



XANADU MINES

Xanadu Mines Ltd
Second Quarter 2023 Report
Management's Discussion & Analysis

June 30, 2023

(stated in Australian dollars, unless otherwise stated)

Management's Discussion and Analysis

This *Management's Discussion and Analysis (MD&A)* dated September 1, 2023, relates to the financial condition and results of the consolidated operations of Xanadu Mines Ltd (**Xanadu**, **Xanadu Mines**, or the **Company**) for the three months ended June 30, 2023 (**June Quarter**). This is Management's assessment of the operations and the financial results together with future prospects of Xanadu Mines and should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2022, and 2021 and notes thereto. The accompanying Condensed Interim Consolidated Financial Statements for the six months ended June 30, 2023, have been prepared in accordance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting', and all dollar figures in this MD&A are expressed in Australian dollars (\$) unless stated otherwise.

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

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

COMPETENT PERSON STATEMENT

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

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

BUSINESS OVERVIEW

Xanadu is an Australian incorporated public company with its shares listed on both the Australian Stock Exchange (**ASX**) and the Toronto Stock Exchange (**TSX**) under the code XAM. The principal activity of the Company (and its subsidiaries) is copper-gold exploration in Mongolia. The Company holds interests in two tenements: 38.25% of the Kharmagtai copper-gold project via a 50-50 Joint Venture with the Zijin Mining Group and 100% of the Red Mountain copper-gold project.

DESIGNATED FOREIGN ISSUER

- The Company is a "designated foreign issuer", as such term is defined in National Instrument 71-102 – Continuous Disclosure and Other Exemptions Relating to Foreign Issuers ("NI 71-102"). As such, the Company is exempt from certain reporting requirements imposed on reporting issuers in Canada. The Company is subject to the foreign regulatory requirements of AIM, which is a "foreign regulatory authority" (as defined in NI 71-102). Generally, the Company will comply with Canadian ongoing reporting requirements if it complies with the regulatory requirements of AIM and files any documents required to be filed with or furnished to AIM on SEDAR.
- The Company continues to be listed on the TSX and to be a 'reporting issuer' in the Province of Ontario, Canada. The Company also continues to be a 'designated foreign issuer', as defined in National Instrument 71-102 – Continuous Disclosure and Other Exemptions Relating to Foreign Issuers of the Canadian Securities Administrators. As such, the Company is not subject

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to the same ongoing reporting requirements as most other reporting issuers in Canada. Generally, the Company will be in compliance with Canadian ongoing reporting requirements if it complies with the UK Financial Conduct Authority in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 (United Kingdom), as amended from time to time, and the applicable laws of England and Wales (the 'UK Rules') and files on its SEDAR profile at www.sedar.com any documents required to be filed or furnished pursuant to the UK Rules.

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

As a Foreign Issuer, the Company will not be providing further Quarterly Updates to the TSX until such time the Foreign issue exemption no longer applies.

HIGHLIGHTS DURING the June 2023 QUARTER

During the quarter ending 30 June 2023 (June Quarter), **Xanadu Mines Ltd (Xanadu or the Company)** ramped up to full scale the Pre-Feasibility (PFS) programme and Discovery Exploration activities at our flagship Kharmagtai copper-gold project, funded by US\$35 million cash from the Joint Venture (JV or **Khuiten JV**) with **Zijin Mining Group Co., Ltd. (Zijin)**. Significant progress was made in both PFS and Exploration, on schedule and budget, building tangible value at Kharmagtai. The Company released its third annual Sustainability Report for 2022 and held a successful Annual General Meeting (**AGM**). Importantly Xanadu's share price saw a material positive rerating during the period which the Company considers reflects market recognition of Kharmagtai de-risking, and the significance of the positive steps taken thus far to both enhance the project and to move the project further along the path to production.

PFS Infill Drilling Programme

- Excellent results delivered from a 4-diamond drill rig program, with grades on the most part better or in line with the 2021 Mineral Resource Estimate (**MRE**).
 - Significant extensions to high-grade mineralisation identified at Stockwork Hill.¹
 - New high-grade copper-gold zone (core) emerging at White Hill.²
- New >1% ECu cores at Stockwork Hill and White Hill demonstrate potential to enhance the 2021 MRE (3Mt copper and 8Moz gold [1.98Mt ECu Indicated, 2.33Mt ECu Inferred]).³
- Approximately 27,000m of Phase One infill drilling completed (out of 30,000m total) at both the Stockwork Hill and White Hill deposits, putting Xanadu on track for MRE upgrade by **Q4 CY2023**.

¹ ASX/TSX Announcement 7 June 2023 – New Higher-Grade Zones Found in Kharmagtai Infill Drilling

² ASX/TSX Announcement 19 July 2023 – New High-Grade Copper-Gold Zone Emerging at White Hill

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

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PFS Data Acquisition and Studies

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

Discovery Drilling Programme

- Aggressive 18,000m growth-focussed exploration drilling programme (2 diamond drill rigs) underway for New Discoveries at Kharmagtai.
- Deep exploration drilling is advancing, targeting high-grade, large-scale mineralisation at depth.
- New shallow discoveries made across three largely unexplored porphyry clusters, intersecting both high-density stockwork, breccia mineralisation and gold only mineralisation; follow up drill testing planned.⁴

Corporate

- Kharmagtai PFS and Discovery Exploration funded by US\$35M from the Khuiten JV with Zijin Mining Group⁵; with US\$26.8 million in cash on 30 June 2023.
- Announced an updated 3-horizon strategy including Horizon 1 PFS, Horizon 2 Discovery, and Horizon 3 Portfolio Growth.⁶
- Third annual Sustainability Report for 2022 released.⁷
- Successful AGM held; all resolutions passing with >90% shareholder support.⁸
- Xanadu is well-funded, with **A\$5.1 million in cash at 30 June 2023**.

Executive Chairman & Managing Director, Colin Moorhead, said: *"The June quarter was an exciting time for getting back to what we do best; de-risking and advancing our flagship Kharmagtai project towards Final Investment Decision (FID). Following an official site visit and kick-off with Zijin in March, the Kharmagtai PFS work programme ramped up. It was great to see the PFS infill and exploration drilling start, with six rigs operating in the field, drilled core passing through the shed efficiently and assay samples flowing to the lab in Ulaanbaatar. Pleasingly this was achieved by our site team and contractors without any significant safety or environmental incidents, and on time and budget. As the Quarter progressed, we saw assay results which the Company reported to the Market as in line with our Resource or better than expected. I am particularly encouraged by the emergence of a potential higher-grade zone at White Hill, something we have long suspected but not seen until now. Effective progress was made on metallurgical test-work, geotechnical engineering, hydrology, and other areas, and we look forward to sharing those results as they come to hand.*

⁴ ASX/TSX Announcement 5 July 2023 – Shallow Drilling Confirms Kharmagtai Discovery Potential

⁵ ASX/TSX Announcement 29 December 2022 – Investment Deal Signed with Zijin

⁶ ASX/TSX Announcement 16 May 2023 – RIU Sydney Resources Roundup Presentation

⁷ ASX/TSX Announcement 4 May 2023 – Sustainability Report 2022

⁸ ASX/TSX Announcement 29 May 2023 – Results of 2023 Annual General Meeting

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It was also very pleasing to see discovery exploration recommence at Kharmagtai, testing both shallow and deeper targets, with a focus on grade. Our geology team has developed a good set of shallow targets, centred on largely unexplored porphyry clusters, that have potential to host additional open pit material. These need to be ruled in or out to help inform the PFS both as potential Resource and to sterilise potential sites for planned infrastructure. Our deep targets have been modelled on analogues of the deeper deposits seen at Oyu Tolgoi, and we are very excited to be testing these. The success of deeper exploration could be transformational for all stakeholders.

Elsewhere our exploration team continued target generation work at Red Mountain following an extensive trenching exercise there last year. The team are also actively reviewing other project opportunities in Mongolia.

At a Corporate level, the Company held its AGM in May, and I would like to thank our shareholders for their support. We also recently published our third Sustainability Report, documenting ESG performance and our updated Company Strategy; this is a highly relevant document that I recommend to all our stakeholders."

REVIEW OF OPERATIONS

Kharmagtai Copper-Gold Project

During the June Quarter, the Company aggressively progressed its PFS Program including operational site construction upgrade works (see **Appendix 1**) and Discovery Exploration activities (see **Appendix 2**) which are funded by US\$35 million from the JV with Zijin. Xanadu is operator of the joint venture during the PFS delivery period of 18 months, after which Zijin will become operator for final engineering, construction, and operations delivery.

With the PFS incorporating both the upcoming Resource Upgrade and the upside opportunities discussed in **Appendix 1**, Xanadu and Zijin have confidence for a real and sustained uplift relative to the Scoping Study economics.

PFS DELIVERABLES & SCHEDULE

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

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

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

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

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

Infill Drilling & Resource Update

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

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

Approximately 27,000m of Phase One diamond drilling has been completed (out of 30,000m total) at both the Stockwork Hill and White Hill deposits, at Kharmagtai. All drill data can be found in **Appendix 3**.

