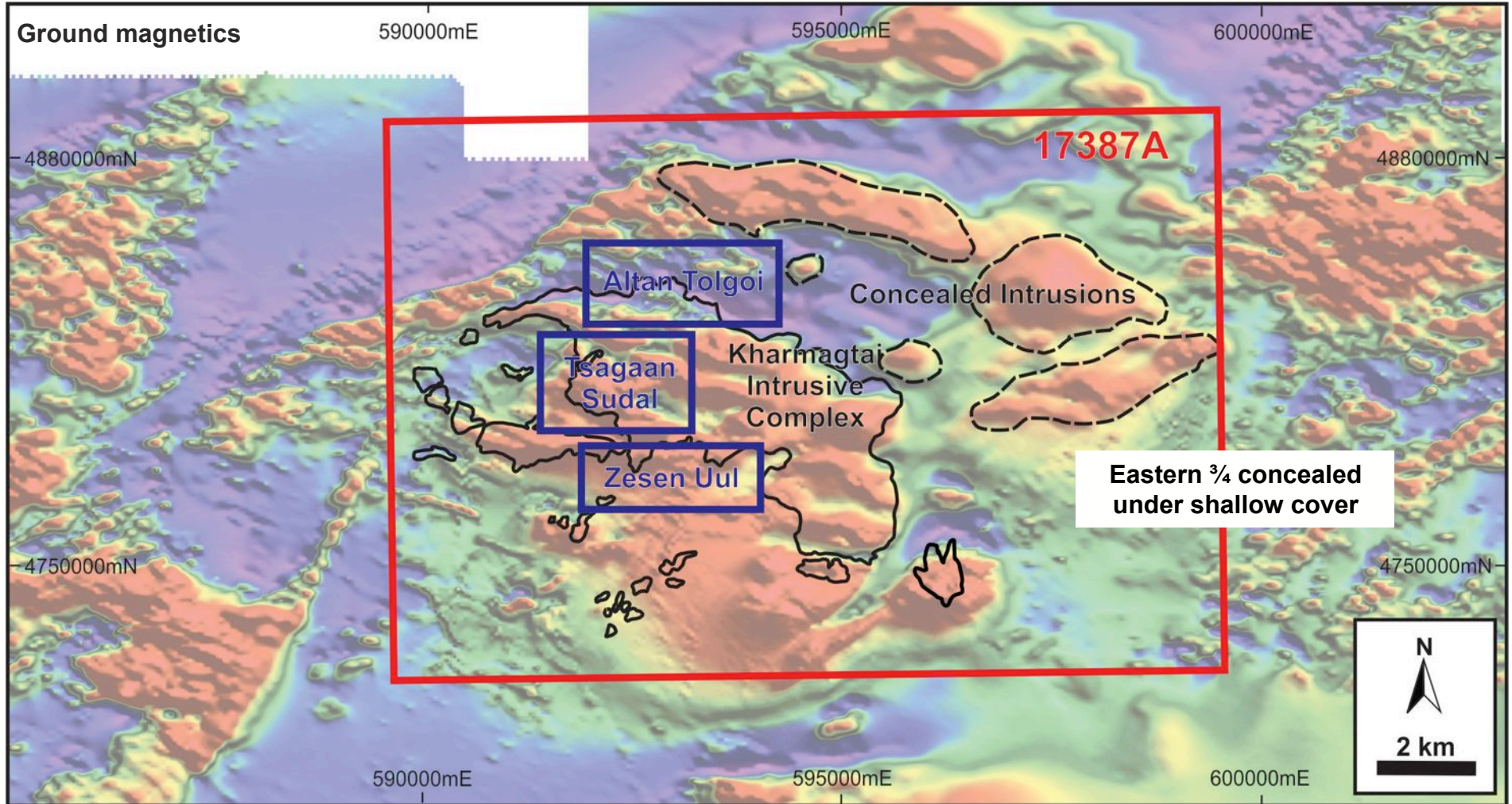
Project interest and funding:

- › Xanadu can earn 85% interest in Mongol Metals (76% direct project interest)
- › Approximately US\$10.0m already arranged in relation to Kharmagtai
 - US\$4.0m Mongol Metals equity
 - US\$4.0m Noble 3-year loan
 - A\$1.7m brokered placement in April 2014
 - Sale of non-core assets
- › Circa 40%+ interest in Mongol Metals earned by 15 September 2014



Entire porphyry district

Kharmagtai has excellent potential host multiple mineralised porphyries





Exploration history



› **Advanced exploration project:**

- 1995 -1998: Detailed exploration by QGX with ore-grade mineralisation intercepted in drill holes at Zesen Uul and Altan Tolgoi
- 2002 - 2006: Aggressive exploration program by Ivanhoe Mines targeting shallow stockwork
- 2006 - 2012: Sporadic exploration targeting Tourmaline breccia mineralisation

