XANADU MINES

2014 ANNUAL REPORT

Xanadu Mines Limited ASX:XAM

Contents

www.xanadumines.com

Letter from the Chairman

Dear Shareholder

The 2014 financial year has been a busy and successful year for your Company. Some key highlights include the repositioning of the Company to focus on copper-gold porphyry projects in Mongolia, the completion of the company-transforming acquisition of the Kharmagtai copper-gold project, the restructuring and completion of the Oyut Ulaan project acquisition and exploration success at both of these projects. Xanadu also exited non–performing licenses, sold its Mongolian office property to release cash and realised significant administrative cost savings. The Company remains committed to Mongolia and the team is driven to deliver shareholder value through exploration and development success leading to a development plan.

We have actively positioned your Company to focus on the copper-gold porphyry opportunity in the world class South Gobi copper belt. We have built strong foundations from which to advance the Kharmagtai and Oyut Ulaan projects.

We entered the 2014 financial year having announced the amended acquisition terms for the Oyut Ulaan project and by early in the second quarter, had completed a trenching and drilling program that yielded multiple high-grade copper and gold intersections. These results highlight the potential of the project and we now have a number targets to follow-up. Oyut Ulaan is an earlier stage project but it does offer considerable exploration upside with only modest expenditure.

In February 2014, the Company entered agreements with its joint venture company, Mongol Metals LLC, to acquire 90% of the Kharmagtai copper-gold project from Turquoise Hill Resources Ltd. This was a bold step for the Company, and management has shown great determination and perseverance to complete the acquisition, with shareholder approval received on 16 May, and with drilling commencing three weeks later. The drilling results have been excellent with significant extensions to known high-grade mineralisation at all three prospects. This program has added significantly to the project's scale with the discovery of a new mineralised tourmaline breccia zone with multiple intersections over 500 metres grading greater than 0.6% CuEq including a number of intersections over 200 metres grading greater than 1% CuEq. These results have been met with strong share market support. Kharmagtai is our flagship project and we are excited about the prospect of further exploration success leading to a development plan.

We have made a conscious decision to stay committed to Mongolia. The South Gobi region has excellent geological potential and has the ingredients required for successful project development as demonstrated by the world class Oyu Tolgoi operations. The country also has a maturing regulatory environment and offers many comparative advantages over other emerging resources provinces.

Mongolia has seen several positive changes over the last 12 months. A new Investment Law was introduced in November 2013 which provides for a stable fiscal regime and directly negotiated investment agreements. The state's minerals policy framework has also been further developed leading to the amendment of the 2006 Mining Law. We look upon these amendments as a very positive development as the Government moves to further generate international support for its mining sector.

We are also drawn to the geography of the South Gobi region of Mongolia in particular. Not only is this region endowed with incredibly rich geological potential but, in contrast to many other emerging natural resources frontiers, it has established power and transport infrastructure, an experienced mining services sector, and topography that is conducive to open pit project development. It is also proximate to the high growth customer markets of north Asia.

We have a strong presence in Mongolia and are supported by outstanding international exploration and support teams.

Xanadu is supported by a very capable national team in Mongolia. This team is skilled in exploration, operations support, finance, administration and community relations. The results of their hard work is evident in what we have been able to accomplish over the past year. Our national team is a vital part of the Company and our continued success.

Lastly, I would like to acknowledge the efforts of our Board, management team and all staff. Xanada's strong performance in 2014, in what was generally a tough year for junior miners, is a result of the dedication and professionalism of our people. Thanks for all your contributions and as a team we have delivered exceptional exploration results.

Mark Wheatley
Non-Executive Chairman
30 September 2014

Directors' Report

The Directors submit their report for Xanadu Mines Ltd ("Xanadu" or "the Company") and its controlled entities for the year ended 30 June 2014 (together referred to as the "consolidated entity").

Directors

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. The Directors were in office for the entire period unless otherwise stated.

Mark Wheatley (Independent Non-Executive Director) (Appointed Chairman 25 November 2013; Director since 9 November 2012)

B.E. (Chem Eng Hons 1), MBA

Mark is an experienced resources company director with a career spanning more than 30 years in mining and related industries. He is currently serving as non-executive director of US listed Uranium Resources Inc. His other independent 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.. Mark is the Chairman of the Risk Management and Audit Committee.

George Lloyd (Managing Director) (Appointed 26 August 2013)

B.E. (Hons), MBA

George has a background in engineering, corporate finance and direct investment, primarily in the natural resources and related sectors. He has accumulated significant experience in Mongolia and been instrumental in funding and corporate transactions for coal, copper and mining services companies in Mongolia. His earlier roles include research and investments at a Singapore-based hedge fund, business development at Wesfarmers Limited and corporate finance with Grant Samuel & Associates. George has a B.E. (Honours) from the University of New South Wales, an M.B.A. from the Australian Graduate School of Management (UNSW) and he completed the NYU Stern School of Business International Management Program. George is a member of the Utility Committee.

Ganbayar Lkhagvasuren (Executive Director)

M.IBL

Ganbayar is a co-founder of Xanadu and has been a Director since 2006. He is the joint venture partner in Mongol Metals LLC and brings a vital Mongolian perspective to the Board of Directors. He works closely with the Managing Director and Chief Geologist in corporate development and managing the day-to-day operations in Mongolia.

Hannah Badenach (Non-Executive Director)

B. Laws (Hons), B. Arts

Ms Badenach is Director Mongolia at Noble Resources International Pte Ltd (Noble) and a lawyer having practiced for several years, including 2 years in Mongolia with Lynch & Mahoney. Hannah has extensive Mongolian, commercial and business development experience, having managed QGX LLC until the company was sold in 2008 and now developing and running Noble's business in Mongolia. Hannah is a member of the Utility Committee.

Darryl Clark (Independent Non-Executive Director)

B.Sc (Honours), Phd (Economic Geology), FAusIMM

Darryl is an exploration geologist whose career has taken him throughout Australia, Central Asia and South East Asia for over 20 years. His responsibilities over the last 10 years have involved him in a diverse range of technological, political and cultural environments with unique challenges. During previous corporate roles with both Vale and BHP Billiton, and in consulting roles including SRK, he has been responsible for business development strategies, designing multi-commodity exploration programs and the co-ordination of exploration teams to deliver discovery events. Currently, Darryl is General Director for the Inkai Joint Venture mining operation in Kazakhstan owned by Cameco Corporation and Kazatomprom. Darryl is a member of both the Risk Management and Audit Committee, and Chairman of the Utility Committee.

Barry Lavin (Independent Non-Executive Director) (Appointed 22 September 2014)

B.Sc (Hons) (Mining Engineering), MBA

Barry is an accomplished senior mining executive who spent 18 years with the Rio Tinto Group until 2009, where his most recent executive role was in its Copper Group having the responsibility for identifying and evaluating acquisitions. Barry is a mining engineer and while at Rio Tinto was the Managing Director of the Northparkes Mines JV where he helped position the operation as a highly productive, profitable and safe underground block caving operation. At Rio Tinto, Barry also held the role of Managing Director of Global Technical Services. Barry is currently a non-executive director of Barminco Ltd, an Australian underground mining contractor with international operations, a non-executive director of Ferrum Americas Inc., a listed Canadian junior, and is Managing Director of Teviot Resources Pty Ltd., a diversified junior. Barry also served on the Board of Oz Minerals from 2011 to 2013.

Brian Thornton (Non-Executive Director) (Resigned 28 February 2014)

BEc, F.Fin

Denis Gately (Non-Executive Chairman) (Ceased 22 November 2013)

BA, LLB(Syd), FAICD

Robert Westphal (Non-Executive Director) (Resigned 22 November 2013)

B. Com, F.C.A, F.Fin, MAICD

Company Secretary

Janine Rolfe (Appointed 25 November 2013)

BEc LLB (Hons)

Janine has over 12 years' experience as a corporate lawyer and company secretary. Janine established the business now known as Company Matters in 2006. Previously, Janine was a Company Secretary at Qantas Airways Limited where she was responsible for the day-to-day management of all public company issues arising within the Qantas Group. Prior to that, Janine was a Solicitor at Mallesons Stephen Jaques, working in the mergers and acquisitions and corporate advisory teams.

Mark Langan (Resigned 25 November 2013)

CA, B Bus

Corporate Structure

Xanadu is a company limited by shares that is incorporated and domiciled in Australia. The Company has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, which are outlined in Note 16 of the financial statements.

Directors' Interests in the Shares and Options of the Company and Related Bodies Corporate

As at the date of this report, the interests of the Directors in the shares of the Company were:

Name	Special Responsibilities	Ordinary Shares	Options Over Ordinary Shares	Share Rights
M Wheatley	Non-Executive Chairman, Chairman of the Risk Management and Audit Committee	1,332,666	–	1,500,000
G Lloyd	Managing Director, member of the Utility Committee	4,733,333	–	4,000,000
Ganbayar L	Executive Director	14,389,565	3,000,000	1,800,000
H Badenach	Non-Executive Director, member of the Utility Committee	625,000	–	–
D Clark	Non-Executive Director, member of the Risk Management and Audit, and Chairman of the Utility Committee	735,000	–	1,000,000
B Lavin	Non-Executive Director	–	–	–

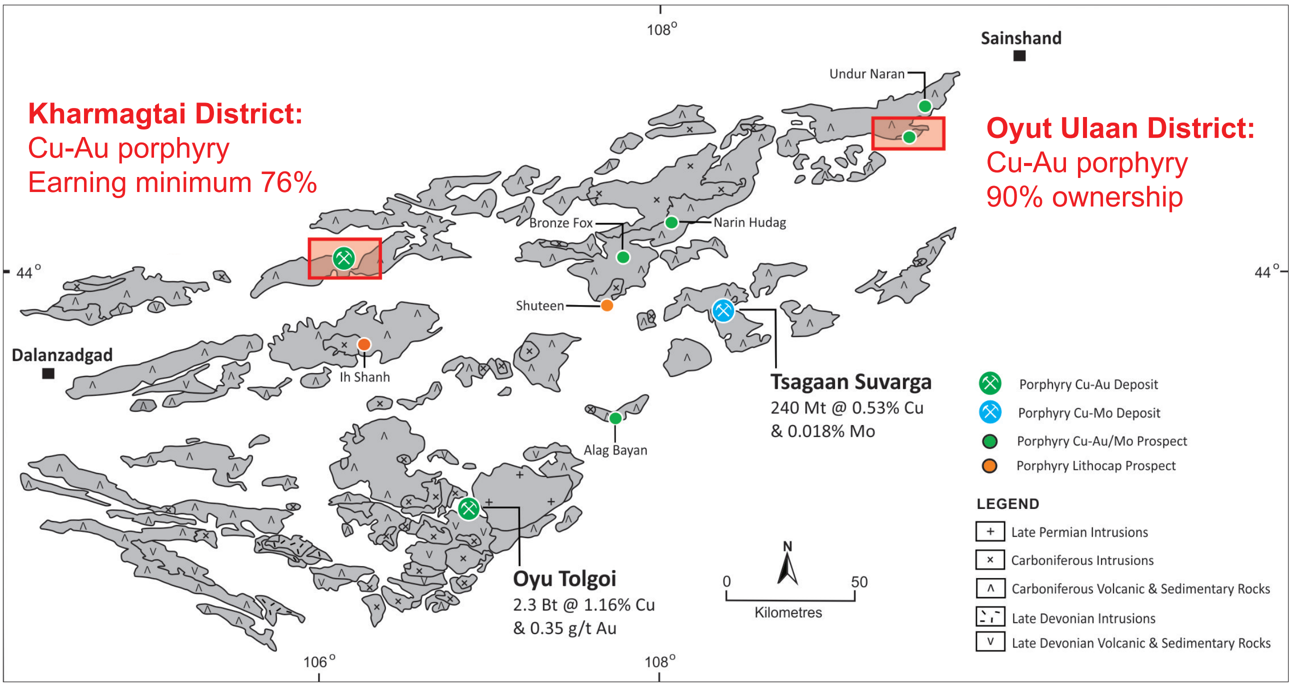
Earnings Per Share	2014	2013
Basic earnings per share (cents)	(4.09)	(9.41)

Nature of Operations and Principal Activities

The principal activities of the entities within the consolidated entity during the year were exploration and development of its various mineral exploration projects in Mongolia.

Review of Operations

The Company underwent significant restructuring during the 2014 financial year. Following a comprehensive operations review by management it was decided to exit Xanadu's exposure to coal through the sale of the Ekhgoviin Chuluu joint venture interest to Aspire Mining Limited. The Company also sold its interest in the Ulaanbaatar office and closed its permanent Australian office. These initiatives have focussed the Company and supported the strategy underlying the acquisition of the Kharmagtai and Oyut Ulaan projects in particular. As a result the Company has a valuable copper-gold project position in Mongolia's South Gobi region as shown in the following figure.



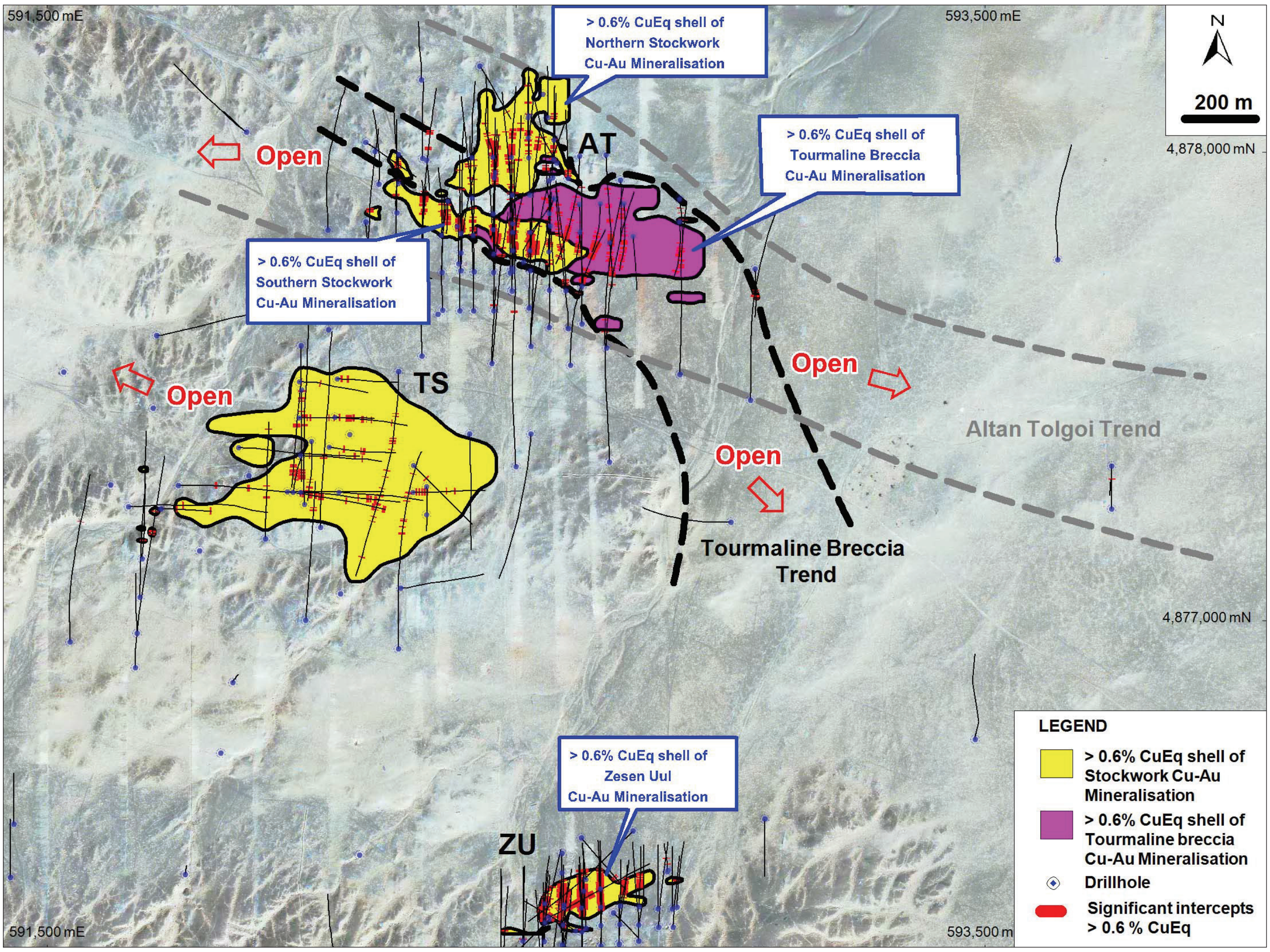
The Company has placed an emphasis on developing a strong safety culture and this has been reflected in the safety performance over 2014. This will remain a priority as we move forward and further improve our systems and processes.