Discovery Exploration Update

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

Phase One Deep Discovery Exploration recently commenced, and we will share material results as they become available. Furthermore, we look forward to sharing a comprehensive progress update on the Deep exploration discovery programme later this year once we've completed a good portion of Phase One drilling.

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CORPORATE

During the Quarter, Xanadu outlined an updated corporate strategy, released its third annual Sustainability Report for 2022 and held its Annual General Meeting.

Three Horizon Strategy

Xanadu outlined a three-horizon strategy to deliver shareholder value (**Figure 1**)⁹ These are described below:

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

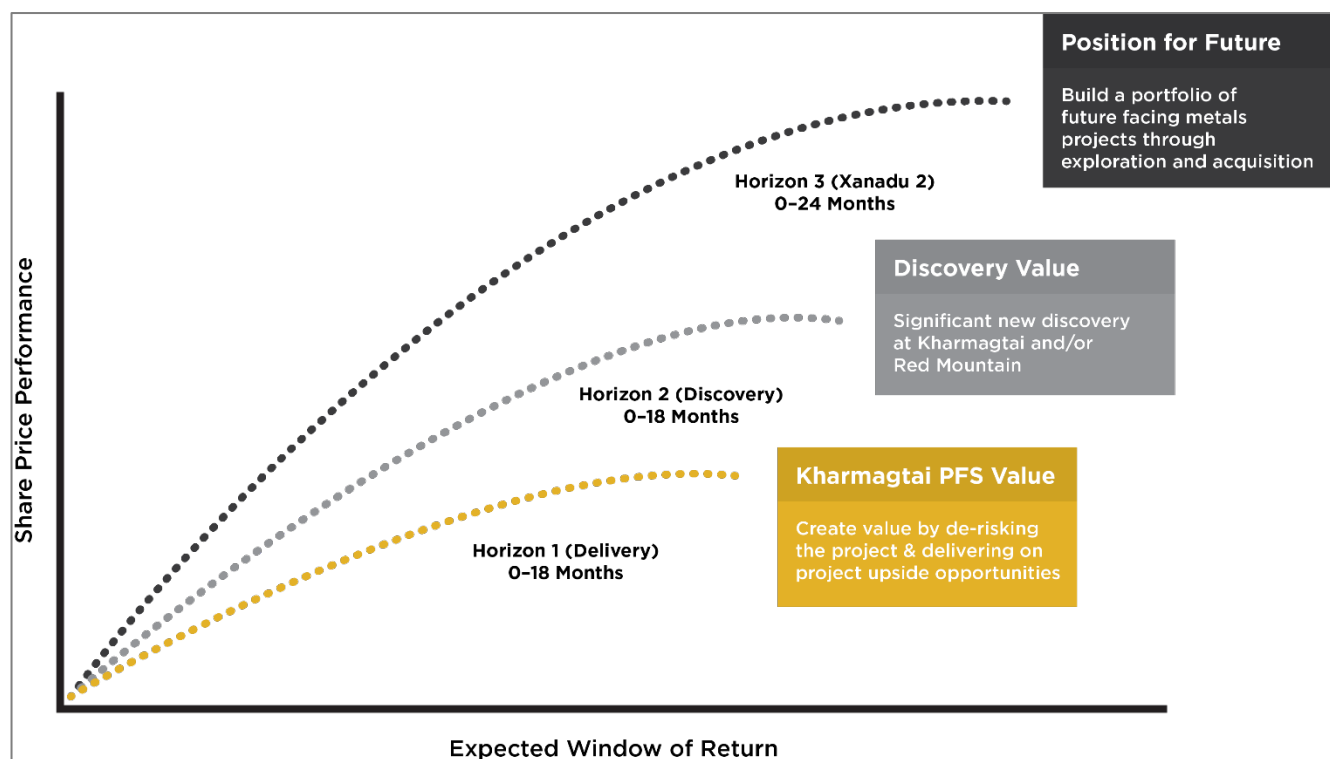


Figure 1: Xanadu's Three Horizon Strategy¹⁰

⁹ ASX/TSX Announcement 16 May 2023 – RIU Sydney Resources Roundup Presentation

¹⁰ ASX/TSX Announcement 16 May 2023 – RIU Sydney Resources Roundup Presentation

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Sustainability Report

On 4 May 2023, Xanadu issued its third annual Sustainability Report for 2022, highlighting our commitment to responsible and transparent ESG.¹¹ This report further expanded disclosure and continued Xanadu's ESG journey to be a leader in sustainable exploration.

Annual General Meeting

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

- Re-election of Director, Mr. Ganbayar Lkhagvasuren
- Re-election of Director, Mr Shaoyang Shen
- Remuneration Report
- Ratification of Prior Issue of Shares on 24 January 2023

All resolutions were passed with "For" votes between 90.1% and 99.0%.¹²

September 2023 Quarter Planned Activities

Key activities planned during the quarter ending 30 September 2023 (**September Quarter**) include:

- Infill drilling for the Kharmagtai PFS including, Metallurgy and Geotechnical.
- Kharmagtai Water Reserve Drilling Commencement
- Investigation of Scoping Study Uplift Scenarios.
- Substantially complete the construction of new core shed, site accommodation and power grid connections at Kharmagtai.
- Continued Shallow and Deep Discovery Exploration drilling programmes.
- Shallow Exploration Drill Assay Results
- Deep Exploration Drill Assay Results

¹¹ ASX/TSX Announcement 4 May 2023 – Sustainability Report 2022

¹² ASX/TSX Announcement 29 May 2023 – Results of 2023 Annual General Meeting

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RESULTS OF OPERATIONS

The impact of the issue of new shares by Khuiten Metals Pte Ltd resulted in the deconsolidation of Khuiten Metals and its subsidiaries and the impact was reflected in the accounts as at 30 June 2023. The impacts included a gain booked in the P&L of \$1.832M and a reversal of Foreign Currency Translation differences in other comprehensive income. The Total Comprehensive Income for the period ended 30 June 2023 was a profit of \$8.239M (June 30, 2022 loss of \$4.674M). Further details are attached in the Condensed Interim Consolidated Financial Statements. The selected quarterly information presented below excludes the gain on disposal and the impact of the foreign currency reclassification.

SELECTED QUARTERLY INFORMATION

	50% Ownership of Khuiten Metals Pte Ltd ¹		100% Ownership of Khuiten Metals Pte Ltd		
	30 Jun 2023	31 Mar 2023	Quarter Ended		
	\$'000	\$'000	31 Dec 2022	30 Sep 2022	30 Jun 2022
	\$'000	\$'000	\$'000	\$'000	\$'000
JV: Gross Exploration Expenditure ¹					
Kharmagtai	8,360	1,850	402	749	1,140
Drill metres ²	28,032	6,111	-	-	-
Gross Exploration Expenditure					
Red Mountain	32	29	261	343	117
Drill metres ³	-	-	-	-	-
Exploration expenditures capitalised	32 ⁴	29 ⁴	663	1,092	1,257
Corporate general and administration	3,904 ⁵	1,267	1,095	1,042	1,641
Less JV Operator Overhead recovery	(1,001) ⁶	-			
Net Corporate general and administration	2,903	1,267			

1. The Company issued new shares in its subsidiary Khuiten Metals Pte Ltd (Khuiten) on the 10th of March as part of the Zijin Strategic Partnership for consideration of US\$35M. This transaction reduces the Company's shareholding from 100% to 50% in Khuiten, and in effect loss of majority control. The March and June Qtr 2023 results above are presented on the basis of the treatment of the investment of Khuiten as a 50% JV under the equity accounting method (i.e., the Khuiten operational results are not included on consolidation). The prior period quarters have not been restated.

2. Reflects invoiced metres paid during the quarter under drilling contract. Physical metres drilled during the quarter may vary due to invoice timing.

3. Excludes horizontal trenching metres.

4. Excludes Kharmagtai JV Gross exploration expenditure no longer consolidated in the Company's results.

5. Includes success fee of AUD\$753k paid to Jeffries in April 2023 following completion of Khuiten JV with Zijin.

6. As operator of Khuiten JV, the operator overheads are recoverable in accordance with the Shareholders Joint Venture Agreement.

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ASX/TSX ANNOUNCEMENTS

This June 2023 Quarterly Activities Report contains information reported in accordance with the 2012 Edition of the *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2012)* in the following announcements.