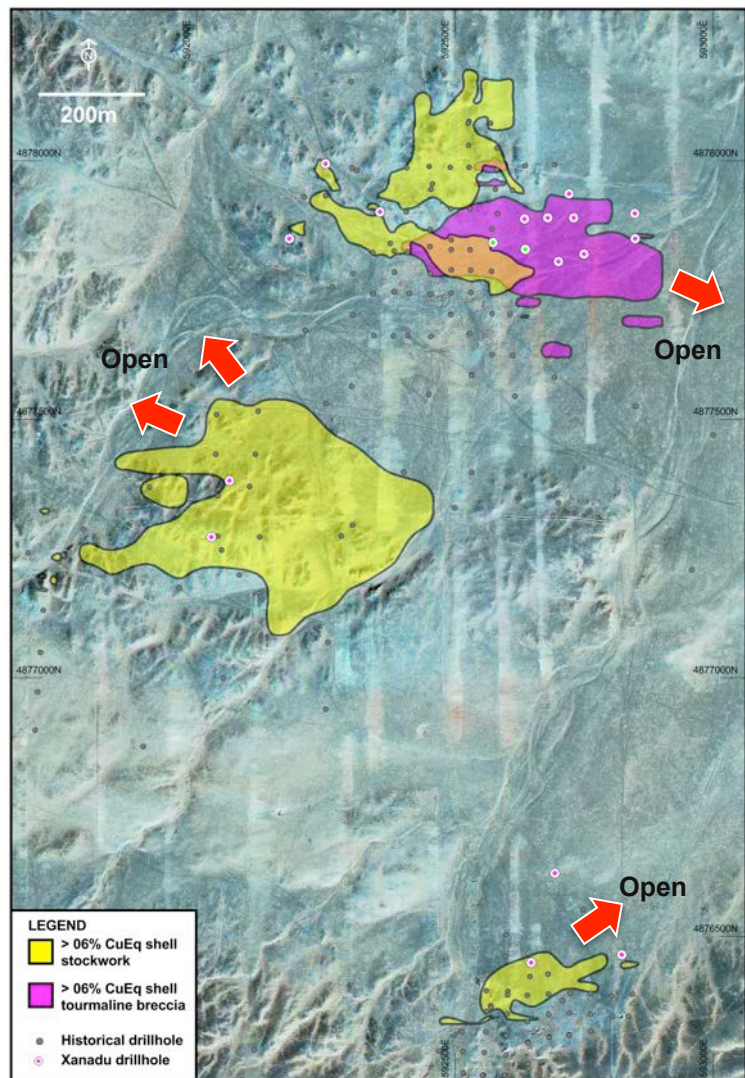


› **Extensive historic exploration completed:**

- 119 trenches completed (65,636m)
- Array IP, ground magnetics, ground gravity
- 208 reverse circulation drill holes (27,747m)
- 171 diamond drill holes (63,893m)



Central Kharmagtai mineralisation



High grade Au-rich porphyry mineralisation

JORC Exploration Target¹

	Mt	Cu %	Au g/t
Global Target	200-450	0.25-0.30	0.25-0.30
High-grade	50-80	0.40-0.50	0.60-0.80