Kharmagtai Project (Xanadu Earning up to 76.5%)

The Company announced the acquisition of a 90% interest in the Kharmagtai copper-gold project by its Mongol Metals LLC joint venture company for US$14 million from Turquoise Hill Resources Ltd on 3 February 2014. Shareholders approved the Kharmagtai transaction on 16 May 2014 and shortly thereafter Mongol Metals LLC completed the acquisition. The Company has the right to earn an 85% interest in Mongol Metals LLC, equivalent to a 76.5% effective interest in the Kharmagtai project, by funding acquisition and exploration costs.

The Kharmagtai copper-gold porphyry district is located within the Omnogovi Province of southern Mongolia, approximately 420km south southwest of Ulaanbaatar. The project is strategically located 120km north of the giant Oyu Tolgoi porphyry copper-gold project and 60km north of the Tavan Tolgoi coal deposit. The Project is an advanced exploration project consisting of multiple co-genetic, gold-rich porphyry copper centres and tourmaline breccia pipes occurring within the Lower Carboniferous Kharmagtai Igneous Complex. Exploration has identified significant shallow high-grade porphyry copper-gold mineralisation. A majority of the mineralised porphyry complex lies under unexplored shallow sediments. The large licence area has only been partially explored and the potential for further discoveries remains high.

Drilling commenced shortly after acquisition at the Kharmagtai project utilising two diamond drill rigs. Approximately 10,000m of diamond drilling has been completed at the time of this report with excellent results. The exploration program has added high-grade extensions to all of the prospects and most notable is a new mineralised tourmaline breccia discovery east of Altan Tolgoi, an area within the Kharmagtai Project. This has materially added to the scale and potential of the Project as is demonstrated in the following plan which shows the 0.6% copper equivalent shell around the most advanced prospects.



Oyut Ulaan Project (Xanadu 90%)

The Company announced the completion of the acquisition of a 90% interest in the Oyut Ulaan project from Temujin Mining Corp. in January 2014 following shareholder approval on 22 November 2013. The Oyut Ulaan copper-gold project is located in the Dornogovi Province of southern Mongolia, approximately 70km west of the future industrial centre of Sainshand. Exploration activity in the second quarter included drilling along strike of previously discovered mineralisation at the Diorite Hill prospect and new mapping and trenching across the licence. This defined the Diorite Hill prospect as a broad zone of shallow copper-gold mineralisation with a strike length of over 600m and remains open in all directions. This drilling has only tested a relatively small part of the Oyut Ulaan license area with potential for further mineralisation along the main structure (magnetic high) at Diorite Hill and the possibility that mineralisation extends at depth.

The Company will continue its systematic, exploration program at Oyut Ulaan. The next phase of exploration will focus on delineating potential shallow, high-grade mineralisation by exploring along strike from existing intersections and testing the many geophysical and geochemical anomalies which remain within the Oyut Ulaan license area.

Sharchuluut Project (Xanadu 100%)

During the year the Company completed new mapping and geochemical sampling at the Sharchuluut Project in northern Mongolia near the Erdenet copper operations resulting in the identification of exposed granodiorite porphyry mineralisation grading up to 0.8% copper and 31 ppm molybdenum. This mineralised outcrop represents a high priority drill target.

Non-Core Assets

The Company completed a strategic review of its assets over the year. This resulted in the exit from a number of non-core assets, including the sale of its 50% interest in the Ekhgoviin Chuluu LLC joint venture. Xanadu has reduced its fixed operating costs through this rationalisation process and has successfully secured a portfolio of attractive copper-gold projects in Mongolia's South Gobi copper belts.

Financial Performance

The Company realised a loss of $8.4 million for the year ending 30 June 2014 (2013: $19.8 million). The recognition of impairments and write-downs of $5.0 million (2013: $17.0 million) contributed a large proportion of the loss. This was the result of a review of the Company's operations that led to the disposal of the Company's coal projects. The Company recognised capitalised acquisition and exploration costs of $15.3 million for the Kharmagtai project and invested a further $3.5 million (2013: $3.4 million) in other exploration activities, primarily at the Oyut Ulaan copper-gold project. The Company recognised total net assets of $19.0 million versus $19.8 million in 2013 reflecting the impairments and investments in our metals projects. The Company had other operating expenses of $3.0 million before net foreign currency losses and the loss on sale of property (2013: $3.1m). Administration expenses decreased to $0.9 million (2013: $1.7 million) in large part as a result of the implementation of the operations review.

Political & Regulatory Risks

The Company's operations are subject to various levels of government controls and regulations in the countries where it operates, including Australia and Mongolia. These laws and regulations include matters relating to land tenure, drilling, production practices, environmental protection, royalties, various taxes and levies including income tax, foreign trade and investment and government approval of license transfers and other regulatory approvals that are subject to change from time to time. Current legislation is generally a matter of public record and the Company cannot predict what additional legislation or amendments may be proposed that will affect the Company's operations or when any such proposals, if enacted, might become effective. There is no certainty regarding obtaining government approvals. Changes in government policy or laws and regulations could adversely affect the Company's results of operations and financial condition. The Company will continue to actively monitor any risk relating to Mongolia's regulatory and political environment.

Capital Management

The Company's cash position as of the 30 June 2014 was $4.4 million (2013: $5.6 million). The Company had negative cash flow for the financial year ended June 2014 as is the nature of exploration work and may need to seek additional capital in order to continue with its attractive exploration program. There can be no assurance that additional capital will be available or available on acceptable terms. Capital management is a priority of management and the Company retains the flexibility to further reduce its cost base while preserving its top-ranked exploration projects if required.

Exchange Rate & Commodity Price Risks

All of the Company's current operations are located in Mongolia. The Company's operating and capital costs are generally denominated in U.S. Dollars and/or Mongolian Tugriks. A substantial portion of the Company's remuneration costs is denominated in Australian Dollars. Fluctuations in exchange rates may have a negative impact on the Company's financial results and could have a material adverse impact on the Company's operations. Commodity prices are volatile and are subject to fluctuation. At this stage, the Company's projects do not generate any operating revenues. However, commodity prices, and in particular the copper price, may impact the feasibility and valuation of the Company's projects.

Information on the Company's exploration results is sourced from information compiled by Dr. Andrew Stewart. Dr. Stewart is an employee of Xanadu Mines Ltd and is a Member of the Australasian Institute of Geoscientists and has sufficient experience in the areas being reported on to qualify as the "Competent Person" as defined in the 2012 Edition of the "Australasian Code for the Reporting of Mineral Resources and Reserves". Dr. Stewart consents to the information in the form and context in which it appears.

Review of Financial Condition

The consolidated entity recorded an operating loss after income tax and non-controlling interests of $8.4 million (2013 Loss: $19.4 million). Income tax expense for the year is $0 (2013: $0).

Capital Structure

As at the date of signing this report, the Company had 241,536,839 fully paid ordinary shares and a total of 70,840,000 options and share rights over ordinary shares on issue. Details of the terms of the options and share rights are outlined in the Remuneration Report and Note 14 of the financial statements.

Dividends

No dividend was paid or declared during the year ended 30 June 2014.

Cash Flow

The net cash outflow from operations of $2.6 million was marginally lower than the cash outflow in the previous year of $2.7 million. The cash outflow was due to payments to suppliers and employees.

The net cash outflow from operations and investment activities was funded by cash reserves of $5.6 million, borrowings of $2.1 million, issuance of shares $1.6 million and an injection of equity from a related party of $4.3 million. The cash balance at year end was $4.4 million.

Significant Changes in the State of Affairs

There are no significant changes to the state of affairs of the Company.

Significant Events After the Balance Date

- On 17 September 2014 the Company increased its equity in the joint venture company Mongol Metals LLC to 41.5% by way of further subscription for shares.
- On 22 September 2014 the Company announced that Mr Barry Lavin had been appointed as an Independent Non-Executive Director.

Other than the above, there are no other significant events that have occurred after the balance sheet date.

Likely Developments and Expected Results

The Directors foresee that the 2015 financial year will focus on exploration at the Company's copper-gold projects in Mongolia.

Environmental Regulation and Performance

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

Share Rights and Options issued over/in respect of ordinary shares

As at the date of this report, there were a total of 70,840,000 unissued share rights and options.

Date Options and Shares Rights Granted	Expiry Date	Exercise Price of Options and Share Rights	Number
27-May-07	31-Dec-14	$0.50	14,000,000[1]
19-Dec-07	19-Dec-14	$0.50	5,240,000[1]
1-Jul-11	30-Jun-16	$0.60-$1.80	3,000,000[1]
11-Nov-11	31-Dec-14	$0.70-$1.00	2,000,000[1]
22-May-13	23-May-16	Nil	3,300,000[2]
22-Nov-13	23-May-16	Nil	1,800,000[2]
22-Nov-13	26-Feb-16	Nil	4,000,000[2]
21-Jan-14	14-Jan-19	Nil	35,000,000[3]
16-May-14	28-Feb-16	Nil	2,500,000[2]

[1] Options.

[2] Share Rights may vest according to the vesting hurdles set out in the Remuneration Report.

[3] Series A and Series B Share Rights issued to the vendor of the Oyut Ulaan Mining Licence. Vesting of Series A (15,000,000) is contingent on recognition of a JORC resource of at least 300,000 tonnes contained copper equivalent, and Series B (20,000,000) is contingent on the recognition of a JORC resource of at least 900,000 tonnes contained copper equivalent.

Indemnification and Insurance of Directors and Officers

The Company has entered into Director and Officer Protection Deeds ("D&O Deed") with each Director and the Company Secretary ("Officers"). Under the D&O Deed, the Company indemnifies the Officers to the maximum extent permitted by law and the Xanadu Constitution against legal proceedings, damage, loss, liability, cost, charge, expense, outgoing or payment (including legal expenses on a solicitor/client basis) suffered, paid or incurred by the officers in connection with the Officers being an officer of the Company, the employment of the officer with the Company or a breach by the Company of its obligations under the D&O Deed.

Also pursuant to the D&O Deed, the Company must insure the Officers against liability and provide access to all board papers relevant to defending any claim brought against the Officers in their capacity as officers of the Company. The Company has paid insurance premiums of $30,096 (2013: $36,497) in respect of liability for any current and future Directors, Company Secretary, executives and employees of the Company. This amount is payable in total and no specific amount is included in the Directors' remuneration.

Non-Audit Services

Other services in relation to tax advice were provided by Ernst & Young during the financial year. The fees were $13,625 (2013; $18,740) for those services.

The Directors are satisfied that:

a. the non-audit services provided during the financial year by Ernst & Young as the external auditor were compatible with the general standard of independence for auditors imposed by the Corporations Act ("the Act"); and
b. any non-audit services provided during the financial year by Ernst & Young as the external auditor did not compromise the auditor independence requirements of the Act for the following reasons:
   i. all non-audit services are reviewed and approved by the Managing Director prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
   ii. the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

Indemnification of Auditor

To the extent permitted by law, the Company has agreed to indemnify the auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit. No payment has been made to indemnify the auditors during the financial year.

Remuneration Report (Audited)

This report outlines the remuneration arrangements in place for key management personnel ("KMP") of the Company, in connection with the management of the affairs of the entity and its subsidiaries, during the year to 30 June 2014.

KMP have authority and responsibility for planning, directing and controlling the activities of the Company and the consolidated entity, including Directors of the Company and other executives. KMP comprise the Directors of the Company and executives of the Company and the consolidated entity including the most highly remunerated executives.

Remuneration Philosophy

It is the Company's objective to provide maximum shareholder benefit from the retention of higher quality Board and executive team by remunerating Directors and key executives fairly and appropriately with reference to relevant employment market conditions.

The Company's remuneration philosophy is to establish competitive remuneration (including performance incentives) consistent with long term development and success, to ensure remuneration is fair and reasonable (taking into account all relevant factors, and within appropriate controls or limits), that performance and remuneration are appropriately linked, that all remuneration packages are reviewed annually or on an ongoing basis in accordance with management's remuneration packages, and that retirement benefits or termination payments (other than notice periods) will not be provided or agreed other than in exceptional circumstances.

Currently, the remuneration of the Company's KMP including any component of the remuneration that consists of securities in the Company is not formally linked to the financial performance of the Company. The rationale for this approach is that the Company is in development phase, and it is currently not appropriate to link remuneration to factors such as profitability. It is anticipated that this will change once the Company transitions into its operational phase.

Utility Committee

During the reporting period, the Board dissolved the Remuneration Committee and in January 2014 established the Utility Committee. The Utility Committee is responsible for determining and reviewing compensation arrangements for Directors and executives. The Utility Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum shareholder benefit from the retention of a high quality Board and executive team. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

The members of the Utility Committee are:

- Darryl Clark, Chairman;
- Hannah Badenach; and
- George Lloyd.

Non-Executive Director Remuneration

The aggregate cash remuneration will not exceed the maximum approved amount of $350,000. The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable by shareholders.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers fees paid to Non-Executive Directors of comparable companies when undertaking the annual review as well as additional time commitment of Directors who serve on one or more sub committees and assistance to the Company with new investment opportunities.

Non-Executive Directors are encouraged by the Board to hold shares purchased on market in accordance with the Company's Securities Trading Policy. The Board considers that by holding shares in the Company, the Non-Executive Directors are aligning themselves with the best interests of the shareholders. The remuneration of Non-Executive Directors for the year ended 30 June 2014 is detailed under the remuneration section of this report. Furthermore in April 2013, the Non-Executive Directors elected to accept a reduction of their cash remuneration in lieu of share rights issued under the Xanadu Equity Incentive Plan (as approved by shareholders).

Executive Remuneration

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company so as to:

- reward executives for company and individual performance;
- align the interests of executives with those of shareholders;
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

Executive remuneration comprises:

- base pay and benefits;
- short term incentives; and
- long term incentives through equity based compensation.

Fixed Remuneration

Base pay and benefits
Base pay is structured as a total employment cost package that may be delivered as a combination of cash and salary sacrifice superannuation at the executive's discretion.

Executives are offered a competitive base pay. Reference is made to industry benchmarks to ensure that the base pay is set to reflect the market for a comparable role. Base pay is reviewed annually, or upon promotion, to ensure the executive's pay is competitive with comparable positions of responsibility. There are no guaranteed base pay increases included in any executive contracts.

Details of Key Management Personnel

M Wheatley	Independent Non-Executive Director Independent Non-Executive Chairman (Appointed Chairman 25 November 2013)
G Lloyd	Managing Director (Appointed 26 August 2013)
Ganbayar L	Executive Director
H Badenach	Non-Executive Director
D Clark	Independent Non-Executive Director
B Lavin	Independent Non-Executive Director (Appointed 22 September 2014)
D Gately	Independent Non-Executive Chairman (Ceased 22 November 2013)
B Thornton	Non-Executive Director (Resigned 28 February 2014)
R Westphal	Independent Non-Executive Director (Resigned 22 November 2013)
A Stewart	Chief Geologist and Manager Mongolia
M Langan	Chief Financial Officer Company Secretary (Resigned 25 November 2013)

At Risk Remuneration – Short Term & Long Term Incentives

Executive service contracts recognise the potential for the award of short term incentives linked to specific performance criteria. In addition, long term incentives include share rights with share price hurdles. The incentives issued during the period are set out below.