- 8 December 2021 – Kharmagtai Resource Grows to 1.1 Billion Tonnes, Containing 3Mt Cu and 8Moz Au
- 6 April 2022 – Scoping Study – Kharmagtai Copper-Gold Project
- 20 June 2022 - NI 43-101 Preliminary Economic Assessment Technical Report
- 29 December 2021 – Investment Deal Signed with Zijin – Pathway to Production
- 13 April 2023 – Kharmagtai Pre-Feasibility Drilling Off to a Flying Start
- 27 April 2023 – Notice of Annual General Meeting
- 4 May 2023 – Sustainability Report 2022
- 16 May 2023 - RIU Sydney Resources Roundup Presentation
- 23 May 2023 – High Impact Drilling Programme at Kharmagtai
- 29 May 2023 – Results of 2023 Annual General Meeting
- 7 June 2023 – New Higher-Grade Zones Found in Kharmagtai Infill Drilling
- 19 June 2023 – Response to Price Query
- 5 July 2023 – Shallow Drilling Confirms Kharmagtai Potential
- 19 July 2023 – New High-Grade Copper-Gold Zone Emerging at White Hill

FINANCE

LIQUIDITY AND CAPITAL RESOURCES

On June 30, 2023, the Company had cash and cash equivalents on hand of \$5.1 million (December 31, 2022: \$0.1 million).

The primary use of Xanadu funds in 2023, will be to execute the Company's strategy, including identification of new projects in Mongolia, funding non-Kharmagtai operations and to provide working capital.

On 30 June 2023, the Khuiten Metals JV (**Khuiten JV or JV**) had \$40.5 million of cash available (December 31, 2022: \$0.0 million). This followed the 10 March completion of the transaction with Zijin Mining Group (**Zijin**), in which new shares were issued in Khuiten Metals Pte Ltd, providing Zijin with 50% ownership. Khuiten Metals Pte Ltd was previously a 100% owned subsidiary of Xanadu. As the Company does not have greater than 50% share of the Joint Venture, the JV results are no longer consolidated into Xanadu Mines results. The JV is now recorded as an investment, under the equity accounting rules.

The primary use of Khuiten JV funds in 2023 will be to execute the Kharmagtai Pre-Feasibility Study (PFS) and to conduct additional Discovery Exploration on the Kharmagtai tenement.

Other than as discussed herein, the Company is not aware of any trends, demands, commitments, events or uncertainties that may result in the Company's liquidity or capital resources materially increasing or decreasing at present or in the foreseeable future. Material increases or decreases in the Company's liquidity and capital resources will be substantially determined by the results of the Company's exploration programs and its ability to obtain sufficient equity financing.

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Outstanding Share Capital

On June 30, 2023, the Company had an unlimited number of ordinary shares authorised, with 1,637,824,191 fully paid shares and 121,860,000 options over ordinary shares on issue (December 31, 2022: 1,412,260,215 shares and 46,950,000 options).

Off balance sheet arrangements

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

Operating segment

Xanadu operates in the minerals exploration sector. The Company's principal activity is exploration for copper and gold. Xanadu classifies these activities under a single operating segment - the Mongolian exploration projects. Regarding the exploration operating segment, the Chief Operating Decision Maker (determined to be the Board of Directors) receives information on the exploration expenditure incurred. This information is disclosed in deferred exploration expenditure note to the condensed interim consolidated financial statements. No segment revenues are disclosed as all segment expenditures are capitalised, with the exception of expenditures that have been written off. The non-current assets of the Company are located in Mongolia.

Contractual commitments

The following summarises the Company's contractual obligations at June 30, 2023 (\$'000):

- Trade payables \$64 due in 30 days
- Ulaanbaatar office rent \$70 to the end of the calendar year
- Vehicle leases \$105 due over 12 months

Critical accounting estimates

The preparation of the condensed interim consolidated financial statements in conformity with International Financial Reporting Standards (IFRS) requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the condensed interim consolidated financial statements and the reported amounts of income and expenses for the reporting period. Refer to the Company's audited annual financial statements for the years ended December 31, 2021, and December 31, 2020, and the notes thereto for information on the Company's significant judgements in applying accounting policies as well as significant accounting estimates and assumptions.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

Market risk

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

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

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- **Interest Rate Risk:** Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings at variable rates. Interest rate risk is limited to potential decreases on the interest rate offers on cash and cash equivalents held with chartered financial institutions. The Company considers this risk to be immaterial.
- **Commodity Price Risk:** There is no guarantee that a profitable market will exist for the sale of the metals produced. Factors beyond the control of the Company may affect the marketability of any minerals discovered. The prices of various metals have experienced significant movement over short periods of time and are affected by numerous factors beyond the control of the Company, including, among other things, international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods. The Company is particularly exposed to the risk of movement in the price of copper and gold.
- **Equity Price Risk:** Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company does not hold equity in listed entities and therefore considers this risk immaterial.

Credit Risk

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

The Company's maximum exposure to credit risk at the reporting date is the carrying value of its cash and cash equivalents of \$6.2 million as at June 30, 2023 (December 31, 2022: \$0.1 million).

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The primary source of funds available to the Company is from equity financing and its planned joint venture with Zijin. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis, to support its exploration plans, and to ensure that it will have sufficient liquidity to meet its liabilities when due. To the extent the Company does not believe it has sufficient liquidity to meet these obligations, Management will consider securing additional funds through equity or debt transactions.

The Company does not have unlimited financial resources and there is no assurance that sufficient additional funding or financing will be available to the Company or its direct and indirect subsidiaries on acceptable terms, or at all, for further exploration or development of its properties or to fulfill its obligations under any applicable agreements.

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

Other business risks

A summary of the business risks is highlighted below and should be read in conjunction with the Company's audited annual financial statements for the year ended December 31, 2022.

Political and Legal Risks

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

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

License Risks

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

Mineral Resource Assumptions Risk

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

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

Environmental Risk

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

Operational Risk

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

Contractual Risk

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

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

Management's Discussion and Analysis

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

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

KEY MANAGEMENT COMPENSATION

Key management personnel include directors and officers of the entity, and the compensation comprises:

	Six Months Ended June 30, 2023 \$'000	Six Months Ended June 30, 2022 \$'000
Salaries and fees	672	847
STI Bonus	319	476
Superannuation	16	27
Share based payments	466	292
	1,473	1,594

The Company had the following Unvested Options on issue as at June 30, 2023, related to the Company's Employee Share and Option Plan. These were proposed by Shareholders in an Extraordinary General Meeting notice issued December 29, 2022¹³, and approved on February 7, 2023¹⁵. The vesting of the options for Executive Directors and Key Management Personnel is subject to the Company achieving both share price targets and technical & development hurdles.¹⁵

Key Management Personnel	Unvested Options June 30, 2023
Colin Moorhead	17,600,000
Michele Muscillo	6,300,000
Tony Pearson	7,440,000
Andrew Stewart	25,520,000
Ganbayar Lkhagvasuren	23,670,000
Munkhsaikhan Dambiinyam	17,500,000
Spencer Cole	20,830,000

TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are disclosed in Note 28 of the Company's audited annual financial statements for the period ended December 31, 2022. Additional transactions during the June Quarter are described below.

Payments made to related parties and their associates was \$734,839 in the six months ended June 30, 2023. The amounts relate to salary, superannuation and bonus payments to Directors; legal fees paid to HopgoodGanim Lawyers (a company associated with Xanadu Non-Executive Director Michele Muscillo) for legal services; rent paid to Xanadu Executive Director Ganbayar Lkhagvasuren in relation to Xanadu's Ulaanbaatar office; rent fees paid to Colin Moorhead & Associates (a company associated with Xanadu Executive Chairman and Managing Director Colin Moorhead) in relation to Xanadu's Melbourne office.

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

¹³ ASX/TSX Announcements December 29, 2022 - Notice of Extraordinary General Meeting & Related Documents

¹⁴ ASX/TSX Announcements February 7, 2023 - Results of Extraordinary General Meetings

¹⁵ ASX/TSX Announcement November 20, 2020 - Notice of Extraordinary General Meeting & Related Documents

Management's Discussion and Analysis

APPENDIX 1: KHARMAGTAI PROJECT DEVELOPMENT

Building on a Successful Scoping Study / PEA

The 2022 Scoping Study confirmed Kharmagtai as a potential world class, low-cost, long life mine with an estimated 20% IRR (range 16-25%), US\$630 million NPV at 8% (range US\$ 405-850 million) and 4-year payback (range 4-7 years) over 30-year life of mine. This included first quartile all in sustaining costs and projected production ranges from 30-50ktpa copper and 50-110kozpa gold production during the first five years. It is based on a JORC compliant Mineral Resource of 1.1 billion tonnes containing 3 million tonnes of copper, 8 million tonnes of gold, including 100 million tonnes of higher-grade zones at > 0.8% copper equivalent grade.

Geometallurgical Data Acquisition - Building a 'Total Ore Deposit Knowledge Model'

Xanadu are using cutting edge technology to acquire accurate and consistent data for the PFS. All drill core is being run through two Boxscan devices that scan the drill core to acquire ultra high-resolution imagery, laser scan topology, short-wave infrared data and magnetic susceptibility. With this dataset, advanced machine learning algorithms are logging the drill core for rock type, alteration, sulphide distribution (size and shape), rock quality data (RQD), vein types and densities, mineralogical composition as well as taking structural measurements. These data are being used to build a consolidated geological, geometallurgical and geotechnical domain model, for input into the PFS and aimed at positioning the future Kharmagtai mine for operational readiness.