Historic Representative Intersections

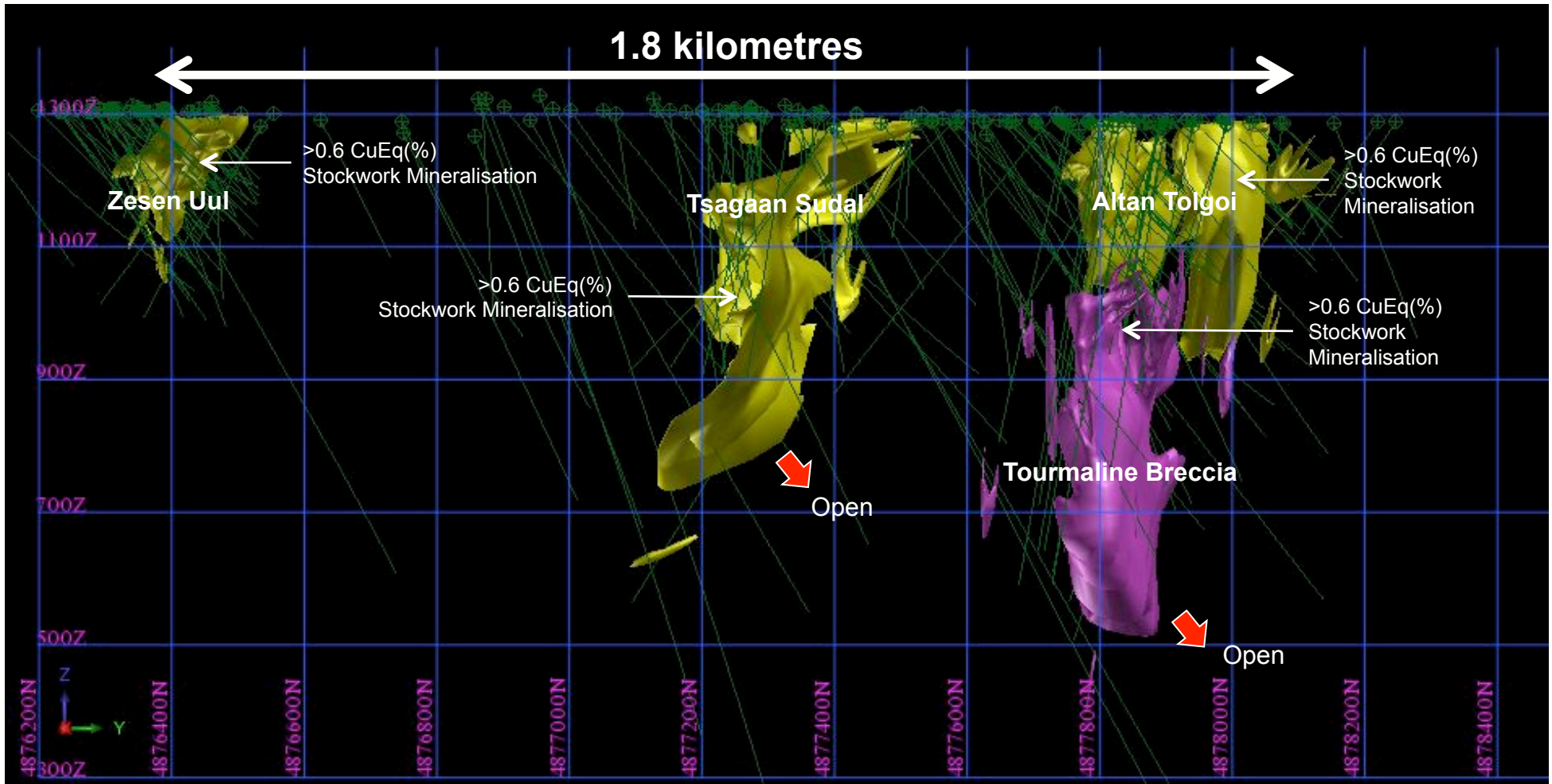
Altan Tolgoi	KHDDH240: 245m @ 0.75% Cu & 2.48g/t Au from 3m (2.31% CuEq) KHDDH259: 203m @ 0.45% Cu & 2.45g/t Au from 3m (1.99% CuEq) KHDDH281: 210m @ 0.63% Cu & 1.61g/t Au from 28m (1.64% CuEq)
Zesen Uul	KHDDH006: 182m @ 0.47% Cu & 0.52g/t Au from 108m (0.80% CuEq) KHDDH004: 94m @ 0.65% Cu & 2.06g/t Au from 98m (1.94% CuEq) KHDDH021: 88m @ 0.85% Cu & 1.30g/t Au from 50m (1.67% CuEq)
Tsagaan Sudal	KHDDH301: 527m @ 0.32% Cu & 0.34g/t Au from 22m (0.53% CuEq) KHDDH324: 528m @ 0.36% Cu & 0.22g/t Au from 148m (0.50% CuEq)

- JORC Table 1 disclosures in ASX release of 5 September 2014 continue to apply.