Mr Mark Wheatley, Independent Non-Executive Director, Appointed Chairman 25 November 2013

2014 — Granted 1,500,000 unlisted share rights on 16 May 2014 that may vest subject to the following conditions:

- 750,000 unlisted share rights that may vest after 9 November 2014 should the Xanadu share price meet or exceed $0.14 as traded on the ASX for 3 consecutive trading days up to and including 28 February 2015 ("First Hurdle"). Should the First Hurdle not be met, these share rights are subject to a re-test commensurate with a Second Hurdle (described below); and
- 750,000 unlisted share rights that may vest after 9 November 2015 should the Xanadu share price meet or exceed $0.18 as traded on the ASX for 3 consecutive trading days between 1 March 2015 up to and including 28 February 2016 ("Second Hurdle").

Prior years — Nil

Mr George Lloyd, Chief Executive Officer, Appointed Managing Director 26 August 2013

2014 Granted 1,000,000 fully paid ordinary shares on 22 November 2013

Granted 4,000,000 share rights on 22 November 2013 that are subject to the following conditions:

- 2,300,000 unlisted share rights that may vest on 26 February 2015 if the closing price on any 3 consecutive trading days between the period 27 February 2014 to 26 February 2015 exceeds $0.1392. Should this performance hurdle not be met, these share rights will be subject to a re-test based on the conditions described below; and
- 1,700,000 unlisted share rights that may vest after 26 February 2016 if a the closing price on any 3 consecutive trading days between the period 27 February 2015 to 26 February 2016 exceeds $0.1813.

Prior years Nil

Mr Ganbayar Lkhagvasuren, Executive Director

2014 Granted 1,800,000 share rights on 22 November 2013 that are subject to the following conditions:

- 1,200,000 unlisted share rights that may vest on 23 May 2015 if the closing price of shares on any 3 consecutive trading days between the period 23 May 2014 to 23 May 2015 exceeds $0.1437. Should this performance hurdle not be met, these share rights will be subject to a re-test based on the conditions described below; and
- 600,000 unlisted share rights that may vest on 23 May 2016 if the closing price of shares on any 3 consecutive trading days between the period 24 May 2015 to 23 May 2016 exceeds $0.1870.

Prior years Granted 3,000,000 options that are subject to the following conditions:

- 2,000,000 unlisted options exercisable at $0.50 on or before 31 December 2014; and
- 1,000,000 unlisted options exercisable at $0.50 on or before 19 December 2014.

Ms Hannah Badenach, Non-Executive Director

2014 Nil

Prior years Nil

Dr Darryl Clark, Independent Non-Executive Director

2014 Granted 1,000,000 share rights on 16 May 2014 that are subject to the following conditions:

- 500,000 unlisted share rights that may vest after 9 November 2014 should the Xanadu share price meet or exceed $0.14 as traded on the ASX for 3 consecutive trading days up to and including 28 February 2015 (“First Hurdle”). Should the First Hurdle not be met, these Performance Rights are subject to a re-test commensurate with a Second Hurdle (described below); and
- 500,000 unlisted share rights that may vest after 9 November 2015 should the Xanadu share price meet or exceed $0.18 as traded on the ASX for 3 consecutive trading days during the period 1 March 2015 to 28 February 2016 (“Second Hurdle”).

Prior years Nil

Mr Denis Gately, Independent Non-Executive Chairman (Ceased 22 November 2013)

2014 Nil

Prior years Nil

Mr Brian Thornton, Non-Executive Director (Resigned 28 February 2014)

2014 Nil

Prior years Granted 6,400,000 options that are subject to the following conditions:

- 6,000,000 unlisted options exercisable at $0.50 on or before 31 December 2014; and
- 400,000 unlisted options exercisable at $0.50 on or before 19 December 2014.

Mr Robert Westphal, Non-Executive Director (Resigned 22 November 2013)

2014	Nil
Prior years	Granted 2,000,000 options that are subject to the following conditions: – 1,000,000 unlisted options exercisable at $0.70 on or before 31 December 2014; and – 1,000,000 unlisted options exercisable at $1.00 on or before 31 December 2014.

Dr Andrew Stewart, Chief Geologist and Country Manager

2014	Granted 500,000 fully paid ordinary shares on 16 May 2014
Prior years	Granted 1,800,000 share rights on 22 May 2013 that are subject to the following conditions: – 1,200,000 unlisted share rights that may vest on 23 May 2015 if the closing price of shares on any 3 consecutive trading days between the period 23 May 2014 to 23 May 2015 exceeds $0.1437. Should this performance hurdle not be met, these share rights will be subject to a re-test based on the conditions described below; and – 600,000 unlisted share rights that may vest on 23 May 2016 if the closing price of shares on any 3 consecutive trading days between the period 24 May 2015 to 23 May 2016 exceeds $0.1870. Granted 3,000,000 options on 1 July 2011 that are subject to the following conditions: – 1,000,000 unlisted options exercisable at $0.60 on or before 30 June 2016; – 1,000,000 unlisted options exercisable at $1.20 on or before 30 June 2016; and – 1,000,000 unlisted options exercisable at $1.80 on or before 30 June 2016.

Mr Mark Langan, Chief Financial Officer

2014	Nil
Prior years	Granted 1,500,000 share rights on 22 May 2013 that are subject to the following conditions: – 1,000,000 unlisted share rights that may vest on 23 May 2015 if the closing price of shares on any 3 consecutive trading days between the period 23 May 2014 to 23 May 2015 exceeds $0.1437. Should this performance hurdle not be met, these share rights will be subject to a re-test based on the conditions described below; and – 500,000 unlisted share rights that may vest on 23 May 2016 if the closing price of shares on any 3 consecutive trading days between the period 24 May 2015 to 23 May 2016 exceeds $0.1870.

The combination of exercise price, vesting hurdles and long dated rights and options were designed as an incentive to perform for the longer term. Refer to Note 12 for further information on the vesting hurdles. Other than the above, the Company has not issued any other long term incentives to executives. During the period, no share rights or options were exercised by KMP of the Company.

Employment Contract – Mr George Lloyd

The Managing Director and Chief Executive Officer, Mr George Lloyd, is employed under contract. Mr Lloyd's fixed remuneration is an annual salary package of $320,000. Mr Lloyd received 1,000,000 ordinary shares at the completion of his probationary period. In addition, Mr Lloyd holds 4,000,000 share rights. The terms of the contract are:

- In the event of termination of Mr Lloyd's employment other than in the case of misconduct, the Company must give a minimum of 6 months notice prior to termination up to the second anniversary of employment and the notice period will be 9 months thereafter. The Company may, at its discretion, provide the Executive with payment of fixed remuneration in whole or in part in lieu of notice. For the avoidance of doubt, the Company's right to make such a payment does not give the Executive any right to receive such a payment.

Employment Contract – Mr Ganbayar Lkhagvasuren

The Executive Director in Mongolia, Mr Ganbayar Lkhagvasuren, is employed under contract. Mr Lkhagvasuren's fixed remuneration is an annual salary package of US$145,000 including compulsory taxes and social insurance applicable as an employee in Mongolia. In addition, Mr Lkhagvasuren holds a total of 4,800,000 options and share rights. The terms of the present contract are:

- In the event of Mr Lkhagvasuren's employment being terminated other than in the case of misconduct, Mr Lkhagvasuren must give a minimum of 3 months notice prior to termination, and the Company must give 3 months notice prior to termination. The Company may, at its discretion, provide Mr Lkhagvasuren with payment of fixed remuneration in whole or in part in lieu of notice. For the avoidance of doubt, the Company's right to make such a payment does not give Mr Lkhagvasuren any right to receive such a payment.

Employment Contract – Dr Andrew Stewart

The Chief Geologist and Country Manager, Dr Andrew Stewart, is employed under contract. Dr Stewart's fixed remuneration is an annual salary package of US$260,000 plus the compulsory taxes and social insurance applicable as an employee in Mongolia. Dr Stewart also received a rental allowance of US$30,000 per annum, travel and health care entitlements. In addition, Dr Stewart holds a total of 4,800,000 options and share rights. The terms of the present contract are:

- In the event of termination of Dr Stewart's employment other than in the case of misconduct, the executive must give a minimum of 6 months notice prior to termination, and the Company must give 9 months notice prior to termination. The Company may, at its discretion, provide Dr Stewart with payment of fixed remuneration in whole or in part in lieu of notice. For the avoidance of doubt, the Company's right to make such a payment does not give Dr Stewart any right to receive such a payment.

Employment Contract – Mr Mark Langan

The Chief Financial Officer, Mr Mark Langan, is employed under contract. Mr Langan's fixed remuneration is an annual salary package of $170,000 plus superannuation. In addition, Mr Langan holds 1,500,000 share rights. The terms of the present contract are:

- In the event of termination of Mr Langan's employment other than in the case of misconduct, Mr Langan must give a minimum of 1 months notice prior to termination, and the Company must give 1 months notice prior to termination. The Company may, at its discretion, provide Mr Langan with payment of fixed remuneration in whole or in part in lieu of notice. For the avoidance of doubt, the Company's right to make such a payment does not give the Executive any right to receive such a payment.

Details of Remuneration

Details of the remuneration of each Director of Xanadu and each of the executives of the Company and the consolidated entity who received the highest remuneration for the year ended 30 June 2014 are set out in the following tables.

Key Management Personnel of Xanadu Mines Ltd

30 June 2014	Primary Salary & Fees[1] $	Non-Monetary Benefits & Allowances[1] $	Bonus[1] $	Post Employment Super[1] $	Termination benefits[2] $	Shares and Equity Share Rights[2] $	Share Rights as % of total	Total $
D Gately Non-Executive Chairman Ceased 22 November 2013	30,511	–	–	2,822	–	–	–	33,333
B Thornton Non-Executive Director Resigned 28 February 2014	30,511	–	–	2,822	–	–	–	33,333
Ganbayar L Executive Director – Mongolia	141,546	–	–	17,944	–	23,249	12.7%	182,739
H Badenach Non-Executive Director	–	–	–	–	–	–	–	–
R Westphal Non-Executive Director Resigned 22 November 2013	22,121	–	–	2,046	–	–	–	24,167
M Wheatley Non-Executive Director Appointed Chairman 25 November 2013	47,917	–	–	25,000	–	25,138	25.6%	98,055
D Clark Non-Executive Director	49,828	–	–	3,006	–	16,759	24.1%	69,593
G Lloyd Chief Executive Officer Appointed Managing Director 26 August 2013	284,179	–	92,750	–	–	169,813[3]	31%	546,742
M Langan Chief Financial Officer	169,611	–	4,000	16,059	–	20,079	9.6%	209,749
A Stewart Chief Geologist & Country Manager	314,631	61,505	–	36,157	–	48,595[4]	10.5%	460,888
Total	1,090,855	61,505	96,750	105,856	–	303,633	18.3%	1,658,599

1 Short Term Remuneration, Bonuses are paid based on achievement of agreed KPIs and approved by the Board.
2 Long Term Remuneration.
3 Includes the value of 1,000,000 ordinary shares issued pursuant to Mr Lloyd's employment contract valued at $60,000.
4 Includes the value of 500,000 ordinary shares issued pursuant to the Xanadu Equity Incentive Plan valued at $24,500.

30 June 2013	Primary Salary & Fees[1] $	Non-Monetary Benefits & Allowances[1] $	Post Employment Super[1] $	Termination benefits[2] $	Equity Options[2] $	Options as % of total	Total $
D Gately Non-Executive Chairman Appointed 9 November 2012	56,575	–	5,092	–	–	–	61,667
B Thornton Non-Executive Chairman	245,648	–	22,108	–	–	–	267,756
R Williams Non-Executive Director Resigned 31 October 2012	21,000	–	1,890	–	–	–	22,890
Ganbayar L Executive Director – Mongolia	108,764	–	15,756	–	–	–	124,520
R Heeks Non-Executive Director Resigned 31 October 2012	63,106	–	–	–	–	–	63,106
H Badenach Non-Executive Director	–	–	–	–	–	–	–
R Westphal Non-Executive Director	72,636	–	6,537	–	–	–	79,173
M Wheatley Non-Executive Director Appointed 9 November 2012	41,177	–	3,706	–	–	–	44,883
D Clark Non-Executive Director Appointed 9 November 2012	40,719	–	3,665	–	–	–	44,384
G Lloyd Chief Executive Officer Appointed 25 February 2013 and Managing Director on 26 August 2013	93,429	–	–	–	–	–	93,429
B Evans Chief Financial Officer and Company Secretary Resigned 5 September 2012	36,509	–	3,286	–	–	–	39,795
M Langan Chief Financial Officer and Company Secretary Appointed 5 September 2012	144,936	–	13,044	–	2,051	1.3%	160,031
A Stewart Chief Geologist & Country Manager	315,945	32,092	32,544	–	2,461	0.6%	383,042
Total	1,240,444	32,092	107,628	–	4,512	1.9%	1,384,676

1 Short Term Remuneration.
2 Long Term Remuneration.

Compensation of Key Management Personnel

	Consolidated 2014 $	Consolidated 2013 $
Key Management Personnel		
Short-term	1,249,110	1,272,536
Post-employment Superannuation	105,856	107,628
Value of share options	303,633	4,512
	1,658,599	1,384,676

The following table sets out the interests of Directors in the Company at the date of this report:

		Ordinary Shares	Options Over Ordinary Shares	Share Rights
M Wheatley	Non-Executive Director			
	Non-Executive Chairman (Appointed 25 November 2013)	1,332,666	–	1,500,000
G Lloyd	Managing Director (Appointed 26 August 2013)	4,733,333	–	4,000,000
Ganbayar L	Executive Director	14,389,565	3,000,000	1,800,000
H Badenach	Non-Executive Director	625,000	–	–
D Clark	Non-Executive Director	735,000	–	1,000,000
B Lavin	Non-Executive Director	–	–	–
B Thornton	Non-Executive Director (Resigned 28 February 2014)	21,187,369	6,400,000	–
D Gately	Non-Executive Chairman (Ceased 22 November 2013)	75,000	–	–
R Westphal	Non-Executive Director (Resigned 22 November 2013)	255,000	2,000,000	–

Option and Share Right Holdings of Key Management Personnel

30 June 2014	Balance at Beginning of Period 1 July 2013	Granted as Remu-neration	Options Exercised	Net Change Other	Balance at End of Period[1] 30 June 2014	Vested at 30 June 2014 Total	Not Exercisable	Exercisable
Key Management Personnel								
M Wheatley	–	1,500,000[3]	–	–	1,500,000[3]	1,500,000[3]	1,500,000[3]	–
G Lloyd	–	4,000,000[3]	–	–	4,000,000[3]	4,000,000[3]	4,000,000[3]	–
Ganbayar L	3,000,000	1,800,000[3]	–	–	4,800,000	4,800,000	1,800,000[3]	3,000,000
H Badenach	–	–	–	–	–	–	–	–
D Clark	–	1,000,000[3]	–	–	1,000,000[3]	1,000,000[3]	1,000,000[3]	–
D Gately[2]	–	–	–	–	–	–	–	–
B Thornton	6,400,000	–	–	–	6,400,000	6,400,000	–	6,400,000
R Westphal[2]	2,000,000	–	–	–	2,000,000	2,000,000	–	2,000,000
A Stewart	4,800,000[3]	–	–	–	4,800,000[3]	4,800,000[3]	1,800,000[3]	3,000,000
M Langan	1,500,000[3]	–	–	–	1,500,000[3]	1,500,000[3]	1,500,000[3]	–
Total	17,700,000	8,300,000[3]	–	–	26,000,000	26,000,000	11,600,000[3]	14,400,000

1 All holdings are held by the individual or entities which he or she controls.
2 Resigned or ceased during the year.
3 Share Rights.