Metallurgical Test-work & Analysis

Previous studies of the Kharmagtai copper gold deposit indicated that a conventional copper porphyry flowsheet is appropriate to process material from the sulphide portion of the Resource.¹⁶

A comprehensive set of programmes are currently underway, in parallel with metallurgical evaluation to:

- Prepare a geometallurgical domain model to support the development of process plant design parameters.
- Evaluate all key geometallurgical domains to determine optimal process flow sheet and plant design.
- Perform detailed metallurgical test-work to characterise grind, hardness, flotation, leach and other chemical and physical processing characteristics within each domain.
- Define concentrate product characteristics from the proposed plant design.

Sulphide Program

The sulphide metallurgical test-work programme is investigating flotation, comminution, mineralogy, Eriez Hydrofloat, flash flotation and magnetic separation.

The sulphide flotation programme comprising 102 samples selected by deposit, alteration and sulphide occurrence, is being conducted at ILAC and ISO9001:2015 certified True TRC laboratory in Ulaanbaatar, Mongolia. It includes three aspects, a) master composite, b) variability samples, and c) miscellaneous other tests. Composite assays, prior to flotation test, have been shown alignment to grades predicted by the Resource database.

The sulphide comminution programme comprises 30 samples selected by deposit and alteration, with test-work being conducted by ALS laboratories in Perth. The programme will include Bond ball mill and rod mill work indices, abrasion index and SMC testing. All these results and point load testing will be used to model the future grinding circuit, enable equipment selection and predict key operating costs. Orway Mineral Consultants will undertake further comminution circuit design and optimisation.

The sulphide mineralogy programme comprising 97 samples is being conducted by Geo Logic in Tasmania. Its purpose is to better understand the copper speciation by domain, to better inform our stockpiling and processing strategy and associated schedules.

¹⁶ ASX/TSX Announcement 20 June 2022 - NI 43-101 Preliminary Economic Assessment Technical Report.

Management's Discussion and Analysis

Coarse particle (>150 micron) sulphide flotation effectiveness will be investigated via the Eriez Hydrofloat separation technology, using product delivered from the comminution work being completed at ALS. This will provide key information to evaluate coarse particle flotation, one of the upsides identified during the Scoping Study which could add material value to the project.

Flash flotation testing of sulphide material will also be undertaken at True TRC, by running six tests at 150 micron, 250 micron and 350 micron grind sizes. If proven appropriate for Kharmagtai ore, this could reduce both overgrinding and recovery loss for liberated free ground minerals. Results will be forwarded to Outotec Pty Ltd for evaluating its feasibility.

Magnetic separation testing will also be undertaken at True TRC laboratory in Ulaanbaatar, Mongolia. Purpose of this test-work is primarily aimed to reduce fines and deliver a more optimised concentrate grade.

Oxide Programme

The oxide programme will follow up on promising, initial sighter test-work conducted at MPS Perth, during the Scoping Study. Programme is aimed at conducting a detailed investigation into the feasibility of glycine-cyanide leach for the recovery of gold and copper from this partially oxidised material, which is not amenable to flotation.

The PFS programme will investigate both heap and tank leaching, using a glycine-cyanide reagent blend at MPS laboratories in Perth. Initially, one sample will be selected, and various combinations of reagent schemes will be tested. Once a successful scheme is selected, an additional three samples will be tested, which will determine a preferred approach and appropriate processing design at a PEA level of confidence. A second stage to reach PFS levels of confidence may commence but will not be completed until sometime after Q3 CY2024.

Reporting

Metallurgical test results will be reported in Q4 CY2023 for sulphide flotation and comminution, and in Q1 CY2024 for leaching of partially oxidised material.

Water Reserve Studies

A water reserve study and associated exploration drilling are underway in key basins near Kharmagtai. The programme aims to prove up water reserves consistent with the ultimate operating requirements scoped in the 2022 Preliminary Economic Assessment (PEA) of 400 litres per second flowrate following the expansion to 30Mtpa processing throughput in year 5 of operation.¹⁷ This work includes benchmarking comparable operations in Mongolia, including Oyu Tolgoi, for achievable water recycle and reviewing options to improve on that for the Kharmagtai design.

Both experienced Mongolian and international hydrogeologists have been engaged to develop and help execute these studies and exploration.

Initial mobilisation of water drill rigs will take place in August 2023. Water Reserve outcomes will be reported in Q1 CY2024.

Tailings Storage Facility

Initial location, design concept, and construction material studies will be undertaken by Knight Piesold to understand key infrastructure, construction materials and sterilisation drilling requirements. TSF will be designed to international standards. Knight Piesold are an internationally recognised TSF specialist firm with recent project experience in Mongolia.

Initial supporting infrastructure design and layout, including TSF, will be reported in Q1 CY2024.

Power Supply

Power supply studies will include evaluation of primary supply from the Mongolian power generators, dedicated on-site conventional generation, and purchase of power supplied directly from Inner Mongolia, China. The study will also evaluate the appropriate usage of dedicated renewable power and battery storage that will maximise the use of green energy for the project while ensuring operational stability.

¹⁷ ASX/TSX Announcement 20 June 2022 – NI43-101 Preliminary Economic Assessment Technical Report

Management's Discussion and Analysis

Power supply study outcomes will be reported in Q1 CY2024.

System Optimisation

During the current phase of study, Whittle Consulting is undertaking analysis to determine the potential impacts on the PEA model for the following factors:

- Up-to-date grade, recovery and material characteristics by domain, to refine and optimise the mine plan and stockpiling requirements;
- Mining technology scenarios including trolley assist with diesel-electric trucks, full electrification, semi-mobile in pit crush and convey (IPCC) and automated haulage systems, to reduce cost and increase productivity; and
- Processing technology scenarios incorporating PEA level assumptions to understand the system-wide impact of coarse particle flotation and grind size to reduce unit power consumption.

With this information, Xanadu will determine the potential scale and impact of the PEA uplift scenarios and whether modified infill drilling, metallurgical testing and sterilisation drilling may be necessary to enable those uplifts during the PFS.

Once the updated Resource and new metallurgical test-work is delivered, a second cycle of System Optimisation will be undertaken. This will also support Trade-Off Studies decisions, optimise pit shapes and support process flow sheet design for the Convergent Study.

Initial optimisation results will be reported during Q3 CY2023, with final optimisation results during Q1 CY2024.

Environmental and Socio-Economic Baseline Studies

The Environmental baseline studies scope is designed to assess the current environmental conditions and potential impacts of the project throughout the project lifecycle. The programme includes comprehensive literature review of existing information, as well as field surveys to gather primary data on flora, fauna, water quality, soil sampling and air quality monitoring.

Post data acquisition, environmental experts will analyse and evaluate potential impacts on both short-term and long-term basis.

Waste Rock and Tailings Geochemical Characterisation

Waste rock and tailings geochemical test-work and characterisation will evaluate the environmental impacts of potential acid mine drainage for the project. This scope involves a comprehensive assessment of the geochemical properties of waste rock and tailings. The test-work focuses on understanding the composition and potential risks associated with waste by-products from the minerals extraction process and appropriate disposal methods.

The tailings geochemical test-work and characterisation scope involves collecting representative samples of tailings and analysis to assess the potential for acid generation and metal leaching from the tailings. This will enable a Tailings Management Facility design that eliminates detrimental environmental impacts. Characterisation will also involve evaluating the physical properties, such as grain size distribution and compaction, to determine the appropriate methods for tailings storage and management. Additionally, the geochemical test-work may assist in understanding the potential for reprocessing or reclamation of valuable metals from the tailings, contributing to the economic evaluation of the mining project.

Stage 2 - Trade-Off Studies

All major design decisions are made during the PFS to select a single go-forward design. Key areas that will require option evaluation, include:

Mining Design & Engineering – includes scale and sequencing of the pits and stockpiling requirements based on the new Resource, mining technology, mining rate and equipment selection.

Process Design & Engineering – includes flow sheet selection, process technology, processing rates and scale, and alternate process streams such as oxide leaching.

Tailings Storage Facility – includes location, shape, construction materials, and water recovery technology.

Management's Discussion and Analysis

Non-Process Infrastructure – includes location of all facilities, power supply source and mix, water supply and mix, and alignment to business operating strategy, concentrate logistics including use of nearby rail.

Environmental Studies & Permitting – includes baseline studies and reports to progress toward environmental impact assessments and other approvals.

Trade-Off Studies will be largely complete and reported to the market in Q1 CY2024.

Stage 3 - Convergent Engineering

Once a single go-forward design is selected, sufficient engineering will be undertaken to reach +/-25% confidence level for capital and operating costs, with appropriate levels of contingency for each area, enabling a Qualified Person to sign off on each major project area. This process will include both internal peer reviews and full independent expert reviews, the latter of which are provided directly to the Khuiten JV Board to ensure study findings are at PFS standard with no potential fatal flaws.

Convergent Engineering will be completed by the end of Q2 CY2024.

Stage 4 - PFS Completion

Key outputs of the PFS will include reports and Ore Reserves stated to both JORC and NI43-101 standards. These reports will be published in Q3 CY2024.