Central Kharmagtai long section

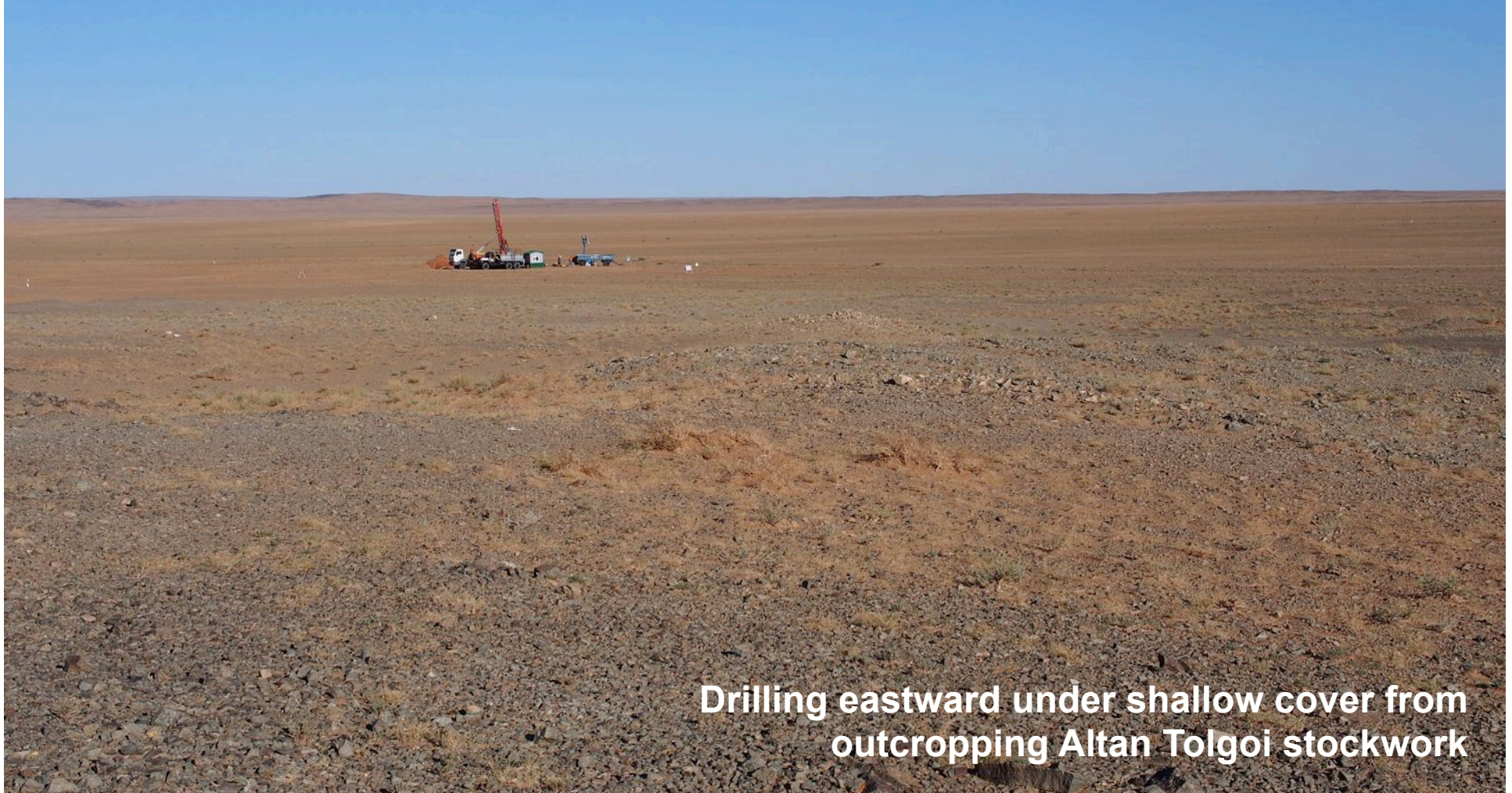
N-S long section of high-grade stockwork zones and tourmaline breccia discovery





Testing discovery potential under cover

Potential to discover multiple mineralised zones under shallow cover



**Drilling eastward under shallow cover from
outcropping Altan Tolgoi stockwork**



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SECTION 4: Altan Tolgoi discovery