30 June 2013	Balance at Beginning of Period 1 July 2012	Granted as Remu-neration	Options Exercised	Net Change Other	Balance at End of Period[1] 30 June 2013	Vested at 30 June 2013 Total	Not Exercisable	Exercisable
Key Management Personnel								
M Wheatley[3]	–	–	–	–	–	–	–	–
G Lloyd[3]	–	–	–	–	–	–	–	–
Ganbayar L	3,000,000	–	–	–	3,000,000	3,000,000	–	3,000,000
H Badenach	–	–	–	–	–	–	–	–
D Clark[3]	–	–	–	–	–	–	–	–
D Gately[3]	–	–	–	–	–	–	–	–
B Thornton	6,400,000	–	–	–	6,400,000	6,400,000	–	6,400,000
R Williams[2]	3,400,000	–	–	–	3,400,000	3,400,000	–	3,400,000
R Heeks[2]	2,000,000	–	–	–	2,000,000	2,000,000	–	2,000,000
R Westphal	2,000,000	–	–	–	2,000,000	2,000,000	–	2,000,000
A Stewart	3,000,000	1,800,000	–	–	4,800,000	4,800,000	1,800,000	3,000,000
B Evans[2]	1,500,000	–	–	(1,500,000)	–	–	–	–
M Langan[3]	–	1,500,000	–	–	1,500,000	1,500,000	1,500,000	–
Total	21,300,000	3,300,000	–	(1,500,000)	23,100,000	23,100,000	3,300,000	19,800,000

1 All holdings are held by the individual or entities which he or she controls.
2 Resigned during 2013.
3 Appointed during 2013.

Directors' Report
continued

Shareholdings of Key Management Personnel

30 June 2014	Balance 1 July 2013 Ord	Granted as Remuneration Ord	On Exercise of Options Ord	Net Change Other[1] Ord	Balance 30 June 2014[2] Ord
D Gately	75,000	–	–	–	75,000
G Lloyd	–	1,000,000	–	3,733,333	4,733,333
B Thornton	20,737,369	–	–	450,000	21,187,369
Ganbayar L	14,389,565	–	–	–	14,389,565
R Westphal	255,000	–	–	–	255,000
H Badenach	–	–	–	625,000	625,000
M Wheatley	200,000	–	–	1,132,666	1,332,666
D Clark	90,000	–	–	445,000	535,000
A Stewart	–	500,000	–	133,565	633,565
M Langan	–	–	–	–	–
Total	35,746,934	1,500,000	–	6,519,564	43,766,498

1 On market share purchases and participation in share placement during the period.
2 All holdings are held by the individual or entities which he or she controls.

Shareholdings of Key Management Personnel

30 June 2013	Balance 1 July 2012 Ord	Granted as Remuneration Ord	On Exercise of Options Ord	Net Change Other[1] Ord	Balance 30 June 2013[2] Ord
M Wheatley	–	–	–	200,000	200,000
G Lloyd	–	–	–	–	–
Ganbayar L	14,389,565	–	–	–	14,389,565
H Badenach	–	–	–	–	–
D Clark	–	–	–	90,000	90,000
D Gately	–	–	–	75,000	75,000
B Thornton	20,553,657	–	–	183,712	20,737,369
R Williams[3]	4,475,000	–	–	–	4,475,000
R Heeks[3]	84,200	–	–	–	84,200
R Westphal	255,000	–	–	–	255,000
A Stewart	–	–	–	–	–
B Evans[3]	110,000	–	–	–	110,000
M Langan	–	–	–	–	–
Total	39,867,422	–	–	548,712	40,416,134

1 On market share purchases during the period.
2 All holdings are held by the individual or entities which he or she controls.
3 Mr Williams, Mr Heeks and Mr Evans resigned during the year.

Other Transactions with Key Management Personnel

i. Insurance brokering services were provided by InterRISK Australia Pty Ltd, a company of which Robert Westphal is a Director. The value of the premium paid to InterRISK Pty Ltd during the year was $54,516 (2013: $54,081).

ii. Office and support services were provided by Farrington Corporate Services Pty Ltd, a company of which Brian Thornton is a Director. The value of the services provided by Farrington Corporate Services Pty Ltd during the year was $629 (2013: $51,914).

iii. On 2 April 2014 the Company announced it had sold its 64% interest in the Ulaanbaatar office building to Ganbayar Lkhagvasuren a Director of the Company. The sale was for cash and a rent free period amounting to $677,636. The sale price was supported by an independent valuation.

iv. On 13 December 2013 the Company announced it had established a joint venture company, Mongol Metals LLC. The joint venture partner is Ganbayar Lkhagvasuren a Director of the Company.

All services provided by companies associated with Directors were provided on commercial terms and the arrangements concerning the Mongol Metals LLC joint venture were approved by shareholders.

Share Based Compensation

As at the date of this report, current KMP of the Company had been granted a total of 17,600,000 incentive options and share rights. Of these, 3,000,000 have a strike price of greater than $0.50 and are expected to expire in December 2014.

Rewards derived from “at risk” remuneration

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

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

	2014	2013	2012	2011	2010
Profit/(Loss) attributable to the group (000’s)	(8,416)	(19,783)	(7,004)	(4,155)	(2,055)
Share price at year end (cents)	4.0	3.8	19.0	50.0	n/a
Basic EPS (cents per share)	(4.09)	(9.41)	(3.73)	(2.75)	(1.85)
Diluted EPS (cents per share)	(4.09)	(9.41)	(3.73)	(2.75)	(1.85)

End of Remuneration Report (Audited)

Directors' Report

continued

Directors' Meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director was as follows.

	Directors' Meetings held whilst a Director	Directors' Meetings Attended	Audit Meetings held whilst a Director	Audit Meetings Attended	Utility Meetings held whilst a Director	Utility Meetings Attended
M Wheatley	19	18	3	3	–	–
G Lloyd[1] Appointed 26 August 2013	16	16[1]	–	–	5	5
Ganbayar L	19	14	–	–	–	–
H Badenach	19	16	–	–	5	5
D Clark	19	16	3	3	5	5
D Gately Ceased 22 November 2013	7	6	–	–	–	–
B Thornton Resigned 28 February 2014	14	14	–	–	–	–
R Westphal Resigned 22 November 2013	7	6	2	2	–	–

[1] Prior to his appointment as Managing Director, Mr Lloyd attended the Board Meetings by invitation in his capacity as CEO.

Committee Membership

As at the date of this report, the Company had a Risk Management and Audit Committee and a Utility Committee.

Members of the Committees during the year were:

Risk Management and Audit	Utility
M Wheatley (Chairperson)	D Clark (Chairperson)
R Westphal (Chairperson)(Resigned 22 November 2013)	H Badenach
D Clark	G Lloyd

Corporate Governance

The Directors recognise the importance of sound corporate governance and accountability, and support and adhere to the policies and practices set out in the Corporate Governance Statement in this report.

Auditor Independence and Non-Audit Services

Section 370C of the Corporation Act 2001 requires our auditors, Ernst & Young, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is disclosed on page 28 of this report and forms part of this Directors' Report for the year ended 30 June 2014.

Details of the amounts paid to the auditor of the Company, Ernst & Young, and their related practices for non-audit services provided during the year are set out in Note 19.

Rounding of Amounts

The Company is an entity to which ASIC Class Order 98/100 applies and accordingly, amounts in the financial statements have been rounded to the nearest thousand dollars where indicated as such.

Signed in accordance with a resolution of the Directors.

Mark Wheatley

Mark Wheatley
Non-Executive Chairman
30 September 2014

Corporate Governance

1. Introduction

As an ASX listed company, Xanadu is required to report on the extent to which the Company has adopted the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd edition) (**"ASX Principles"**) during the reporting period for the year ended 30 June 2014.

Over the next year, the Board will review its practices, and where practicable having regard to its size and stage of development, update these to comply with the 3rd Edition of the ASX Principles (released on 27 June 2014) for the financial year ending 30 June 2015.

2. Essential Principles of Good Corporate Governance

2.1. Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1:

The Board and senior management of the Company are committed to acting responsibly, ethically and with high standards of integrity as the Company strives to create shareholder value. The Board is responsible for the overall corporate governance of the Company and has developed and adopted corporate governance practices and policies appropriate for a Company the size and stage of development as is Xanadu.

The Company has established functions reserved to the Board and some of these are set out in the Board Charter. The Board's primary role is the optimisation of Company performance and protection and enhancement of shareholder value. Its functions and responsibilities include:

- setting strategic and policy direction;
- monitoring performance against strategy;
- identifying principal risks and opportunities and ensuring risk management systems are established and reviewed;
- approving and monitoring financial reports;
- capital management;
- regulatory compliance;
- significant business transactions and investments;
- appointing senior management and monitoring performance, remuneration, development and succession;
- adopting procedures to ensure the business of the Company is consistent with Company values;
- continuous disclosure compliance;
- ensuring effective shareholder communication;
- overseeing the Company's commitment to sustainable development and the environment;
- ensuring the Board remains appropriately skilled;
- reviewing and approving corporate governance systems; and
- enhancing and protecting the Company's reputation.

The Company has established the functions delegated to the Managing Director and these are set out in its Board Charter. The Board has delegated the authority and responsibility to its Managing Director to manage and administer the Company's general operations and to implement the strategic direction of the Company in accordance with instructions or directions issued by the Board. The Company has in place contracts for its senior management team, setting out in further detail the responsibilities specifically delegated to them.

Senior executives are responsible for supporting the Managing Director and assisting the Managing Director in implementing the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

Recommendation 1.2:

The "Policy for the Evaluation of the Board, Committees and Senior Executives" outlines the process for the performance evaluation of senior executives. The Policy provides that the performance of senior executives will be regularly reviewed against appropriate measures and sets out the mechanisms for reviewing and evaluating performance.

The Policy is available on the Company's website under "About" then "Governance".

Recommendation 1.3:

In March 2014, a performance evaluation of senior executives was undertaken and conducted by the Utility Committee (for final review by the Board) in accordance with the process disclosed under Recommendation 1.2.

The Board Charter is available on the Company's website under "About" then "Governance".

2.2. Principle 2: Structure the Board to add value

Recommendation 2.1:

Between 1 July 2013 and 30 June 2014 (reporting period) there were several changes to the Board. The following table outlines the Directors of the Company during the reporting period, including their term of office and non-executive and independent status.

Name	Appointment Date	Cessation Date	Non-Executive Status	Independent Status
Mark Wheatley	9 November 2012	–	Yes	Yes
George Lloyd	26 August 2013	–	No	No
Hannah Badenach	4 October 2011	–	Yes	No
Darryl Clark	9 November 2012	–	Yes	Yes
Ganbayar Lkhagvasuren	28 August 2006	–	No	No
Denis Gately	9 November 2012	22 November 2013	Yes	Yes
Robert Westphal	2 September 2010	22 November 2013	Yes	Yes
Brian Thornton	12 May 2005	28 February 2014	Yes	No

The current Board has six Directors comprising two Executive Directors and four Non-Executive Directors, three of which are Independent. The current members of the Board are:

- Mr Mark Wheatley – Independent Non-Executive Chairman
- Mr George Lloyd – Managing Director
- Ms Hannah Badenach – Non-Executive Director
- Mr Darryl Clark – Independent Non-Executive Director
- Mr Ganbayar Lkhagvasuren – Executive Director
- Mr Barry Lavin - Independent Non-Executive Director

The Board currently does not have a majority of Independent Directors. During the reporting period, the Company adopted a series of Conflicts of Interests Protocols to guide Directors and ensure only non-interested Directors participate in the Board's decision-making process. The Board believes therefore that an independent judgement is beared on all Board decisions.

Recommendation 2.2:

Mr Mark Wheatley was appointed as an Independent Non-Executive Chairman on 25 November 2013 following the cessation of Mr Denis Gately as a Director of the Company.

Recommendation 2.3:

The roles of the Chairman and Managing Director are not exercised by the same individual. The Board Charter sets out the distinct responsibilities of each role.

Recommendation 2.4:

During the reporting period, the Board dissolved the Nomination and Remuneration Committee and in January 2014 established the Utility Committee (with a broader corporate governance mandate).

The Utility Committee's Terms of Reference sets out the roles and responsibilities, composition, structure and the membership of the Utility Committee. All non-Committee members are invited to attend Committee Meetings in an ex-officio capacity.

The Company's Conflicts of Interests Protocols set out the procedures when Directors have a material personal interest in the matter being considered (such as performance and remuneration).

Recommendation 2.5:

The "Policy for the Evaluation of the Board, Committees and Senior Executives" outlines the process for the performance evaluation of the Board and its Committees. The Policy provides that the performance of the Board and its Committees will be regularly reviewed against appropriate measures and sets out the mechanisms for reviewing and evaluating performance.

At several of its Meetings during the year, the Utility Committee assessed its performance and function in assisting the Board.

The Policy is available on the Company's website under "About" then "Governance".

Recommendation 2.6:

Skills, Experience, Expertise and Term of Office of each Director

The composition of the Board has been formed on the basis of providing the Company with the benefit of a broad range of technical, commercial and financial skills, combined with an appropriate level of experience at a senior corporate level. The names and further information regarding the skills, experience, qualifications, relevant expertise and term of office of the Directors are set out in the Directors' Report.

Statement concerning availability of Independent Professional Advice

The Company's Non-Executive Directors have the right, at the Company's cost, to seek independent professional advice in carrying out of their duties as Directors.

The Company Secretary is accountable to the Board, through the Chairman on all governance matters. The Company Secretary is responsible for arranging for independent professional advice at the request of the Board.

Identification of Independent Directors

The names of the Independent Directors of the Company during the reporting period are disclosed under Recommendation 2.1.

These Directors are Independent as they are not members of management and are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement.

Independence is measured having regard to the relationships listed in Box 2.1 of the ASX Principles and the Company's materiality thresholds. The Company's Board Charter contains the materiality thresholds to determine the independence of Directors.

Nomination Matters

Further to the above description in respect of Recommendation 2.4, membership of, and attendance at Utility Committee Meetings are set out in the Directors' Report.

Selection and (Re)-Appointment of Directors

In determining candidates for the Board, the Utility Committee has followed a prescribed procedure whereby it considers the balance of Independent Directors on the Board as well as the skills and qualifications of potential candidates that will best enhance the Board's effectiveness. During the year, the Utility Committee had multiple special purpose Meetings to consider the selection and appointment of an Independent Non-Executive Director and Mr Barry Lavin was appointed an Independent Non-Executive Director on 22 September 2014.

The procedure for the appointment of Directors is contained in the Policy for the Appointment and Re-election of Directors which is available on the Company's website under "About" then "Governance".

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. Under the Company's Constitution, a director must retire from office at the end of the third annual general meeting following their appointment, or 3 years, whichever is the longer.

The procedure for the re-election of Directors is contained in the Policy for the Appointment and Re-election of Directors which is available on the Company's website under "About" then "Governance".

2.3. Principle 3: Promote Ethical and Responsible Decision-Making

Recommendation 3.1:

Code of Conduct
The Company's Code of Conduct discloses the practices necessary to maintain confidence in the integrity of the Company and its subsidiaries, the practices necessary for the Company to fulfil its legal obligations, the responsibility and accountability of individuals for reporting and investigating reports of unethical behaviour; and clarifies the standards of ethical behaviour required of the Board, senior executives and all employees to encourage the observance of those standards.

The Board monitors implementation of the Code. Breaches would be reported by employees or contractors to a supervisor and by management or Directors to the Board or the Chair. The Code protects individuals who, in good faith, report conduct which they reasonably believe to be corrupt, illegal or unethical on a confidential basis, without fear of reprisal, dismissal or discriminatory treatment.

The Code of Conduct is available on the Company's website under "About" then "Governance".

Securities Trading Policy
During the reporting period, the Board adopted a new Securities Trading Policy that applies to all Directors, officers, employees, contractors and consultants of the Company and its subsidiaries (personnel). The Policy prohibits personnel from dealing in XAM securities while in possession of price-sensitive or inside information.