Upon completion of the PFS, the Khuiten Metals Joint Venture Board, comprising members from both Xanadu and Zijin, will consider findings and make a Financial Investment Decision (FID). This is also referred to as “Decision to Mine” or “Decision to Construct”. A ‘yes’ decision at this stage confirms intention to fund, complete final Feasibility Engineering, undertake long lead time orders, and commence construction.

Kharmagtai Operational Upgrades

During the Quarter, Xanadu commenced operational upgrades at Kharmagtai to further modernise its core processing, power supply and employee work environment (**Figure 2**). These upgrades are proceeding on time and budget, with delivery on track for Q4 CY2023¹⁸. They include:

- Grid Power – 35kV connection to support studies, ongoing exploration and construction;
- Core Processing Facility – upgrade and replace old facility for use through life of mine;
- Accommodation – addition of ~30 beds in a modern facility;
- Greenhouse – employs locals to provide long term, locally sourced food for employees; and
- Water Filtration – enables site to reduce use of bottled water and creation of plastic waste.

¹⁸ ASX/TSX Announcement 24 August 2023 – Kharmagtai Grid Connection Fully Commissioned

Management's Discussion and Analysis



Figure 2. Clockwise from Top Left – Core Processing Facility, Greenhouse, Drinking Water Filtration System, 35kV Grid Power Supply

Management's Discussion and Analysis

APPENDIX 2: HIGH-IMPACT DISCOVERY EXPLORATION PROGRAM AT KHARMAGTAI

Aggressive 18,000m growth and discovery drill discovery programme underway. Discovery exploration program includes two additional diamond drill rigs.

- 1x diamond rig will drill 8,000m in Phase 1 of deep exploration program targeting high-grade, large-scale mineralisation at depth in an analogue to Oyu Tolgoi. Additional 6,000m in Phase 2 is pending Phase 1 results.
- 1x diamond rig will drill 10,000m of shallow holes, targeting open pit style resources in five unexplored porphyry clusters within the wider Kharmagtai district.

Large-Scale Exploration Programme at Depth

Existing geochemical, geological, and geophysical datasets point to known mineralisation at Kharmagtai (1.1Bt containing 3Mt Cu & 8Moz Au)¹⁹ which represents a shallow surface expression of a much larger porphyry system at depth (Figures 3 and 4).

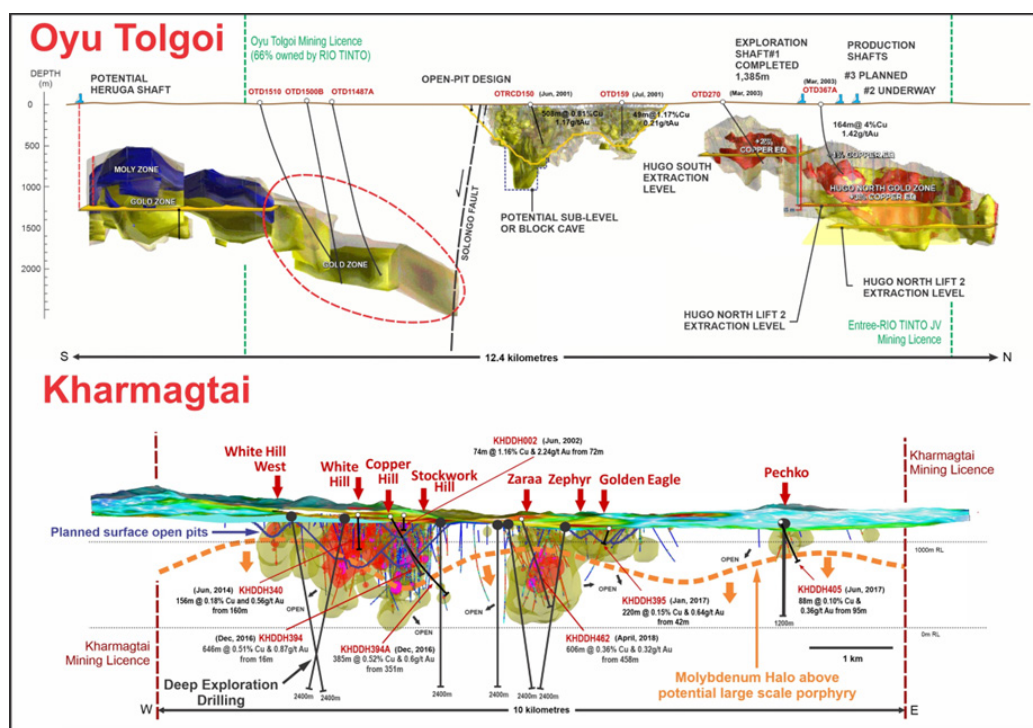


Figure 3: Long Sections through the Oyu Tolgoi Porphyry System and The Kharmagtai Porphyry System. Deep high-grade exploration drill program geochemical zonation points to much larger system beneath Kharmagtai.²⁰

¹⁹ ASX/TSX Announcement – 8 December 2021, Kharmagtai Resource Grows to 1.1 Billion Tonnes, Containing 3Mt Cu and 8Moz Au

²⁰ ASX/TSX Announcement 16 May 2023 – RIU Sydney Resources Roundup Presentation

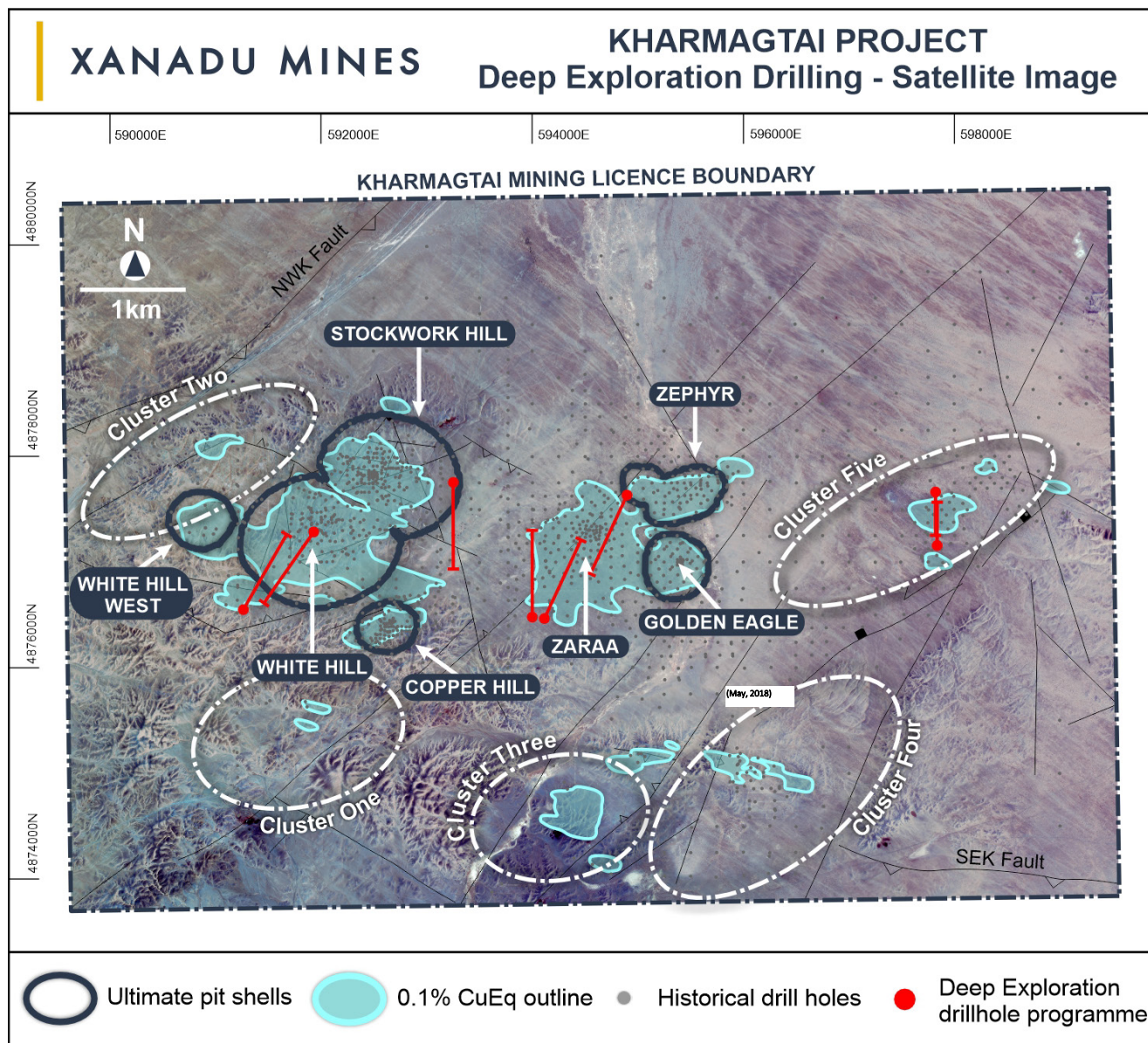
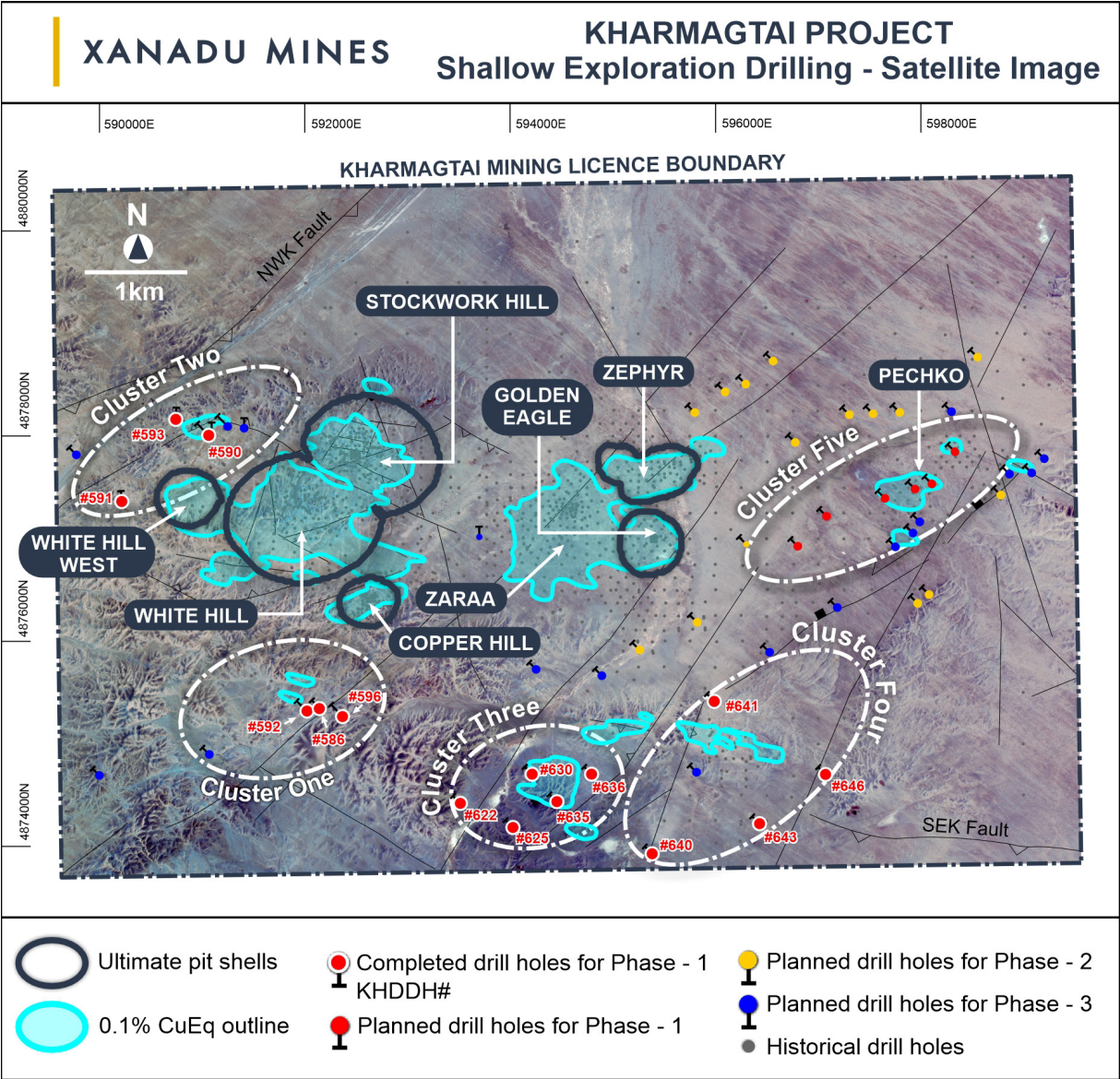