Altan Tolgoi tourmaline breccia discovery

Massive chalcopyrite infill around mineralised porphyry stockwork clasts

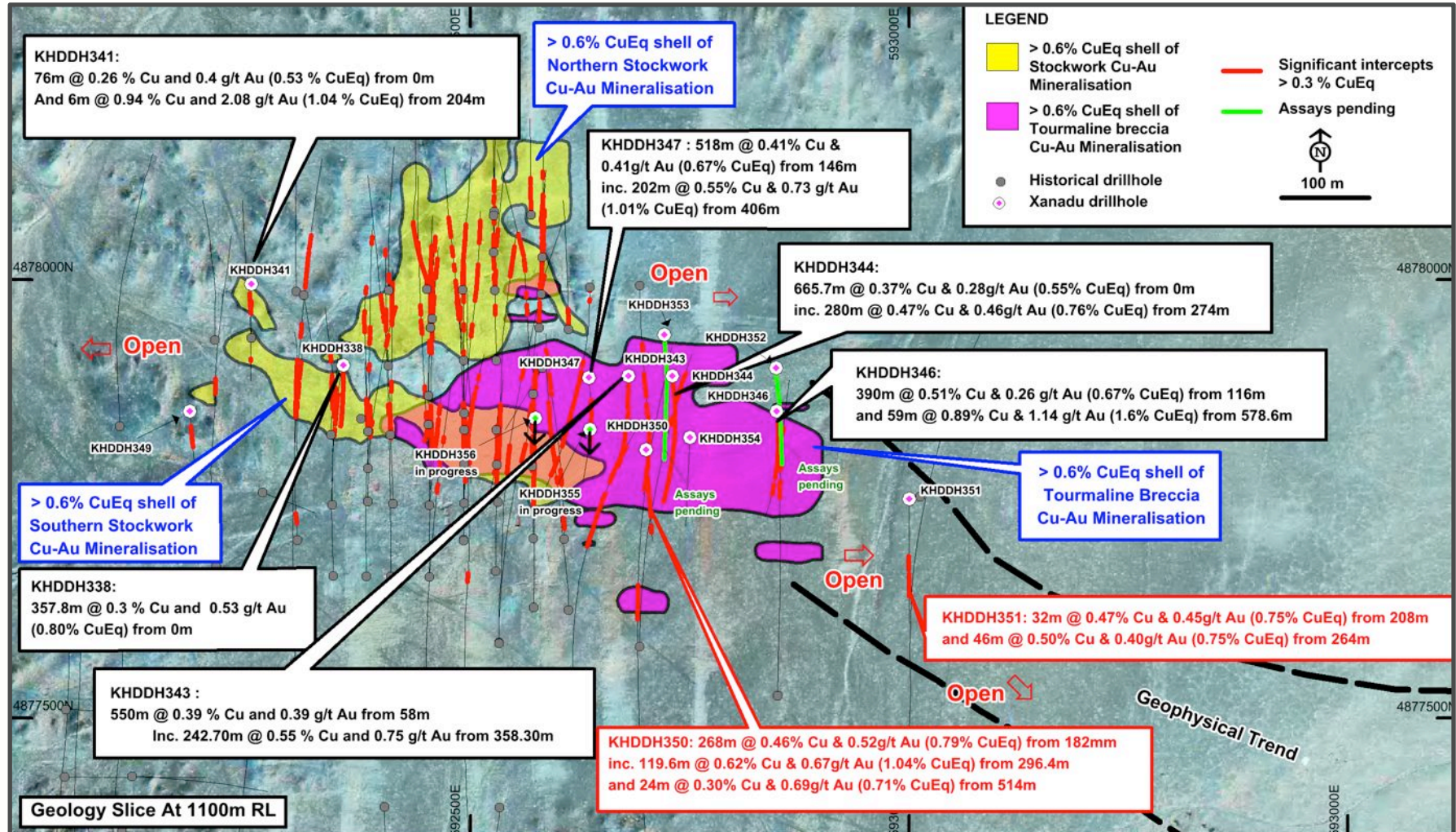


KHDDH343 discovery hole



Altan Tolgoi plan

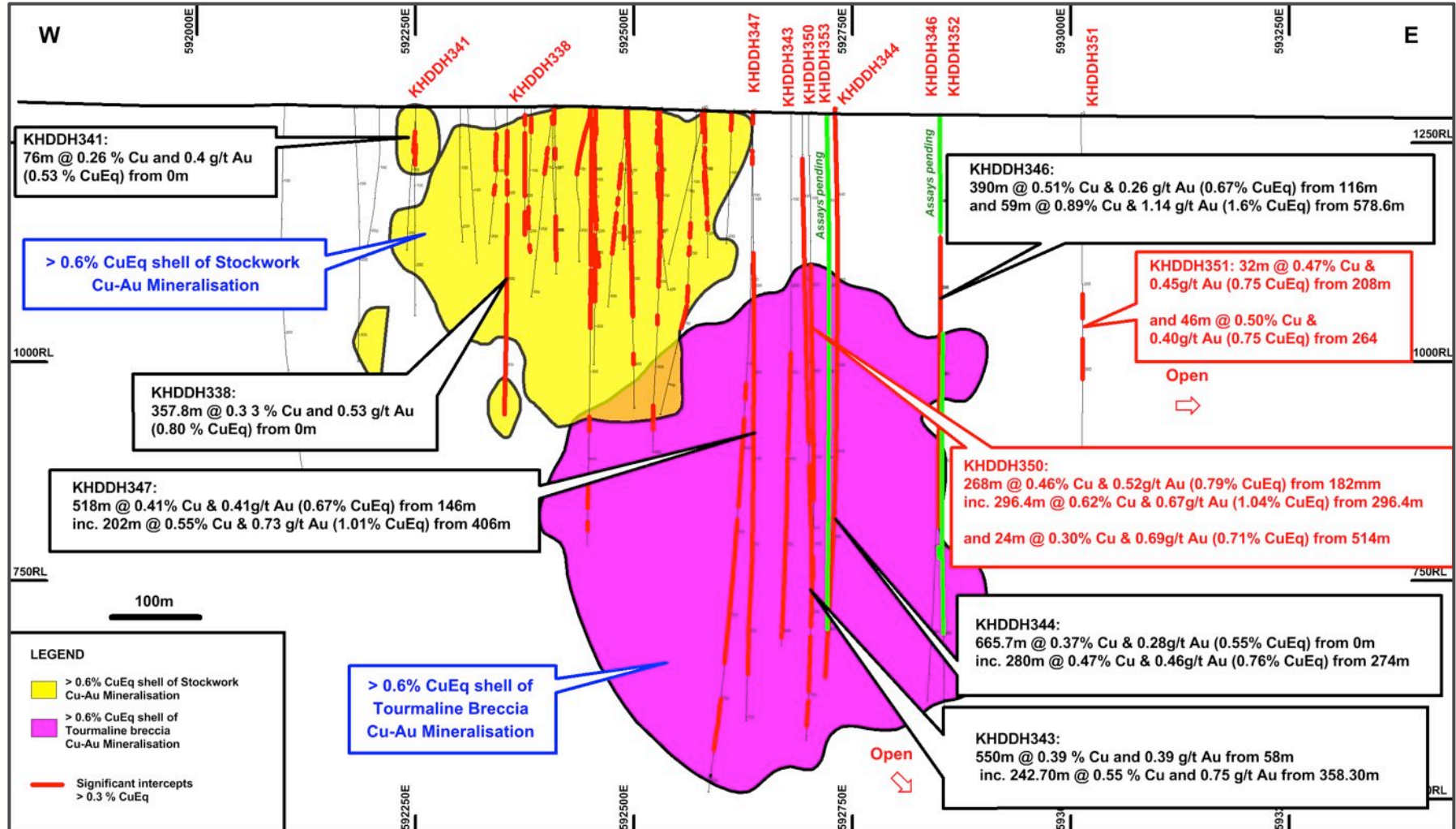
Mineralisation remains open to the east along the geophysical trend