In addition, Directors and Senior Executives (being key management personnel i.e. direct reports to the Managing Director and those persons' direct reports) of the Company and its subsidiaries (Designated Persons) and any family member or associate over whom a Designated Person has influence (relevant persons), may deal in XAM securities by following the 'notice of intent to deal' procedures, but are prohibited from dealing in XAM securities (subject to exception circumstances) during certain blackout periods.

Designated Persons and relevant persons are prohibited from entering into hedging arrangements or otherwise permitting a grant of a charge over XAM's securities.

Directors and senior executives are not permitted to enter into transactions with securities (or any derivative thereof) in associated products which limit the economic risk of any unvested entitlements awarded under any equity-based remuneration scheme currently in operation or which will be offered by the Company in the future.

The Securities Trading Policy is available on the Company's website under "About" then "Governance".

Recommendation 3.2:

Notification of Departure:
The Company does not have a formal policy concerning diversity.

Given the small size of the Company's workforce and the history of the Company to date, the Board has determined that it is not currently practicable to implement a policy concerning diversity. The Board will further consider the establishment of a diversity policy as the Company grows.

Recommendation 3.3:

Notification of Departure:
The Company has not established measurable objectives for achieving gender diversity at this time. The Company believes this is appropriate given the small size of the Company workforce and the history of the Company to date.

Recommendation 3.4:
The Company currently has 12.5% female employees in the whole organisation but no females in a senior position. The Company currently has one female Non-Executive Director on the Board and a female Company Secretary.

Recommendation 3.5:
Refer to disclosure under Recommendations 3.2 and 3.3 relating to the Company's departure from adopting those recommendations.

2.4. Principle 4: Safeguard Integrity in Financial Reporting

Recommendation 4.1:

The Company has established a Risk Management and Audit Committee.

Recommendation 4.2:

The Board has adopted a Risk Management and Audit Committee Charter. Under the Charter, the Committee must consist of at least three members, two of whom must be independent Directors. Members should be all financially literate, at least one member should have relevant qualifications and experience and some members should have understanding of the industry in which the Company operates.

At the beginning of the reporting period, the Committee comprised a majority three Independent Non-Executive Directors, with Mr Robert Westphal as Committee Chairman and Mr Mark Wheatley and Mr Darryl Clark as members. Following the cessation of Mr Westphal as a Director in November 2013, the Committee comprised only two members, both of whom are Independent Non-Executive Directors (Mr Wheatley and Mr Clark). Mr Wheatley is Committee Chairman and despite being Chairman of the Board, the Board believes that Mr Wheatley is appropriately qualified.

Notification of Departure:

Given the size and composition of the Board, the Committee currently does not currently have three members and in addition, the Chairman of the Company is currently serving as Chairman of the Committee. The Board expects that a new Independent Non-Executive Director will also serve on the Committee.

Recommendation 4.3:

The Board has adopted a Risk Management and Audit Committee Charter.

Recommendation 4.4:

Committee members' qualifications and attendance at the Risk Management and Audit Committee Meetings are set out in the Directors' Report. All the Committee members are financially literate and have an understanding of the industry in which the Company operates.

The Company has not established (and therefore has not made publicly available) a formal Procedure for Selection, Appointment and Rotation of External Auditor.

The performance of the external auditor is reviewed on an ongoing basis by the Risk Management and Audit Committee and then the Board and any changes would be implemented where the Board considers such changes are required.

2.5. Principle 5: Make Timely and Balanced Disclosure

Recommendation 5.1:

The Board has adopted a "Communications and Continuous Disclosure Policy" to ensure the Company's compliance with its disclosure obligations under the Corporations Act 2001 (Cth) and ASX Listing Rules. The Policy outlines the procedures that apply to the central collection, control, assessment and if required, release to ASX, of material information.

The Company Secretary is designated as the person responsible for communication with ASX in relation to ASX Listing Rule matters and is authorised to speak to ASX in relation to the Company's affairs.

Recommendation 5.2:

The "Communications and Continuous Disclosure Policy" is available on the Company's website under "About" then "Governance".

2.6. Principle 6: Respect the Rights of Shareholders

Recommendation 6.1:

The Board has adopted a "Communications and Continuous Disclosure Policy" to reflect the Company's commitment to dealing fairly, transparently and promptly with shareholders, encouraging and facilitating their participation at meetings and dealing promptly with their enquiries.

The Company's primary communications tool is its website, and all announcements are posted on the Company website immediately following release to ASX. The website also contains reports and presentations made by the Company, share price information and news articles of the Company.

To encourage shareholder engagement and participation at each Annual General Meeting ("AGM"), shareholders have the opportunity to attend the AGM, ask questions on the floor, participate in voting and meet the Board and senior management in person.

Shareholders who are unable to attend the AGM are encouraged to vote on the proposed motions by appointing a proxy via the proxy form accompanying the Notice of Meeting or online through the Share Registry's website. Shareholders have the opportunity to submit written questions to the Company and external auditor, or make comments on the management of the Company. The Company will publish results of the meeting to the ASX and on its website following the conclusion of the AGM.

Recommendation 6.2:
The "Communications and Continuous Disclosure Policy" is available on the Company's website under "About" then "Governance".

2.7. Principle 7: Recognise and Manage Risk

Recommendation 7.1:
The Board has adopted a "Risk Management Policy Statement" which sets out the roles and accountabilities of the Board, Risk Management and Audit Committee and management, to identify, assess, monitor and manage the Company's risks and profile.

Key aspects of the Policy are as follows:

- the Board oversees the establishment and implementation of risk management;
- the Risk Management Audit Committee is delegated the function and responsibility to establish, implement and maintain the Company's risk management systems and frameworks; and
- the Company's senior management are delegated tasks to manage operational risk and the implementation of risk management strategies.

The Board approves risk management systems and reviews them and their implementation annually. The Company's risk profile, assessed and determined on the basis of the Company's businesses in mineral exploration is reviewed annually. The Board regularly considers risk management at its meetings.

The Company's risk management systems and control frameworks include:

- the Board's ongoing monitoring of management and operational performance;
- a comprehensive system of budgeting, forecasting and reporting to the Board;
- regular presentations to the Board by management on the management of risk;
- implementing approval procedures for significant capital expenditure above threshold levels;
- the functioning of the Risk Management and Audit Committee;
- comprehensive written policies on specific activities and corporate governance;
- regular communication between Directors on compliance and risk and consultation; and
- review between the Board and external accountants.

The Board recognises that material risks facing the Company are the more significant areas of uncertainty or exposure to the Company that could adversely affect the achievement of the Company's objectives and successful implementation of its business strategies.

The material risks, both financial and non-financial, facing the Company are as follows (in no particular order):

- country risk;
- commodity risk;
- protection of the Company's assets;
- maintenance of proper financial and accounting records;
- reliability of financial information;
- compliance with key performance indicators;
- financial markets;
- retaining key personnel; and
- technical risk.

The Board considers these identified material risks as part of its annual risk management review or on an as required basis upon advice from the Risk Management and Audit Committee including, where appropriate, as a result of regular interaction with management and other relevant staff.

The Risk Management Policy Statement is available on the Company's website under "About" then "Governance".

Recommendation 7.2:
The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. Further, the Board has received a report from management as to the effectiveness of the Company's management of its material business risks.

Recommendation 7.3:
The Board received assurance from the Managing Director and Chief Financial Officer in respect of the financial statements and notes for the financial year that the declaration provided in accordance with section 295A of the Corporations Act is founded in a sound system of risk management and internal control and that the system is operating effectively in all material aspects in relation to financial reporting risks.

Recommendation 7.4:
The Board has received the report from management under Recommendation 7.2.

The Board has received assurance from the Managing Director and the Chief Financial Officer under Recommendation 7.3.

2.8. Principle 8: Remunerate Fairly and Responsibly

Recommendation 8.1:

During the reporting period, the Board dissolved the Nomination and Remuneration Committee and in January 2014 established the Utility Committee (with a broader corporate governance mandate).

Recommendation 8.2:

The Utility Committee comprises three members and does not have a majority of Independent Non-Executive Directors. The Committee has one Independent Non-Executive Director, Mr Darryl Clark who is Committee Chairman, one Non-Executive Director, Ms Hannah Badenach and one Executive Director, Mr George Lloyd. All non-Committee members are invited to attend Committee Meetings in an ex-officio capacity.

Recommendation 8.3:

Non-Executive Directors are paid fees from an aggregate sum approved by shareholders of the Company. There are no retirement schemes for Non-Executive Directors, other than superannuation. Non-Executive Directors are remunerated at a fixed fee for time, commitment and responsibilities and their remuneration is not linked to the operating performance of the Company. From time to time and where appropriate, the Company may issue equity-based incentives to Non-Executive Directors subject to shareholder approval. Details about equity-based incentives to Non-Executive Directors during the year are set out in the Remuneration Report.

Pay and rewards for Executive Directors and senior executives consists of a base salary and performance incentives. Long term performance incentives may include share rights and options granted at the discretion of the Board and subject to obtaining the relevant approvals. Executives are offered a competitive level of base pay at market rates and these are reviewed annually to ensure market competitiveness.

Recommendation 8.4:

Details of remuneration, including the Company's policy on remuneration, are contained in the Remuneration Report which forms part of the Directors' Report. The Company's remuneration policies are reflected in the Company's Remuneration Philosophy (as set out at the start of the Remuneration Report). The Company's Remuneration Philosophy is to establish competitive remuneration, including performance incentives, consistent with long term development and success, to ensure remuneration is fair and reasonable, taking into account all relevant factors, and within appropriate controls or limits, ensure performance and remuneration are appropriately linked, that all remuneration packages are reviewed annually or on an ongoing basis in accordance with management's remuneration packages and that retirement benefits or termination payments (other than notice periods) will not be provided or agreed other than in exceptional circumstances.

Committee members' qualifications and attendance at the Utility Committee Meetings are set out in the Directors' Report.

There are no termination or retirement benefits for Non-Executive Directors (other than for superannuation).

Finally, Directors and senior executives are not permitted to enter into transactions with securities (or any derivative thereof) in associated products which limit the economic risk of any unvested entitlements awarded under any equity-based remuneration scheme currently in operation or which will be offered by the Company in the future.

Auditor's Independence Declaration

Ernst & Young
680 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

In relation to our audit of the financial report of Xanadu Mines Limited for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ryan Fisk
Partner
Sydney
30 September 2014

Directors' Declaration

1. In the opinion of the Directors:
   a. the accompanying financial statements, notes and additional disclosures are in accordance with the *Corporations Act 2001* including:
      i. giving a true and fair view of the Company's financial position as at 30 June 2014 and its performance for the year then ended; and
      ii. complying with Accounting Standards (includes the Australian Accounting Interpretations) and Corporations Regulations 2001.
   b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
   c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2014.

The declaration is signed in accordance with a resolution of the Board of Directors.

Mark Wheatley

Mark Wheatley
Non-Executive Chairman
30 September 2014

Ernst & Young
680 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 report to the members of Xanadu Mines Limited

Report on the financial report

We have audited the accompanying financial report of Xanadu Mines Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor’s Independence Declaration, a copy of which is included in the directors’ report.

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Opinion

In our opinion:

a. the financial report of Xanadu Mines Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Emphasis of Matter

Without qualification to the opinion expressed above, attention is drawn to the following matter. In the event that the consolidated entity is unable to raise additional funding from the sources as described in Note 2 to the financial report and based on the current exploration commitments and planned expenditure there is a material uncertainty whether the consolidated entity will continue as a going concern, and therefore whether it will 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 any adjustments relating to recoverability and classification of recorded assets amounts nor to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Report on the remuneration report

We have audited the Remuneration Report included in directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Xanadu Mines Limited for the Year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Ryan Fisk

Ryan Fisk
Partner
Sydney
30 September 2014

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Statement of Comprehensive Income

For the year ended 30 June 2014

	Notes	Consolidated 2014 $'000s	Consolidated 2013 $'000s
Revenues	4(a)	94	318
Other income	4(b)	–	583
Depreciation and amortisation expense		(149)	(153)
Deferred Exploration and Evaluation Costs written off	4(c)	(5,000)	(17,048)
Finance Costs		–	(2)
Other expenses	4(d)	(3,695)	(3,147)
Loss before income tax expense		(8,750)	(19,449)
Income tax expense	5	–	–
Net loss after tax for the period		(8,750)	(19,449)
Other comprehensive loss for the year, net of tax			
Items that may be classified subsequently to profit or loss			
Exchange difference on translation of foreign operations		334	(334)
Total comprehensive loss for the period		(8,416)	(19,783)
Total comprehensive loss for the period attributed to:			
Owners of the parent		(8,166)	(19,077)
Non-controlling interest		(250)	(706)
		(8,416)	(19,783)
Basic earnings per share (cents per share)	7	(4.09)	(9.41)
Diluted earnings per share (cents per share)	7	(4.09)	(9.41)

The accompanying notes from part of these financial statements.

Statement of Financial Position

As at 30 June 2014

	Notes	Consolidated 2014 $'000s	Consolidated 2013 $'000s
Assets			
Current Assets			
Cash and cash equivalents	8	4,427	5,642
Prepayments and other assets		261	73
Other receivables	9	112	142
Total Current Assets		4,800	5,857
Non-Current Assets			
Property, plant and equipment	10	411	1,223
Deferred exploration expenditure	11(a)	27,075	12,955
Total Non-Current Assets		27,486	14,178
Total Assets		32,286	20,035
Liabilities			
Current Liabilities			
Trade and other payables	13	586	200
Total Current Liabilities		586	200
Non-Current Liabilities			
Deferred acquisition consideration		10,595	–
Term loan-Related Party		2,135	–
Total Non-Current Liabilities		12,730	–
Total Liabilities		13,316	200
Net Assets		18,970	19,835
Equity			
Issued capital	14(a)	58,629	56,591
Reserves	14(b)	8,312	6,010
Accumulated losses		(51,321)	(43,155)
Parent entity interest		15,620	19,446
Non-controlling interest		3,350	389
Total Equity		18,970	19,835

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the year ended 30 June 2014

	Notes	Consolidated 2014 $'000s	2013 $'000s
Cash Flows from Operating Activities			
Payments to suppliers and employees		(2,620)	(2,711)
Net cash used in operating activities	8	(2,620)	(2,711)
Cash Flows from Investing Activities			
Interest received		127	393
Rent received		9	–
Proceeds on disposal of property, plant and equipment		466	52
Acquisition of exploration and evaluation assets		(5,581)	(5,621)
Purchase of property, plant and equipment		(58)	(170)
Loan repaid by joint venture partner		–	1,230
Exploration and evaluation expenditure		(1,140)	(3,450)
Net cash used in investing activities		(6,177)	(7,566)
Cash Flows from Financing Activities			
Interest paid		–	(2)
Proceeds of term loan from related party		2,134	–
Funds contributed by related party		4,293	–
Proceeds from the issue of shares		1,718	–
Transaction costs on issue of shares		(89)	–
Net cash provided by financing activities		8,056	(2)
Net (decrease)/increase in cash and cash equivalents		(741)	(10,279)
Cash and cash equivalents at beginning of year		5,642	15,724
Effects of exchange rate changes on cash		(474)	197
Cash and Cash Equivalents at end of year	8	4,427	5,642

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the year ended 30 June 2014

Consolidated	Issued Capital $'000s	Accumulated Losses $'000s	Share based payments Reserve $'000s	Acquisition Reserve $'000s	Foreign Currency Translation Reserve $'000s	Non-controlling Interest $'000s	Total Equity $'000s
At 1 July 2012	56,591	(24,412)	6,171	168	–	1,095	39,613
Loss for the period	–	(18,743)	–	–	–	(706)	(19,449)
Other comprehensive inco me	–	–	–	–	(334)	–	(334)
Total comprehensive loss for the period	–	(18,743)	–	–	(334)	(706)	(19,783)
Recognition of share-based payments	–	–	5	–	–	–	5
Balance at 30 June 2013	56,591	(43,155)	6,176	168	(334)	389	19,835
Loss for the period	–	(8,166)	–	–	–	(250)	(8,416)
Other comprehensive income	–	–	–	–	334	–	334
Total comprehensive loss for the period	–	(8,166)	–	–	334	(250)	(8,082)
Recognition of non-controlling interest	–	–	–	–	–	3,211	3,211
Recognition of share-based payments	84	–	1,968	–	–	–	2,052
Shares issued during the year	2,043	–	–	–	–	–	2,043
Transaction costs	(89)	–	–	–	–	–	(89)
Balance at 30 June 2014	58,629	(51,321)	8,144	168	–	3,350	18,970

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the year ended 30 June 2014

1. Corporate information

Xanadu Mines Ltd ("the Company") was incorporated on 12 May 2005 and is the ultimate holding company for the Xanadu group ("Group"). The financial report of the Company and its controlled entities for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the Directors on 30 September 2014.