Figure 4: Kharmagtai copper-gold district showing currently defined mineral deposits and planned deep exploration holes.²¹

Shallow Exploration Drilling

Shallow exploration drilling at Kharmagtai is targeting additional porphyry copper-gold deposits outside the currently defined MRE volume. This programme also serves to inform future infrastructure location decisions associated with the potential development of the Kharmagtai Project into a large-scale mining operation. Approximately 3,400m (of 10,000m planned) has been completed to date in fifteen holes, with several new shallow discoveries made across three largely unexplored porphyry clusters (**Figure 5**).

²¹ ASX/TSX Announcement 23 May 2023 – High Impact Drilling Program for New Discoveries at Kharmagtai



Management's Discussion and Analysis

At Cluster One (**Figure 5**), drilling targeted surface copper anomalism and outcropping porphyry veining. Drill Hole KHDDH589 intercepted a broad zone of low-grade porphyry mineralisation from surface, suggesting the hole has passed over and to the north of a potential shallow porphyry. Drill hole KHDDH589 returned:²³

Hole ID	Interval (m)	Cu (%)	Au (g/t)	CuEq (%)	From (m)
KHDDH589	28.3	0.16	0.16	0.25	2.2
And	26	0.06	0.18	0.15	42

Note that true widths will generally be narrow than those reported. See disclosure in JORC Table 1, Section 2.

Drilling is planned to test behind this intercept for higher-grade material at Cluster One.

Drilling at Cluster Two (**Figure 5**) targeted previous shallow porphyry stockwork mineralisation and was prioritised given the area is adjacent to existing planned open pits and planned infrastructure. Drill hole KHDDH590 targeted a previous porphyry intercept and encountered a broad zone of low-grade porphyry mineralisation with an additional high-grade gold intercept near end of hole (EOH).¹⁷

Hole ID	Interval (m)	Cu (%)	Au (g/t)	CuEq (%)	From (m)
KHDDH590	113.2	0.10	0.18	0.19	163.8
and	8	-	1.59	-	289
including	4	-	3.04	-	291

Note that true widths will generally be narrow than those reported. See disclosure in JORC Table 1, Section 2.

The copper gold ratio of these intercepts and nature of mineralisation is similar to the nearby Southern Stockwork Zone at Stockwork Hill, with additional drilling to be planned as this appears to be on the edge of a potentially shallow, mineralised porphyry.

A total 4 diamond drill holes were completed at Cluster 4 with no significant results returned.

²³ ASX/TSX Announcement 5 July 2023 – Shallow Drilling Confirms Kharmagtai Discovery Potential

Management's Discussion and Analysis

APPENDIX 3: KHARMAGTAI INFILL DRILLING

Drill collars and assay results for infill drilling are outlined in **Figure 6** and **Appendix 4**.