Altan Tolgoi long section

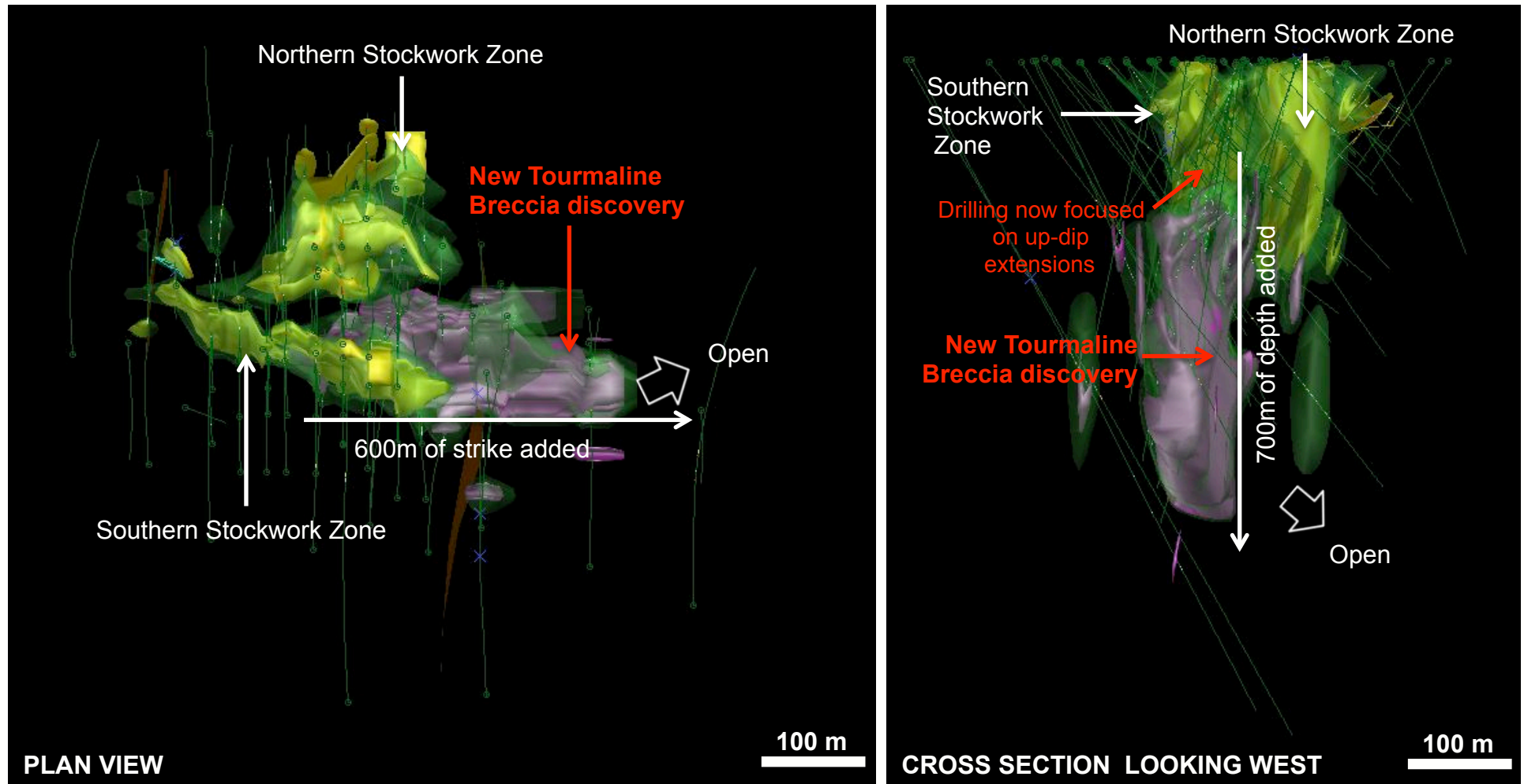
Tourmaline breccia intrusion overprints gold-rich stockwork