Xanadu Mines Ltd is a company limited by shares incorporated and domiciled in Australia, whose shares are publically traded on the Australian Securities Exchange ("ASX").

The nature of the operations and principal activities of the Group are described in the Directors' report.

2. Statement of significant accounting policies

(a) Basis of preparation

The financial report is a general purpose financial report for a 'for-profit' entity that has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial report has been prepared on an accruals basis under the historical cost convention, as modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The financial report is prepared in Australian Dollars.

(b) Changes in accounting policy

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2013; none of which had a material impact on the financial statements:

- AASB 10 Consolidated Financial Statements

  The consolidated entity has applied AASB 10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The consolidated entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

- AASB 11 Joint Arrangements

  The consolidated entity has applied AASB 11 from 1 July 2013. The standard defines which entities qualify as joint arrangements and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets are accounted for using the equity method. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities, will account for its share of the assets, liabilities, revenues and expenses separately under the appropriate classifications.

- AASB 12 Disclosure of Interests in Other Entities

  The consolidated entity has applied AASB 12 from 1 July 2013. The standard contains the entire disclosure requirement associated with other entities, being subsidiaries, associates, joint arrangements (joint operations and joint ventures) and unconsolidated structured entities. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'.

- AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

  The Group has applied AASB 13 and its consequential amendments from 1 January 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach is used to measure non-financial assets whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used.

- AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

  The consolidated entity has applied AASB 119 and its consequential amendments from 1 July 2013. The standard eliminates the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The standard also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken.

2. Statement of significant accounting policies (continued)

- AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities

  The Group has applied AASB 2012-2 from 1 January 2013. The amendments enhance AASB 7 'Financial Instruments: Disclosures' and requires disclosure of information about rights of set-off and related arrangements, such as collateral agreements. The amendments apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement.

- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle

  The Group has applied AASB 2012-5 from 1 January 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 'First-time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of the comparative information requirements when an entity provides an optional third column or is required to present a third statement of financial position in accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; clarification that the tax effect of distributions to holders of equity instruments and equity transaction costs in AASB 132 'Financial Instruments: Presentation' should be accounted for in accordance with AASB 112 'Income Taxes'; and clarification of the financial reporting requirements in AASB 134 'Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities.

- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement

  The Group has applied 2011-4 from 1 July 2013, which amends AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ("KMP"). Corporations and Related Legislation Amendment Regulations 2013 and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No.1) now specify the KMP disclosure requirements to be included within the directors' report.

Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 30 June 2014, are outlined in the table below:

Standard/Interpretation	Effective for the annual reporting period beginning on	Expected to be initially applied in the financial year ending
AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities.	July 1, 2014	June 30, 2015
Interpretation 21 Levies	July 1, 2014	June 30, 2015
AASB 2013-3 Amendment to Australian Accounting Standards – Recoverable Amount disclosures for Non-Financial Assets	July 1, 2014	June 30, 2015
AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting	July 1, 2014	June 30, 2015
AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities [AASB 1, 3, 7, 10, 12, 107, 112, 124, 127, 132, 134 and 139]	July 1, 2014	June 30, 2015
AASB 2013-7 Amendments to AASB 1038 arising from AASB 10 in relation to Consolidation and Interests of Policy Holders [AASB 1038]	July 1, 2014	June 30, 2015
AASB 1031 Materiality	July 1, 2014	June 30, 2015
Annual Improvements 2010-2012 Cycle	July 1, 2014	June 30, 2015
Annual Improvements 2011-2013 Cycle	July 1, 2014	June 30, 2015
AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	Part A: July 1, 2014 Part B: July 1, 2015	Part A: June 30, 2015 Part B: June 30, 2016
Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	July 1, 2016	June 30, 2017
IFRS 14 Interim standard on regulatory deferral accounts	January 1, 2016	June 30, 2016

Notes to the Financial Statements

continued

2. Statement of significant accounting policies (continued)

The Directors have not yet assessed whether the above amendments and interpretations will have a material impact on the financial report of the Group in the year or period of initial application.

(c) Statement of compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(d) Business combinations and asset acquisitions

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred, and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

The acquisition of assets is accounted by recognising at acquisition date, the assets acquired are stated at cost. Refer to Note 3 for significant judgements.

(e) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising Xanadu Mines Limited (the parent entity), special purpose entities and all entities which Xanadu Mines Limited controlled from time to time during the year and at reporting date. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

A list of controlled entities and special purpose entities is contained in Note 16.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.
- The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.
- Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2. Statement of significant accounting policies (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary
- De-recognises the carrying amount of any non-controlling interests
- De-recognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Subsidiaries are recorded as a component of other revenues in the separate income statement of the parent entity, and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(f) Foreign currency translation

Functional currency transactions are translated into Australian dollars at exchange rates ruling at the date of those transactions. At balance date, foreign currency monetary items are translated into Australian Dollars at exchange rates ruling at that date. The functional and presentation currency of the Group is Australian Dollars, with the exception of Ekhgoviin Chuluu LLC where the functional currency is MNT.

Exchange differences relating to monetary items are brought to account in the income statement in the period in which they arise. Non-monetary items are translated using the exchange rate as at the date of the initial transaction.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset.

Major depreciation periods are:

	2014	2013
Plant & equipment	2–10 years	2–10 years
Motor Vehicles	4–5 years	4–5 years
Land and buildings	40 years	40 years

Impairment

The carrying values of property, plant & equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount.

The recoverable amount of property, plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in the income statement.

2. Statement of significant accounting policies (continued)

(h) Employee benefits

Wages and salaries

Liabilities for wages and salaries, annual leave and sick leave are recognised and are measured as the amount unpaid at balance date at pay rates expected to apply at the time of settlement in respect of employees' services up to that date.

(i) Impairment of financial assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

(j) Deferred exploration and evaluation expenditure

Costs carried forward

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

Costs carried forward in respect of an area of interest that is abandoned are written off in the year in which the decision to abandon is made.

Amortisation

Costs on productive areas are amortised over the life of the area of interest to which such costs relate on the production output basis.

(k) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold collected or otherwise disposed of, or until the investment is determined to be impaired.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

Long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date. i.e. the date that the Group commits to purchase the asset.

(l) Investment in joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

2. Statement of significant accounting policies (continued)

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's Other Comprehensive Income (OCI). In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

(m) Rehabilitation of property

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

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

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

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

(n) Trade and other receivables

Trade receivables are on 28 day terms. Other receivables range from 7 to 21 day terms or on demand.

Receivables are recognised initially at fair value, usually based on the transaction cost or face value. An allowance for impairment of receivables is established when there is objective evidence that the consolidated entity will not be able to collect all amounts due. Bad debts are written off as incurred.

(o) Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to Xanadu. Trade accounts payable are normally settled within 30 days.

(p) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(q) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

2. Statement of significant accounting policies (continued)

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(r) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

(ii) Interest income

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

(s) Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in companies, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.
- Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised:
- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in companies, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

(t) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

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

(u) Contributed equity

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

2. Statement of significant accounting policies (continued)

(v) Share-based payment transactions

In addition to consulting fees and salaries, the Group provides benefits to certain Directors and employees of the Group in the form of share-based payment transactions, whereby Directors and employees render services in exchange for shares or rights over shares ("equity-settled transactions").

The cost of equity-settled transactions with employees (including Directors) is measured by reference to the fair value at the date at which they are granted. The fair value of the options is determined by an independent written valuation.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the vesting conditions, if any, are fulfilled.

The cumulative expenses recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period, if any, has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognised is recognised immediately. However, if a new award is substituted for the cancelled award and designated a replacement award on the date it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

(w) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(x) Going concern

The Group is involved in the exploration and evaluation of mineral tenements. Further expenditure will be required upon these tenements to ascertain whether they contain economically recoverable reserves.

For the year ended 30 June 2014, the Group reported a net loss of $8,416,000 (2013: $19,783,000) and net operating cash outflows of $2,620,000 (2013: $2,711,000). The operating cash outflows and investment activities have been funded by cash inflows from equity raisings and borrowings of $8,056,000 (2013: Nil) during the year. As at 30 June 2014, the Group had net current assets of $4,214,000 (2013: $5,657,000) including cash reserves of $4,427,000 (2013: $5,642,000).

The balance of these cash reserves may not be sufficient to meet the Group's expenditure, including exploration activities, and operating and administrative expenditure, for the next 12 months. The Group has exploration commitments over the next 12 months totalling $1,369,000 and additional required expenditure.

Notwithstanding the above, the financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

2. Statement of significant accounting policies (continued)

To continue as a going concern, the Group requires additional funding to be secured from sources including but not limited to:

- a further equity capital raising;
- further drawdown on related party loan; and/or
- the generation of sufficient funds from operating activities including the successful development of the existing tenements.

Having carefully assessed the uncertainties relating to the likelihood of securing additional funding, the Group's ability to effectively manage their expenditures and cash flows from operations and the opportunity to farm out participating interests in existing permits, the Directors believe that the Group will continue to operate as a going concern for the foreseeable future. Therefore, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

In the event that the assumptions underpinning the basis of preparation do not occur as anticipated, there is significant uncertainty whether the Group will continue to operate as a going concern. If the Group is unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

No adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the classification of liabilities that might be necessary should the Group not continue as a going concern.

3. Significant accounting judgements, estimates and assumptions

In applying the Group's accounting policies management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

Significant accounting judgements

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment), lease terms (for leased equipment) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary. Depreciation charges are included in Note 10.

Carrying values of exploration assets

The Group applies judgements in determining the carrying value of exploration assets in particular in determining which exploration costs should be capitalised or expensed. The Group assesses impairment of such assets at each reporting date by evaluating conditions specific to the Group.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date they were granted. The fair value is determined by independent written valuation. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Consolidation of entities in which the Group holds less than majority of voting rights

The Group considers that it controls Mongol Metals LLC even though it owns less than 50% of the voting rights. This is because the Group has a majority of representatives on the Board and can effectively direct the activities of the Company. Based on the structure of the Board and the financial relationship with the Company, Mongol Metals LLC is consolidated into the Group's consolidated financial statements.

Recognition of asset of acquisition

In determining the recognition of asset and business acquisitions, an assessment of the underlying assets and operations of the acquired entity is completed where the Group acquires an entity for tenements only, rather than acquiring an operation with clear distinct processes, the acquisition is deemed to be an asset acquisition rather than a business combination.

4. Revenues and expenses

	Consolidated 2014 $'000	Consolidated 2013 $'000
(a) Revenue		
Interest	85	318
Rental and other revenue	9	–
	94	318
(b) Other income		
Net foreign currency gains	–	531
Profit on sale of property, plant & equipment	–	52
	–	583
(c) Deferred exploration and evaluation costs write off		
Deferred exploration and evaluation costs write off	5,000	17,048
(d) Other expenses		
Administration expenses	949	1,662
Bad Debt written off	31	91
Net foreign currency loss	662	–
Loss on sale of property, plant and equipment	79	–
Employment and consultancy expenses:		
– wages and management fees	1,755	1,389
– share-based payments	219	5
	3,695	3,147

5. Income tax

	Consolidated 2014 $'000	Consolidated 2013 $'000
Reconciliation to Income Tax Expense on Accounting Loss		
The prima facie income tax expense on pre-tax accounting loss from operations reconciles to the income tax expense in the financial statements as follows:		
Accounting loss before income tax	(8,750)	(19,449)
Tax at Australian tax rate of 30% (2013 – 30%)	(2,280)	(4,270)
Tax at Mongolian tax rate of 25% (2013 – 25%)	(279)	(1,303)
Tax at Singapore Tax Rate of 17% (2013 – 17%)	(6)	–
Non Deductible Expenses		
Tax effect at Australian rates of expenses not allowable for tax purposes	69	15
Tax effect at Mongolian rates of expenses not allowable for tax purposes	35	28
Tax effect at Singaporean rates of expenses not allowable for tax purposes	–	–
Tax expense resulting from capital raising costs recognised in equity	–	–
Current year tax benefits not recognised	2,461	5,530
	–	–

Tax losses

At the reporting date, the Group has estimated tax losses of $16,193,000 (2013: $13,831,000). A deferred tax asset has not been recognised for these losses because it is not probable that future taxable income will be available to use against such losses.

6. Segment reporting

The consolidated entity operates predominantly in the minerals exploration sector. The principal activity of the consolidated entity is exploration for copper and gold. The consolidated entity 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 11 of the annual financial report. No segment revenues are disclosed as each exploration tenement is not at a stage where revenues have been earned. Furthermore, no segment costs are disclosed as all segment expenditure is capitalised, with the exception of expenditure written off which is disclosed in Note 4 and 11. The non-current assets of the group, excluding $35,350 (2013: $21,575) attributable to the parent entity, are located in Mongolia.

7. Earnings per share

	Consolidated	
	2014 Cents per Share	2013 Cents per Share
Basic and diluted earnings per share attributable to equity holders of the parent	(4.09)	(9.41)
	$'000s	$'000s
Loss used in calculation of total basic loss per share	8,416	18,744
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	205,908,821	199,256,390
Effect of dilution:		
Share options/rights	–	–
Weighted average number of ordinary shares adjusted for the effect of dilution	205,908,821	199,256,390

The basic and diluted earnings per share are the same as there are no instruments that have a dilutive effect on earnings

8. Cash and cash equivalents

	Consolidated 2014 $'000s	Consolidated 2013 $'000s
Cash at bank and on hand	2,342	5,642
Restricted Cash[1]	2,085	–
	4,427	5,642

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

[1] Restricted cash was proceeds of a drawdown on the Noble facility where funds were not cleared until 1 July 2014.

Reconciliation of loss for the year to net cash flows from operating activities		
Loss for the year	(8,416)	(19,449)
Depreciation of assets	149	153
Finance income	–	(393)
Finance cost	–	(2)
Employee benefits – Share based payments	304	5
(Gain)/Loss on disposal of Property Plant & Equipment	79	(52)
Deferred exploration and evaluation costs write offs	4,979	17,048
Net foreign currency (gain)/loss	327	(531)
(Increase)/decrease in assets:		
– current receivables	10	649
Increase/(Decrease) in liabilities:		
– current payables	(52)	(139)
Net cash from operating activities	(2,620)	(2,711)

9. Other receivables

	2014 $'000s	2013 $'000s
Sundry debtors	79	128
GST recoverable	33	14
	112	142

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. Details regarding the liquidity risk are disclosed in Note 15.