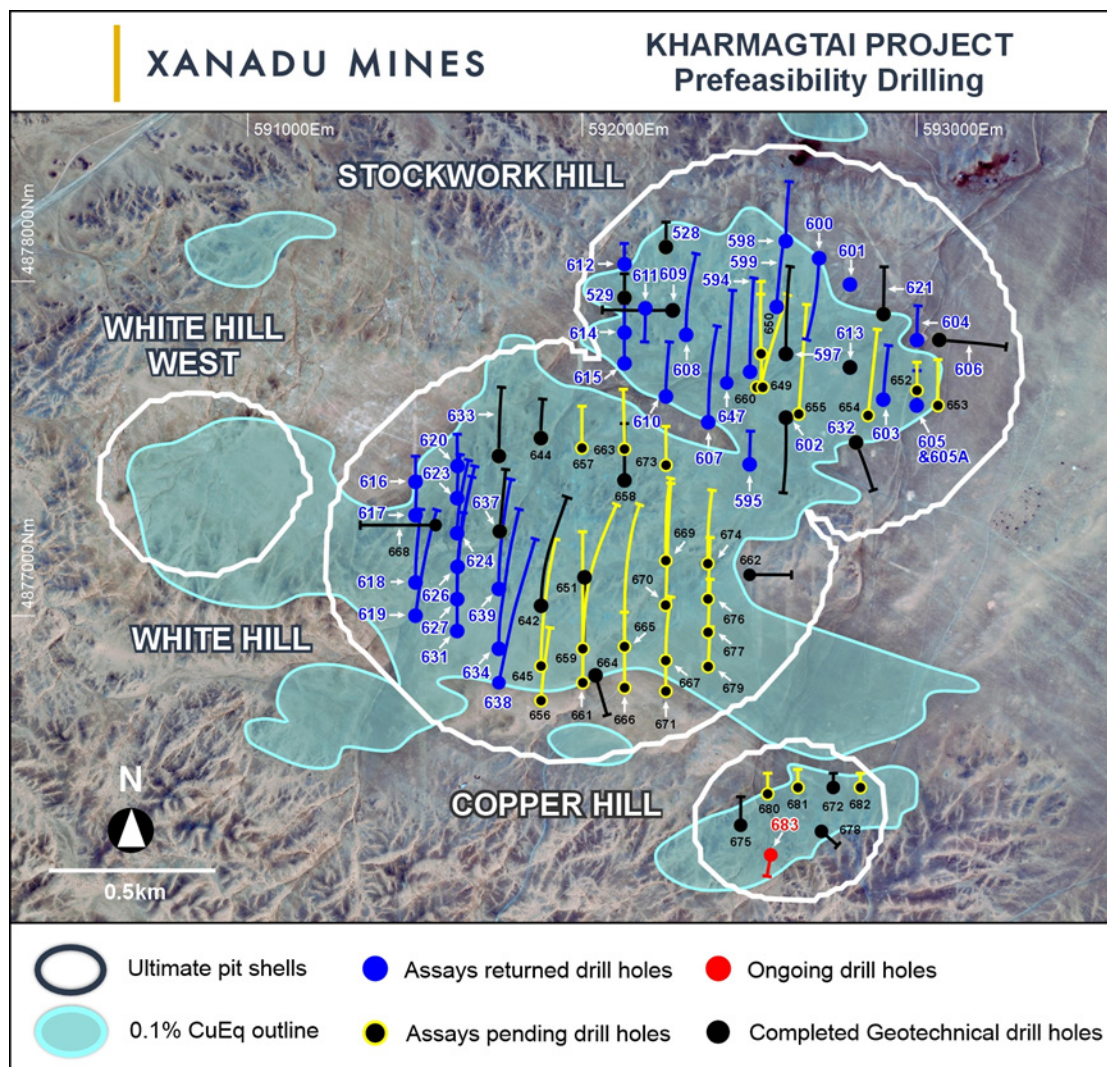


Figure 6: Kharmagtai copper-gold district showing currently defined mineral deposits and planned Phase One Resource infill drill holes.²⁴

Significantly, drill hole KHDDH594, drilled into the central portion of Stockwork Hill, has encountered higher-grade zones of tourmaline breccia mineralisation (**Figure 7, Table 1**) adding vertical extension to known higher grade zones. Principally, drilling intercepted a highly encouraging zone grading 34m @ 1.10% Cu and 0.10g/t Au (1.15% CuEq) from 285m, significantly exceeding the 2021 MRE block model prediction for 0.3% CuEq mineralisation. This intercept is approximately 120m above the closest high-grade tourmaline breccia drilled in this area, highlighting potential for significant grade boosts relative to the existing MRE. Additional drilling is now planned to test for further extensions of these higher-grade zones and aimed for inclusion in the upcoming MRE update.

²⁴ ASX/TSX Announcement 7 June 2023 – New Higher-Grade Zones Found in Kharmagtai Infill Drilling

Management's Discussion and Analysis

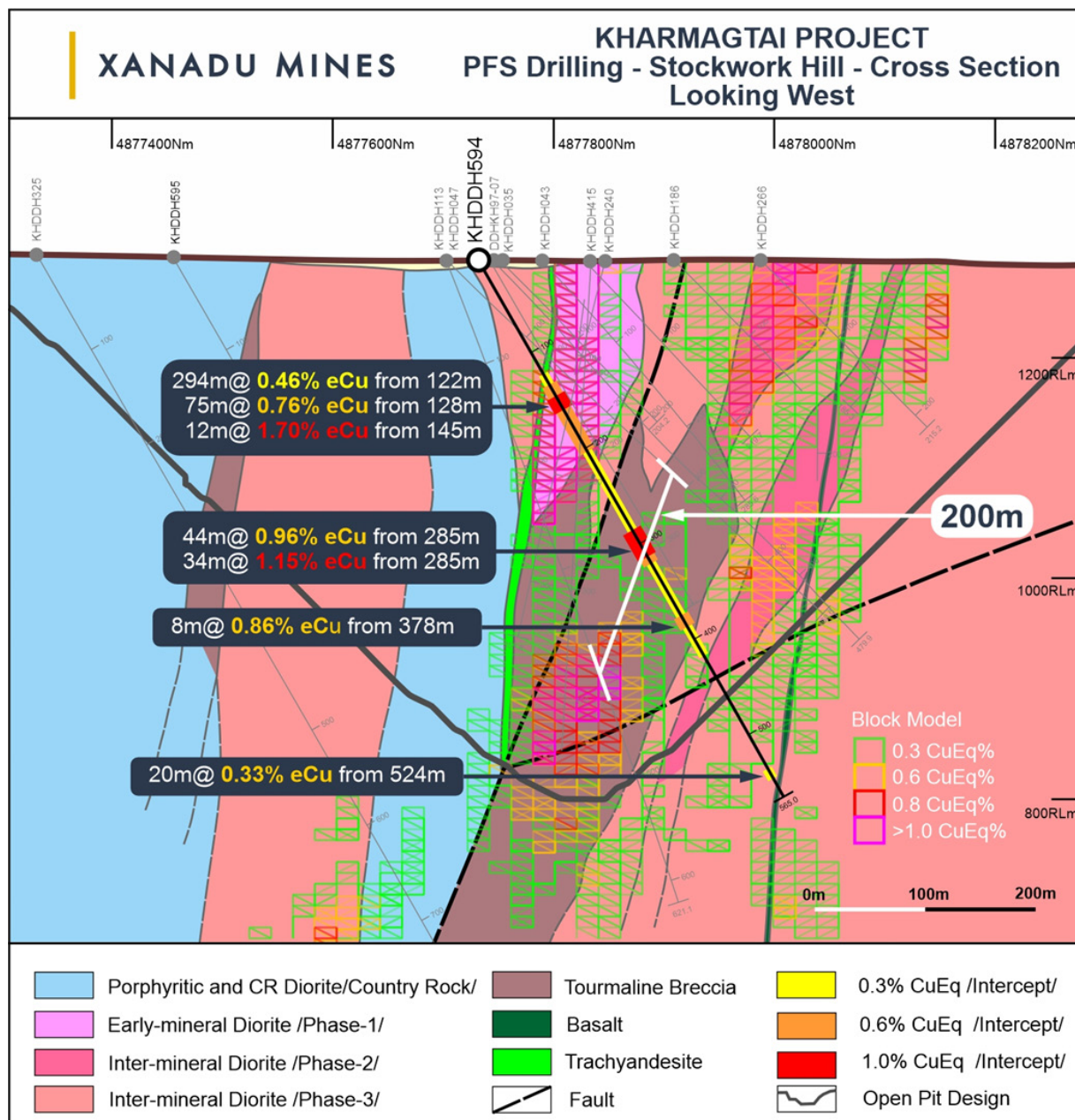


Figure 7: Cross section through the Stockwork Hill deposit showing drill hole KHDDH594.²⁵

²⁵ ASX/TSX Announcement 7 June 2023 – New Higher-Grade Zones Found in Kharmagtai Infill Drilling

Management's Discussion and Analysis

Table 1: Several holes encountered materially better grade relative to resource grade. Significant drill intersections from Stockwork Hill, include:²⁶

Hole ID	Interval (m)	Cu (%)	Au (g/t)	CuEq (%)	From (m)
KHDDH594	294	0.32	0.26	0.46	122
including	75	0.35	0.80	0.76	128
including	48	0.43	1.05	0.96	133
including	12	0.77	1.82	1.70	145
including	34	1.10	0.10	1.15	285
KDDH601	9.5	0.35	2.07	1.40	79.9
KDDH603	71	0.47	0.14	0.55	306
including	20	0.82	0.26	0.95	331
KDDH607	22	0.95	0.12	1.01	411
including	4.1	3.82	0.24	3.94	427
KDDH608	53.5	0.31	0.49	0.56	59
including	11.2	0.56	1.26	1.21	99
KDDH613	272	0.31	0.30	0.46	199
including	48	0.45	0.47	0.69	237
including	42	0.41	0.47	0.66	506
including	34	0.45	0.53	0.72	510

Note that true widths will generally be narrow than those reported. See disclosure in JORC Table 1, Section 2.

Several drill holes have encountered materially better grade relative to the White Hill MRE resource grade. Drill hole KHDDH638, located on the southern margin of the White Hill deposit, targeted a mineralised and resource controlling fault, intersecting a significantly higher-grade zone of copper and gold mineralisation that is located below the current optimised pit design (**Table 2**).

Table 2: Several holes encountered materially better grade relative to resource grade. Significant drill intersections from White Hill, include:¹⁰

Hole ID	Interval (m)	Cu (%)	Au (g/t)	CuEq (%)	From (m)
KHDDH623	44	0.27	0.16	0.35	72
KHDDH624	30	0.31	0.22	0.42	183

Note that true widths will generally be narrow than those reported. See disclosure in JORC Table 1, Section 2.

²⁶ ASX/TSX Announcement 7 June 2023 – New Higher-Grade Zones Found in Kharmagtai Infill Drilling

Management's Discussion and Analysis

APPENDIX 4: DRILL RESULTS DURING THE QUARTER

For original announcements please refer to the following:

- ASX/TSX Announcement 7 June 2023 – New Higher-Grade Zones Found in Kharmagtai Infill Drilling
- ASX/TSX Announcement 5 July 2023 – Shallow Drilling Confirms Kharmagtai Discovery Potential
- ASX/TSX Announcement 19 July 2023 – New High-Grade Copper-Gold Zone Emerging at White Hill

Table 3. Drill hole details from the quarter (KH prefix = Kharmagtai, OU prefix = Red Mountain).