Altan Tolgoi mineralisation block model

Wireframe model defines open mineralisation and new targets





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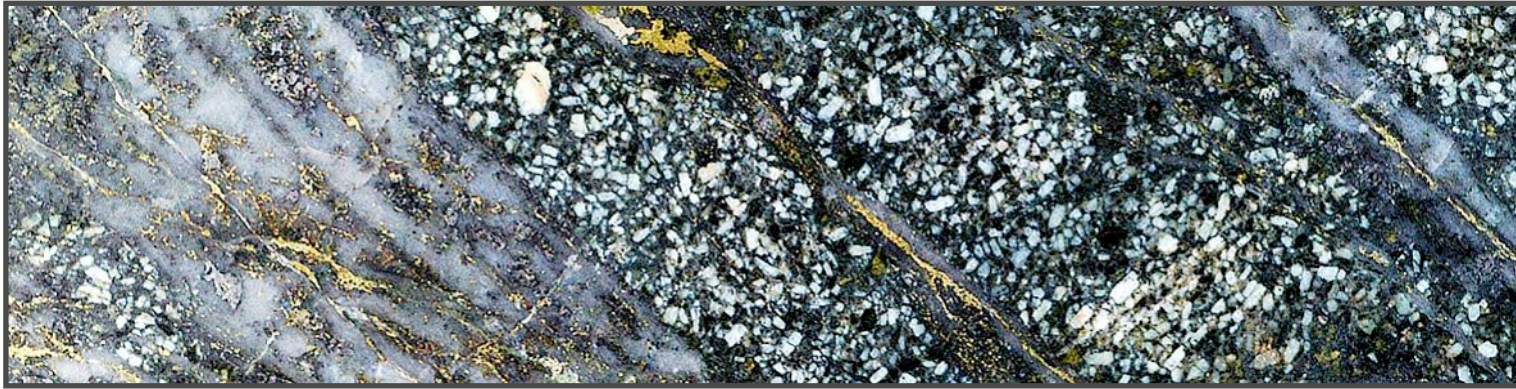
SECTION 5: Altan Tolgoi geology





Stockwork mineralisation

Gold-rich quartz veining with copper present as chalcopyrite and bornite



2 cm

Laminated quartz-chalcopyrite-magnetite sheeted veins:
2 metres @ 2.45 g/t Au and 0.96% Cu

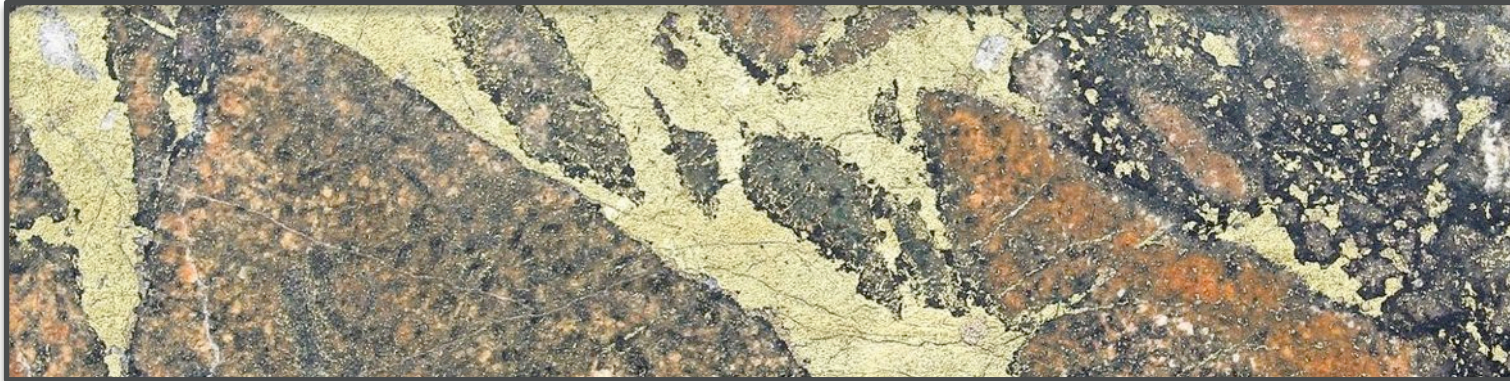


Massive granular quartz-chalcopyrite-magnetite vein:
2 metres @ 6.25 g/t Au and 2.52% Cu