10. Property, plant and equipment

	Land & Buildings $'000s	Plant & Equipment $'000s	Motor Vehicles $'000s	Total $'000s
Year ended 30 June 2014				
At 1 July 2013, net of accumulated depreciation	757	219	247	1,223
Additions	–	101	40	141
Disposals	(757)	(17)	(30)	(804)
Depreciation charge	–	(86)	(63)	(149)
At 30 June 2014, net of accumulated depreciation	–	217	194	411
At 30 June 2014				
At cost	–	507	353	860
Accumulated depreciation	–	(290)	(159)	(449)
Net carrying amount	–	217	194	411
Year ended 30 June 2013				
At 1 July 2012, net of accumulated depreciation	757	226	217	1,200
Additions	–	86	88	174
Disposals	–	–	–	–
Depreciation charge	–	(93)	(58)	(151)
At 30 June 2013, net of accumulated depreciation	757	219	247	1,223
At 30 June 2013				
At cost	757	437	364	1,558
Accumulated depreciation	–	(218)	(117)	(335)
Net carrying amount	757	219	247	1,223

11(a). Deferred exploration expenditure

	Consolidated 2014 $'000s	Consolidated 2013 $'000s
Costs incurred in respect of current mining leases (net of costs expensed)	27,075	12,995
Opening balance at 1 July	12,955	13,233
– Acquisition of tenements	17,719[1]	5,621[4]
– Direct exploration expenditure	1,345	3,450
– Transferred from assets classified as held for sale	–	7,699[5]
– Expenditure written off on relinquishment of exploration licences	(516)[2]	(3,428)[6]
– Expenditure subject to impairment written off during the year	(4,428)[3]	(13,620)[7]
Total Exploration Expenditure at 30 June	27,075	12,955

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases are dependent on the successful development and commercial exploitation or sale of the respective areas.

Year ended 30 June 2014

1 During the year ended 30 June 2014 Xanadu Mines Ltd completed the acquisition through a subsidiary of 90% of the shares in Vantage LLC which is the owner of the Oyut Ulaan project, for a payment of $635,640 (US$600,000), the issue of 5,000,000 Xanadu shares and the issue of 35,000,000 performance share rights. The Company also completed the acquisition through its subsidiary Mongol Metals LLC of 90% the shares in Oyut Ulaan LLC which is the owner of the Kharmagtai project for $14,831,600 (US$14,000,000) of which $10,742,000 (US$10,000,000) is deferred for up to 18 months.

2 The expenditure written off during the year includes the write off of capitalised exploration expenditure on the relinquishment of the Khurem tenement.

3 The expenditure subject to impairment includes the remaining capitalised exploration expenditure on Khar Tavarga, Suuj, Zoost, and Galshar tenements, to reduce the carrying value to the sale value to $21,118 (US$20,000). The tenements for Elgan Uul, Zost Uul and Elgan Zost were subject to impairment to reduce the carrying value to nil. With regard to the Company's investment in the joint venture known as Ekhgoviin Chuluu LLC, an impairment has been recorded to further reduce the carrying value to nil.

Year ended 30 June 2013

4 During the year ended 30 June 2013 Xanadu Mines Ltd acquired through a subsidiary 25% of the shares in Vantage LLC which is the owner of the Oyut Ulaan project, together with the right to earn up to 90% subject to Mongolian Government approvals and the payment of $635,640 (US$600,000).

5 The assets previously classified as held for sale are no longer classified as held for sale as a sale in the short term is not highly probable in the current market.

6 The expenditure written off during the year includes the write off of capitalised exploration expenditure on the relinquishment of a portion of the Sharchuluut tenement and the relinquishment of all of the tenements for Tugrug, Tugrug Nuur, Takhilgat Uul, Shiruun Ukhaa, and a tenement that forms part of the Galshar project.

7 The expenditure subject to impairment includes the capitalised exploration expenditure on Suuj, Zoost, Argalant, Amgalant, and three of the smaller Galshar tenements, to reduce the carrying value to nil. The tenements for Khar Tarvaga and the remaining Galshar tenement were written down from $7,699,000 to carrying values of $100,000 and $400,000 respectively. These values are the best estimates available taking into account the current market and economic circumstances. With regard to the Company's investment in the joint venture known as Ekhgoviin Chuluu LLC, an impairment has been recorded amounting to $4,750,000 (2012:Nil) reducing the carrying value to $850,000 for the Nuurstei tenement. This value is the best estimates available taking into account the current market and economic circumstances.

11(b). Assets classified as held for sale

	Consolidated 2014 $'000s	2013 $'000s
Costs incurred in respect of current mining leases (net of costs expensed)	–	–
Opening balance at 1 July 2013	–	7,699
– Transferred to deferred exploration expenditure	–	(7,699)[1]
	–	–
– Transferred to assets classified as held for sale	–	–
Total Exploration Expenditure at 30 June 2014	–	–

[1] The assets previously classified as held for sale are no longer classified as held for sale as a sale in the short term is not highly probable in the current market.

12(a). Share based payment reserve

	2014 No.	2014 Weighted Average Exercise Price $	2013 No.	2013 Weighted Average Exercise Price $
Issued to Key Management Personnel				
Outstanding share rights and options at the beginning of the year	27,540,000	$0.54	25,740,000	$0.65
Issued during the year to KMP	8,300,000	$0.00[1]	3,300,000	$0.00[1]
Forfeited during the year	–	–	(1,500,000)	–
Exercised during the year	–	–	–	–
Outstanding at the end of the year	35,840,000	$0.21	27,540,000	$0.54
Exercisable at the end of the year	24,240,000	–	24,240,000	–

[1] Share rights that vest if share price hurdles are met, hence exercise price is nil.

The outstanding balance as at 30 June 2014 is represented by:

Options

- 14,000,000 options over ordinary shares with an exercise price of $0.50 each, exercisable until 31 December 2014;
- 5,240,000 options over ordinary shares with an exercise price of $0.50 each, exercisable until 19 December 2014;
- 1,000,000 options over ordinary shares with an exercise price of $0.60 each, exercisable until 30 June 2016;
- 1,000,000 options over ordinary shares with an exercise price of $1.20 each, exercisable until 30 June 2016;
- 1,000,000 options over ordinary shares with an exercise price of $1.80 each, exercisable until 30 June 2016;
- 1,000,000 options over ordinary shares with an exercise price of $0.70 each, exercisable until 31 December 2014; and
- 1,000,000 options over ordinary shares with an exercise price of $1.00 each, exercisable until 31 December 2014.

Share Rights

- 3,400,000 share rights which may vest after 23 May 2015 if the closing price of shares on any 3 consecutive trading days in the prior 12 month period exceeds $0.1437;
- 1,700,000 share rights which may vest after 23 May 2016 if the closing price of shares on any 3 consecutive trading days in the prior 12 month period exceeds $0.1870;
- 2,300,000 share rights which may vest after 26 February 2015 if the closing price of shares on any 3 consecutive trading days in the prior 12 month period exceeds $0.1393;
- 1,700,000 share rights which may vest after 26 February 2016 if the closing price of shares on any 3 consecutive trading days in the prior 12 month period exceeds $0.1813;

12(a). Share based payment reserve (continued)

- 1,250,000 share rights that may vest after 9 November 2014 should the share price meet or exceed $0.14 as traded on the ASX for 3 consecutive trading days up to and including 28 February 2015 (First Hurdle). Should the First Hurdle not be met, these share rights are subject to a re-test commensurate with the Second Hurdle (described below); and
- 1,250,000 share rights that may vest after 9 November 2015 should the share price meet or exceed $0.18 as traded on the ASX for 3 consecutive trading days between 1 March 2015 up to and including 28 February 2016 (Second Hurdle).

The weighted average remaining contractual life for the share rights and options outstanding as at 30 June 2014 is between two and three years (2013: 1 and 2 years). The range of exercise prices for share rights and options outstanding at the end of the year was $0.00-$1.80 (2012: $0.00-$1.80). The value of the equity-settled share rights granted was prepared by an independent accountant as at the date of grant using an enhanced employee stock option pricing model taking into account the terms and conditions upon which the share rights were granted. The fair value of share rights granted during the year was $328,885.

The share rights vest where the closing price of the employer shares on any 3 consecutive trading days during the period from the grant date to the day immediately preceding the vesting date exceeds the hurdle price.

The following table lists the inputs to the models used when granting share rights during the year ended 30 June 2014:

Grant Date: 22 November 2013

Number of share rights	600,000	600,000	600,000	1,000,000	1,300,000	1,700,000
Vesting Date	23 May 2014	23 May 2015	23 May 2016	26 Feb 2014	26 Feb 2015	26 Feb 2016
Expected volatility (%)	90%	90%	90%	90%	90%	90%
Risk-free interest rate (%)	2.85%	2.85%	2.85%	3.63%	3.63%	3.63%
Expected life of right (years)	3.0	3.0	3.0	3.0	3.0	3.0
Share price vesting Hurdle (cents)	11.05	14.37	18.7	10.71	13.92	18.13
Exercise price (cents)	Nil	Nil	Nil	Nil	Nil	Nil
Offer/Grant date share price (cents)	4.1	4.1	4.1	6.0	6.0	6.0
Fair Value (cents)	0.026	0.022	0.017	0.056	0.053	0.046

Grant Date: 17 May 2014

Number of share rights	1,250,000	1,250,000
Vesting Date	9 Nov 2014	9 Nov 2015
Expected volatility (%)	90%	90%
Risk-free interest rate (%)	3.63%	3.63%
Expected life of right (years)	1.8	1.8
Share price vesting Hurdle (cents)	14.0	18.0
Exercise price (cents)	Nil	Nil
Offer/Grant date share price (cents)	4.0	4.0
Fair Value (cents)	0.035	0.034

The expected life of the rights is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

12(b). Share based payment reserve

	2014 No.	2014 Weighted Average Exercise Price $	2013 No.	2013 Weighted Average Exercise Price $
Issued to the Vendors of The Oyut Ulaan Project				
Outstanding share rights and options at the beginning of the year	–	–	–	–
Issued during the year for acquisitions	35,000,000	$0.00[1]	–	–
Forfeited during the year	–	–	–	–
Exercised during the year	–	–	–	–
Outstanding at the end of the year	35,000,000	–	–	–
Exercisable at the end of the year	–	–	–	–

1 Share rights that vest where hurdle is a JORC Resource exceeds 300,000 and 900,000 tonnes of contained copper equivalent.

The outstanding balance as at 30 June 2014 is represented by:

- Series A 15,000,000 share rights which may be exercised in the three months after the third day after the Company defines and announces a JORC Code compliant resource of at least 300,000 tonnes of contained copper equivalent or if the Company fails to meet the US$1,000,000 minimum expenditure commitment of 18 months after approval of the transaction by the Government of Mongolia; and
- Series B 20,000,000 share rights which may be exercised in the three months after the third day after the Company defines and announces a JORC Code compliant resource of at least 900,000 tonnes of contained copper equivalent or if the Company fails to meet the US$3,000,000 minimum expenditure commitment 30 months after approval of the transaction by the Government of Mongolia.

Grant Date: 17 May 2014

	Series A	Series B
Number of share rights	15,000,000	20,000,000
Expiry Date	16 Jan 2019	16 Jan 2019
Expected volatility (%)	90%	90%
Risk-free interest rate (%)	4.0%	4.0%
Expected life of right (years)	5.0	5.0
Vesting Hurdle (tonnes)	300,000	900,000
Exercise price (cents)	Nil	Nil
Offer/Grant date share price (cents)	5.0	5.0
Fair Value (cents)	5.0	5.0

The fair value of share rights issued during the year was $1,750,000.

13. Trade and other payables

	Notes	Consolidated 2014 $'000s	Consolidated 2013 $'000s
Trade payables	(i)	307	110
Accrued expenses		279	90
		586	200

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

14. Contributed equity and reserves

	Consolidated 2014 $'000s	Consolidated 2013 $'000s
(a) Ordinary shares		
Issued and fully paid (net of transaction costs)	58,629	56,591

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	No.	$'000s
Movement in ordinary shares on issue:		
At 1 July 2013	199,256,390	56,591
Managing Director as per employment contract	1,000,000	60
Vendor of Oyut Ulaan Mining Tenement	5,000,000	325
Placement to fund the Kharmagtai Project	8,211,459	394
Placement to fund the Kharmagtai Project	27,568,990	1,235
Issue Pursuant to Xanadu Equity Incentive Plan	500,000	24
At 30 June 2014	241,536,839	58,629

(b) Reserves

	Option Reserve $'000s
Reserves	
At 1 July 2012	6,339
Share-based payments – employee benefits	5
Foreign currency translation reserve	(334)
At 30 June 2013	6,010
Share-based payments – employee benefits	219
Share-based payments – acquisition of tenements	1,749
Foreign currency translation reserve	334
At 30 June 2014	8,312

Refer to the Statement of Changes in Equity for a reconciliation of movements in accumulated losses.

14. Contributed equity and reserves (continued)

Nature and Purpose of Reserves

Share-based payments – Employee benefits
This reserve is used to record the value of equity benefits provided to Directors, employees and external service providers as part of their fees and remuneration.

Share-based payments – acquisition of tenements
This reserve is used to record in equity the value of equity issued to the vendor of the Oyut Ulaan Project as part of the acquisition consideration.

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.

Capital Management

Management controls the capital of the Group in order to maximise the return to shareholders and ensure that the Group can fund its operations and continue as a going concern.

Management effectively manages the Group's capital by assessing the Group'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.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

	2014 No.	2014 Weighted Average Exercise Price $
Outstanding options at the beginning of the year	27,540,000	$0.54
Issued during the year to KMP	8,300,000[1]	$0.00
Issued during the year for acquisitions	35,000,000[1]	$0.00
Exercised during the year	–	–
Forfeited during the year	–	–
Outstanding at the end of the year	70,840,000	$0.21
Exercisable at the end of the year	24,240,000	–

[1] Share Rights.

15. Financial risk management objectives and policies

The Group's principal financial instruments comprise cash and short term deposits, receivables and payables.

The Group manages its exposure to key financial risks in accordance with its risk management policy with the objective to ensure that the financial risks inherent in exploration activities are identified and managed accordingly.

The main financial risks that arise in the normal course of business for the Group's financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk. Management employs different methods to measure and mitigate the different risks to which the Group is exposed. These include monitoring exposure to foreign exchange risk and assessments of market forecast for interest rate, foreign exchange and commodity prices. Liquidity risk is managed by development of rolling budgets and forecasts.

Primary responsibility for identification and control of financial risks lies with the Managing Director and Chief Financial Officer, under the authority of the Board. The Board is abreast of these risks and agrees any policies that may be implemented to manage the risks identified.

The following table outlines the Group's financial instruments:

Fair values

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments that are carried in the financial statements.

	Carrying amount $'000s	Fair Value $'000s	Average Interest Rate %
30 June 2014			
Financial assets			
Cash and cash equivalents	4,427	4,427	3.25
Other receivables	112	112	–
	4,539	4,539	
Financial liabilities			
Trade and other payables	586	586	–
Term Loan – Related Party	2,135	2,135	10.23
Deferred acquisition consideration	10,594	10,594	–
Net exposure	8,776	8,776	

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year.

	Carrying amount $'000s	Fair Value $'000s	Average Interest Rate %
30 June 2013			
Financial assets			
Cash and cash equivalents	5,642	5,642	3.22
Other receivables	141	141	–
	5,783	5,783	
Financial liabilities			
Trade and other payables	857	857	–
Net exposure	4,926	4,926	

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year.

15. Financial risk management objectives and policies (continued)

Financial risk management

The consolidated entity's principal financial instruments comprise cash, short-term deposits, receivables, payables and loans. The main purpose of these financial instruments is to raise finance for its operations. The consolidated entity has financial instruments such as debtors and creditors, which arise directly from its operations.

The consolidated entity manages its exposure to key financial risks, including interest rate, credit and liquidity risks in accordance with the consolidated entity's policy. The objective of the policy is to support the delivery of the consolidated entity's financial targets whilst protecting future financial security.

The main risks arising from financial instruments are interest rate risk, credit risk and liquidity risk and they are summarised below.

(a) Capital risk management

The consolidated entity considers its capital to comprise its ordinary shares and its retained earnings.

The consolidated entity manages its capital to ensure it will be able to continue as a going concern, and to maintain a sufficient funding base. The Board reviews and agrees policies for managing the capital structure when considering each major project investment. The consolidated entity has no debt and hence has a nil gearing ratio.

In making decisions to adjust its capital structure, the consolidated entity considers not only its short term position, but also its long term operational and strategic objectives.