Tourmaline breccia mineralisation

Coarse chalcopyrite infill creates zones of exceptionally high copper grades



KHDDH346: 419.5m. From a 2m interval (418m to 420m) that assayed 2.86% Cu & 2.13 g/t Au

2 cm



KHDDH346: 415.5m. From a 2m interval (414m to 416m) that assayed 5.16% Cu & 3.44 g/t Au



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SECTION 6: Milestones & analogues





Timeline and milestones

Adding value via low cost, high impact exploration and multi-disciplinary studies

	4Q 2014	1Q 2015	2Q 2015	3Q 2015	4Q 2015
Kharmagtai					
Diamond drilling					
- Central Kharmagtai drilling					
- district exploration drilling					
Central Kharmagtai scoping study					
Central Kharmagtai resource estimate					
Central Kharmagtai advanced studies					
Oyut Ulaan					
Geophysics					
Diamond drilling					

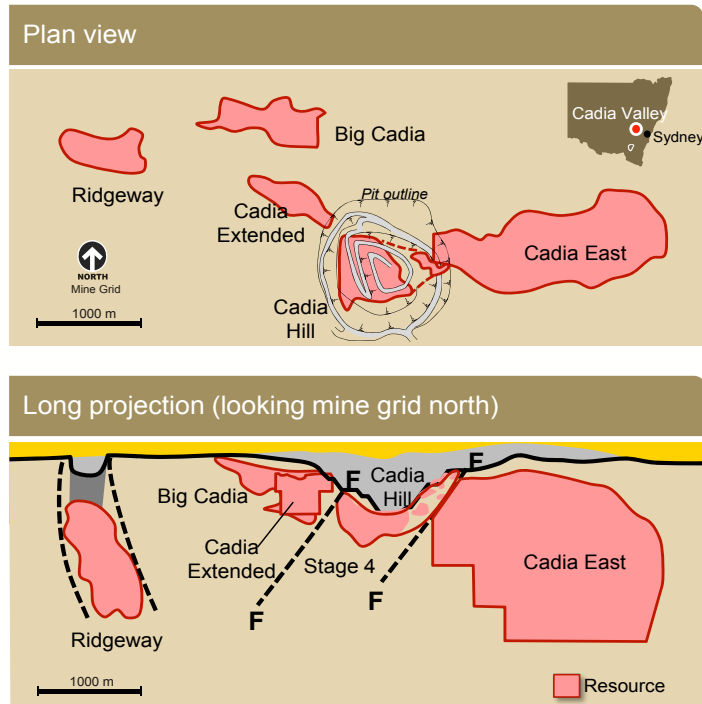


Kharmagtai & Oyut Ulaan analogues

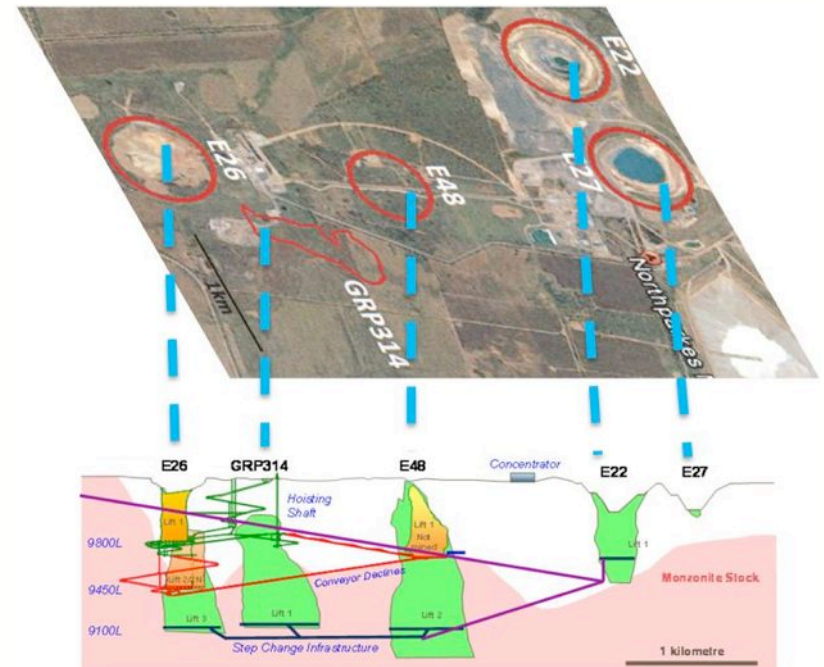
Xanadu's projects are analogous to the Lachlan Fold Belt Cu-Au porphyries

- > Small (10Mt x) to moderate (100Mt x) porphyry systems
- > Clusters of porphyry centres that are typically vertically extensive
- > Resources can grow quickly within a district once geology is understood

Cadia Valley Operations, Australia (Newcrest)



Northparkes, Australia (ex Rio Tinto)





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