(b) Foreign currency risk

As a result of significant operations in Mongolia and the majority of expenditure being denominated in United States Dollars, the Group's balance sheet can be affected significantly by movements in the US$/A$ exchange rates. The Group seeks to mitigate the effect of its foreign currency exposure by holding part of its cash reserves in US Dollars.

The Group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating entity in currencies other than the functional currency.

As at 30 June 2014, the consolidated entity had the following exposure to AUD/USD foreign currency movements:

	Consolidated	
	2014 $'000s	**2013 $'000s**
Financial assets		
Cash and cash equivalents	2,187	584
Other receivables	–	–
	2,187	584
Financial liabilities		
Trade and other payables	–	–
Term Loan – Related Party	2,135	–
Deferred acquisition consideration	10,594	–
Net exposure	10,542	584

15. Financial risk management objectives and policies (continued)

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

At 30 June 2014, had the Australian Dollar moved, as illustrated in the table below, with all other variables remaining constant, equity and results would have been affected as follows:

	Equity & Profit after Tax Higher / (Lower)	
	2014 $'000s	2013 $'000s
Effect on cash balances denominated in USD:		
Consolidated		
AUD/USD +10%	933	(52)
AUD/USD -5%	(575)	31

Management believe the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

(c) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

(d) Interest rate risk

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

The following table sets out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk.

	Consolidated	
	2014 $'000s	2013 $'000s
Financial assets		
Cash and cash equivalents	4,427	5,642
	4,427	5,642
Financial liabilities		
Interest bearing loans and borrowings	2,135	–
Net exposure	2,292	5,642

15. Financial risk management objectives and policies (continued)

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

At 30 June 2014, if interest rates had moved, as illustrated in the table below, with all other variables held constant, the consolidated entity's post-tax profit and equity would have been affected as follows:

	Post tax profit Higher / (Lower)	
	2014 $'000s	2013 $'000s
Consolidated		
+1% (100 basis points)	22	56
-0.5% (50 basis points)	(11)	(28)

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

(e) Liquidity risk

Liquidity risk arises from the consolidated entity's management of working capital. It is the risk that the consolidated entity will encounter difficulty in meeting its financial obligations as they fall due.

The consolidated entity's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances to meet expected requirements for a period of at least twelve months.

The Board receives cash flow projections on a monthly basis as well as information regarding cash balances. At the balance sheet date, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations, and forward expenditure commitments, under all reasonably expected circumstances.

At balance date, financial liabilities include a Term Loan from a related party at an annual interest rate of 10.23% and repayable before 30 June 2017 and deferred consideration in relation to the acquisition of the Kharmagtai Project, there is no interest on this liability and it is to be repaid by 3 December 2015.

16. Investments

The consolidated financial statements include the financial statements of Xanadu Mines Ltd and the subsidiaries and jointly controlled entities listed in the following table:

	Country of Incorporation	% Equity Interest		Investment ($'000s)	
		2014	2013	2014	2013
Xanadu Mines Mongolia LLC	Mongolia	100	100	13	13
Xanadu Exploration Mongolia LLC	Mongolia	100	100	431	431
Xanadu Metals Mongolia LLC	Mongolia	100	100	12	12
Xanadu Copper Mongolia LLC	Mongolia	100	100	2,186	2,186
Xanadu Mines Singapore Pte Ltd	Singapore	100	100	–	–
Khuiten Metals Pte Ltd	Singapore	100	–	–	–
Mongol Metals LLC[2]	Mongolia	12	–	712	–
Vantage LLC[2]	Mongolia	90	–	6,769	–
Oyut Ulaan LLC[2]	Mongolia	90	–	3,393	–
Altan Xanadu LLC	Mongolia	80	80	105	105
Xanadu South Gobi Copper LLC	Mongolia	51	51	495	495
Coalridge Limited[1]	British Virgin Islands	–	50	–	7,079
Ekhgoviin Chuluu LLC[1]	Mongolia	–	50	–	48
BlackRock LLC[1]	Mongolia	–	30	–	4,112
Interglobal LLC[1]	Mongolia	–	40	–	474
CEADM LLC[1]	Mongolia	–	50	–	731
Xanadu Energy Resources Mongolia LLC[1]	Mongolia	–	100	–	111
Xanadu Coal Mongolia LLC[1]	Mongolia	–	100	–	12

1 These entities were sold during the year.

2 Refer to Note 21 for details of acquisition of subsidiaries. Although the shareholding in Mongol Metals LLC is 13% the Company can exercise control over the entity.

17. Commitments and contingencies

Commitments in relation to exploration licences contracted at the reporting date but not recognised as liabilities within one year are $309,437 (2013: $362,480). As the future exploration activity is in most cases dependent upon reserves being found it is not possible to set out the funds due to be contributed in more than one years time.

During the year the Company completed the acquisition of the acquisition of 90% of the Oyut Ulaan copper-gold project. The terms of which include a minimum spend obligation on the project of $1,059,400 (US$ 1,000,000) before 14 July 2015, and $3,178,200 (US$ 3,000,000) inclusive of the above commitment before 14 July 2016.

No other commitments or contingencies existed at 30 June 2014.

18. Parent entity disclosures

Information relating to Xanadu Mines Ltd:

Financial position

	2014 $'000s	2013 $'000s
Assets		
Current assets	2,222	5,682
Non-current assets	10,857	14,065
Total assets	13,079	19,747
Liabilities		
Current liabilities	341	88
Non-current liabilities	–	–
Total liabilities	341	88
Net Assets	12,738	19,835
Issued capital	58,629	56,591
Share-based payments reserve	8,311	6,175
Retained earnings	(54,202)	(42,931)
Total equity	12,738	19,835

Financial performance

	2014 $'000s	2013 $'000s
Loss for the year	(11,101)	(19,923)
Other comprehensive income/(loss)	–	–
Total comprehensive income/(loss)	(11,101)	(19,923)

a. Guarantees – The Company has entered into a guarantee for the obligations of Mongol Metals LLC in relation to the deferred consideration payable for the acquisition of the The Kharmagtai Project of $10.742m.

b. Contingent liabilities – Nil.

c. Commitments – Nil.

19. Auditors' remuneration

The auditors of Xanadu are Ernst & Young.

	Consolidated	
	2014 $	2013 $
Amounts received or due and receivable by Ernst & Young for:		
An audit or review of the financial report of the entity and any other entity in the consolidated Group	92,500	89,400
Other services in relation to the consolidated entity		
– tax services	13,625	18,740

20. Fair value measurement

The consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

The carrying amounts of cash, trade and other receivables and trade and other payables, loans and deferred consideration are assumed to approximate their fair values due to their short-term nature.

There are no other financial assets or liabilities as at 30 June 2014.

21. Acquisition of subsidiaries

Asset Acquisitions Oyut Ulaan Project

Two subsidiaries were acquired during the year.

During 2014 the Company Acquired Vantage LLC.

On 16 January 2014 Xanadu completed the purchase of 90% of the issued shares in Mongolian company Vantage LLC the owner of 100% of the Oyut Ulaan mining licence. The vendor received 5,000,000 shares in Xanadu Mines Ltd as consideration to the value of $325,000, cash of $635,640 (US$600,000) and 35,000,000 performance share rights valued at $1,750,000 that are contingent on the recognition of a JORC resource of up to 900,000 tonnes contained copper equivalent. (refer to Note 12(b) for further details) In addition, Xanadu had paid $5,621,000 during 2013 on account of the acquisition.

The net assets acquired in the asset acquisition are as follows:

	Acquiree's carrying amount before acquisition $'000s	Fair value $'000s
Net assets acquired:		
Receivables and prepaid expenses	3	3
Deferred Exploration Expenditure	1,145	8,670
	1,148	8,673
Expenditure incurred in 2013		5,621
Expenditure incurred in 2014		4,015
Non-controlling interest recognised on acquisition		(963)
Total consideration		8,673

Deferred Exploration Expenditure arose in the asset acquisition because the cost of the purchase included exploration potential premium paid to acquire the assets.

Asset Acquisitions Kharmagtai Project

During the 2014 financial year, Xanadu and Ganbayar Lkhagvasuren formed a joint venture company Mongol Metals LLC for the purpose of acquiring the Kharmagtai Copper and Gold project. The purchase price of the project is $14,667,000 (US$14,000,000) of which $4,237,600 (US$4,000,000) was contributed by Ganbayar Lkhagvasuren to fund the payment of the deposit. The remaining $10,742,000 (US$10,000,000) is payable within 18 months of completion. Xanadu has guaranteed the payment of the deferred consideration. Xanadu has funded the joint venture to facilitate exploration activity since completion. At balance date, Xanadu has a 13% shareholding in Mongol Metals LLC.

Notes to the Financial Statements
continued

21. Acquisition of Subsidiaries (continued)
The net assets acquired in the asset acquisition are as follows:

	Acquiree's carrying amount before acquisition $'000s	Fair value $'000s
Net assets acquired:		
Cash, receivables and other assets	188	188
Deferred Exploration Expenditure	–	14,479
	–	14,667
Fair Value of assets acquired		16,915
Non-controlling interest recognised on acquisition		(2,248)
Total consideration		14,667

Deferred Exploration Expenditure arose in the asset acquisition because the cost of the purchase included exploration potential premium paid to acquire the assets.

22. Events after the balance sheet date
On 17 September 2014, the Company increased its equity in the joint venture company Mongol Metals LLC to 41.5% by way of further subscription for shares. Other than the above, there are no other significant events that have occurred after the balance sheet date.

23. Interest in joint operation
On 13 June 2014 Xanadu announced that it had sold its 50% interest in the joint venture with The Noble Group known as Ekhgoviin Chuluu LLC. The 50% interest was sold to Aspire Mining Ltd for up to 15 million Aspire Mining Ltd shares based on project milestones being met.

As at 30 June 2014, the consolidated entity recognised the following joint venture assets in its statement of financial position:

Financial position

	2014 $'000s	2013 $'000s
Assets		
Current assets	–	204
Non-current assets	–	5,683
Total assets	–	5,887
Liabilities		
Current liabilities	–	80
Non-current liabilities	–	–
Total liabilities	–	80

Financial performance

	2014 $'000s	2013 $'000s
Profit/(Loss) for the year	(678)	(895)

i. Xanadu Mines Ltd has no further commitment to the joint venture as at 30 June 2014.

ii. The carrying value of the interest in the joint venture was written down to $850,000 at 30 June 2013. This remaining value was written down on sale to nil.

ASX Additional Information

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 25 August 2014.

(a) Distribution of Equity Securities

The number of shareholders, by size of holding, in each class of share are:

	Listed Ordinary Shares	
	Number of Holders	Number of Shares
1 – 1,000	30	14,193
1,001 – 5,000	179	582,874
5,001 – 10,000	137	1,144,014
10,001 – 100,000	456	17,689,987
100,001 – and over	171	222,105,771
	973	241,536,839
The number of shareholders holding less than a marketable parcel of shares are:	110	186,553

(b) Twenty Largest Shareholders

The names of the twenty largest holders of quoted shares are:

	Listed Ordinary Shares	
	Number of Shares	Percentage of Shares
1. Sakari Energy Trading Pte Ltd	24,642,332	10.20
2. Noble Resources International Pte Ltd	21,723,454	8.99
3. Mr Ganbayar Lkhagvasuren	14,389,565	5.96
4. Eagle Securities Limited	11,367,765	4.71
5. JP Morgan Nominees Australia Limited	9,388,204	3.89
6. Bikini Atoll Investments Pty Ltd	7,260,000	3.01
7. Citicorp Nominees Pty Ltd	6,975,441	2.89
8. Farrington Corporate Services Pty Ltd <Farrington Super Fund>	6,826,100	2.83
9. J S Meek	5,900,000	2.44
10. Bellarine Gold Pty Ltd <Ribblesdale Super Fund Account>	5,806,635	2.40
11. Fast Lane Australia Pty Ltd	5,650,000	2.34
12. Emsdale Holdings Pty Ltd	5,200,000	2.15
13. Mr George A Lloyd	4,333,333	1.79
14. ABN AMRO Clearing Sydney Nominees Pty Ltd <Custodian a/c>	3,451,253	1.43
15. Second Naremi Pty Ltd	3,195,500	1.32
16. Talbot Group Holdings Pty Ltd <Talbot Equities Account>	3,000,000	1.24
17. Norvale Pty Ltd <Norvale Employees S/F Account>	2,970,276	1.23
18. Dwyper Consulting Pty Ltd	2,868,000	1.19
19. Bannaby Investments Pty Ltd <Super Fund Account>	2,300,000	0.95
20. Hillgrove Resources Limited	2,285,000	0.95
	149,532,858	61.91

ASX Additional Information

continued

(c) Substantial Shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	Number of Shares	Percentage of Ordinary Shares
Sakari Energy Trading Pte Ltd	24,642,332	10.20
Noble Resources International Pte Ltd	21,723,454	8.99
Brian Thornton and associated interests	21,187,371	8.77
Ganbayar Lkhagvasuren	14,389,565	5.96

(d) Voting Rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

(e) Unquoted Securities (and names of holders with more than 20% of equity in securities in each case)

Class	Number of Securities	Number of Holders	Holders with More Than 20%
Options over ordinary shares exercisable at $0.50 on or before 31 December 2014	14,000,000	4	Brian Thornton 6,000,000 options; Mr Roger Perry 3,000,000 options; Mr Rod Williams 3,000,000 options
Series A Options expiring on 14 January 2019 issued in relation to the acquisition of the Oyut Ulaan Mining Tenement	15,000,000	1	Temujin Mining Corp
Series B Options expiring on 14 January 20019 issued in relation to the acquisition of the Oyut Ulaan Mining Tenement	20,000,000	1	Temujin Mining Corp

(f) Securities Exchange Listing

Quotation has been granted for 241,536,839 ordinary shares of the Company on all Member Exchange of the ASX Limited.

Tenements Held as at 30 June 2014

Area of Interest	Tenements	Location	Interest
Kharmagtai	MV17317A	Omnogovi Province	13%
Oyut Ulaan	MV017129	Dornogovi Province	90%
Sharchuluut	13670x	Bulgan Province	100%
Elgen Uul	13703x	Dornogovi Province	80%
Zos Uul	13711x	Dorogovi Province	80%

Corporate Directory

Directors

Mark Wheatley	Independent Non-Executive Director Independent Non-Executive Chairman (Appointed Chairman 25 November 2013)
George Lloyd	Managing Director (Appointed 26 August 2013)
Ganbayar Lkhagvasuren	Executive Director - Mongolia
Hannah Badenach	Non-Executive Director
Darryl Clark	Independent Non-Executive Director
Barry Lavin	Independent Non-Executive Director (Appointed 22 September 2014)

Company Secretary

Janine Rolfe (Appointed 25 November 2013)

Registered Office – Australia
c/o Company Matters Pty Ltd
Level 12, 680 George Street
Sydney NSW 2000

Tel: +61 2 8280 7497
Fax: +61 2 9287 0350

Email: info@xanadumines.com
Website: www.xandaumines.com

Registered Office – Mongolia
2nd Khoroo, AOS Street
Military Town, Bayanzurkh District
Ulaanbaatar, Mongolia

Tel: +976 11 5011 0211

Share Registry
Computershare Investor Services Pty Ltd
Level 3, 60 Carrington Street
Sydney NSW 2000

Tel: +61 1300 855 080

Auditors
Ernst & Young
680 George Street
Sydney NSW 2000

Stock Exchange Listing
Xanadu Mines Ltd shares are listed on the Australian Securities Exchange (ASX:XAM)

ABN 92 114 249 026

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XANADU MINES

Registered Office (Australia)

Level 12, 680 George Street
Sydney NSW 2000

T : +61 2 8280 7497
F: +61 2 9287 0350
E: info@xanadumines.com

Registered Office (Mongolia)

2nd Khoroo, AOS Street
Military Town, Bayanzurkh District
Ulaanbaatar, Mongolia

T: +976 11 5011 0211