Hole ID	Prospect	East	North	RL	Azimuth (°)	Inc (°)	Depth (m)
KHDDH607	Stockwork Hill	592376	4877578	1292	0	-60	600.1
KHDDH608	Stockwork Hill	592310	4877840	1291	0	-55	400.0
KHDDH609	Stockwork Hill	592270	4877913	1293	270	-60	410.0
KHDDH610	Stockwork Hill	592250	4877654	1292	0	-60	325.0
KHDDH611	Stockwork Hill	592189	4877919	1291	180	-70	275.0
KHDDH612	Stockwork Hill	592126	4878051	1291	0	-60	100.0
KHDDH613	Stockwork Hill	592800	4877742	1283	0	-90	573.6
KHDDH614	Stockwork Hill	592126	4877846	1295	0	-60	175.0
KHDDH615	Stockwork Hill	592126	4877755	1295	0	-60	200.0
KHDDH616	White Hill	591501	4877401	1304	0	-60	150.0
KHDDH617	White Hill	591501	4877300	1307	0	-60	231.0
KHDDH618	White Hill	591501	4877101	1307	0	-60	444.3
KHDDH619	White Hill	591501	4877000	1309	0	-60	634.1
KHDDH620	White Hill	591626	4877452	1303	0	-60	175.0
KHDDH621	Stockwork Hill	592900	4877901	1282	0	-70	420.7
KHDDH622	Target 10	593518	4874425	1289	315	-60	221.8
KHDDH623	White Hill	591626	4877353	1304	0	-60	250.0
KHDDH624	White Hill	591626	4877247	1306	0	-60	423.6
KHDDH625	Target 10	594030	4874188	1290	315	-60	259.4
KHDDH626	White Hill	591626	4877149	1306	0	-60	596.0
KHDDH627	White Hill	591626	4877051	1308	0	-60	672.8
KHDDH628	Stockwork Hill	592250	4878102	1289	0	-60	125.0

Management's Discussion and Analysis

Hole ID	Prospect	East	North	RL	Azimuth (°)	Inc (°)	Depth (m)
KHDDH629	Stockwork Hill	592126	4877950	1291	0	-60	125.0
KHDDH630	Target 10	594218	4874708	1290	315	-60	201.0
KHDDH631	White Hill	591626	4876953	1310	0	-60	705.6
KHDDH632	White Hill	592819	4877517	1274	160	-60	350.0
KHDDH633	White Hill	591751	4877477	1302	0	-60	375.6
KHDDH634	White Hill	591751	4876901	1310	0	-60	826.5
KHDDH635	Target 10	594460	4874441	1302	315	-60	200.0
KHDDH636	Target 10	594794	4874708	1290	315	-60	200.0
KHDDH637	White Hill	591751	4877255	1303	0	-60	360.1
KHDDH638	White Hill	591751	4876800	1313	0	-60	817.4
KHDDH639	White Hill	591751	4877080	1307	0	-60	600.5
KHDDH640	Target 11	595385	4873935	1293	315	-60	200.0
KHDDH641		595991	4875418	1290	315	-60	200.0
KHDDH642	White Hill	591877	4877030	1307	0	-60	625.0
KHDDH643		596431	4874228	1303	315	-60	218.6
KHDDH644	White Hill	591876	4877532	1301	0	-60	200.0
KHDDH645	White Hill	591876	4876849	1310	0	-60	715.6
KHDDH646		597073	4874708	1305	315	-60	200.0
KHDDH647	Stockwork Hill	592432	4877696	1289	0	-60	564.5
KHDDH648		591207	4876617	1318	30	-70	2400.0
KHDDH649	Stockwork Hill	592535	4877686	1287	0	-60	560.0
KHDDH650	Stockwork Hill	592533	4877777	1287	0	-60	460.1
KHDDH651	White Hill	592006	4877113	1304	180	-60	415.0
KHDDH652	Stockwork Hill	593000	4877670	1284	0	-60	350.0
KHDDH653	Stockwork Hill	593063	4877630	1284	0	-60	275.0
KHDDH654	Stockwork Hill	592854	4877599	1285	0	-60	522.5
KHDDH655	Stockwork Hill	592647	4877603	1288	0	-60	735.0
KHDDH656	White Hill	591876	4876747	1311	0	-60	420.6
KHDDH657	White Hill	592000	4877501	1301	0	-60	250.4

Management's Discussion and Analysis

Hole ID	Prospect	East	North	RL	Azimuth (°)	Inc (°)	Depth (m)
KHDDH658	White Hill	592126	4877404	1303	0	-60	550.0
KHDDH659	White Hill	592001	4876900	1305	0	-60	721.6
KHDDH660	Stockwork Hill	592535	4877686	1287	357	-60	576.6
KHDDH661	White Hill	592001	4876800	1310	0	-60	897.1
KHDDH662	White Hill	592500	4877122	1300	90	-60	250.0
KHDDH663	White Hill	592126	4877501	1299	0	-60	305.5
KHDDH664	White Hill	592039	4876821	1307	170	-70	350.0
KHDDH665	White Hill	592126	4876908	1303	0	-60	700.0
KHDDH666	White Hill	592126	4876785	1307	0	-60	473.6
KHDDH667	White Hill	592250	4876867	1304	0	-65	450.0
KHDDH668	White Hill	591561	4877271	1309	270	-60	225.0
KHDDH669	White Hill	592250	4877166	1301	0	-65	525.0
KHDDH670	White Hill	592250	4877036	1301	0	-65	625.0

Table 4. Significant drill results from the quarter (KH prefix = Kharmagtai, OU prefix = Red Mountain)

Hole ID	Prospect	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (%)	ECu (%)	AuEq (g/t)
KHDDH607	Stockwork Hill	9	19	10	0.03	0.13	0.15	0.30
<i>and</i>		106	112	6	0.06	0.10	0.13	0.26
<i>and</i>		121.7	149	27.3	0.07	0.10	0.14	0.27
<i>and</i>		159	193	34	0.04	0.09	0.11	0.22
<i>and</i>		214.2	222	7.8	0.10	0.06	0.12	0.23
<i>and</i>		234	238	4	0.09	0.07	0.11	0.22
<i>and</i>		252	284	32	0.07	0.07	0.10	0.20
<i>and</i>		296	307	11	0.06	0.09	0.12	0.23
<i>and</i>		330.85	434.9	104.05	0.08	0.27	0.31	0.61

Management's Discussion and Analysis

Hole ID	Prospect	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (%)	ECu (%)	AuEq (g/t)
<i>including</i>		411	433	22	0.12	0.95	1.01	1.98
<i>including</i>		426.9	431	4.1	0.24	3.82	3.94	7.71
<i>and</i>		445	449	4	0.14	0.08	0.14	0.28
<i>and</i>		492.9	501.3	8.4	0.35	0.18	0.35	0.69
<i>including</i>		492.9	497	4.1	0.53	0.26	0.53	1.04
<i>and</i>		512	568	56	0.11	0.18	0.23	0.46
<i>including</i>		524	542	18	0.11	0.25	0.30	0.59
<i>and</i>		578	586.2	8.2	0.04	0.14	0.16	0.32
KHDDH608	Stockwork Hill	0.35	112.5	112.15	0.27	0.21	0.35	0.68
<i>including</i>		59	112.5	53.5	0.49	0.31	0.56	1.09
<i>including</i>		99	110.2	11.2	1.26	0.56	1.21	2.36
<i>and</i>		129.7	148	18.3	0.13	0.17	0.23	0.46
<i>including</i>		129.7	135.87	6.17	0.29	0.31	0.46	0.89
<i>and</i>		166	270	104	0.12	0.13	0.19	0.38
<i>including</i>		224	230	6	0.28	0.30	0.44	0.86
<i>and</i>		282	400	118	0.07	0.13	0.16	0.32
<i>including</i>		318	322	4	0.11	0.27	0.32	0.62
KHDDH609	Stockwork Hill	10	18	8	0.07	0.07	0.11	0.21
<i>and</i>		28	322	294	0.08	0.10	0.14	0.27
<i>including</i>		81	89	8	0.06	0.21	0.24	0.46
<i>including</i>		207	237	30	0.18	0.15	0.24	0.46
<i>and</i>		334	350	16	0.32	0.08	0.24	0.48
<i>including</i>		336	348	12	0.39	0.08	0.28	0.54
<i>and</i>		378	394	16	0.05	0.05	0.08	0.16
KHDDH610	Stockwork Hill	3.5	46	42.5	0.06	0.10	0.13	0.25
<i>and</i>		55	88	33	0.08	0.11	0.15	0.29

Management's Discussion and Analysis

Hole ID	Prospect	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (%)	ECu (%)	AuEq (g/t)
<i>and</i>		204	212	8	0.07	0.07	0.10	0.20
<i>and</i>		294	325	31	0.08	0.10	0.13	0.26
KHDDH611	Stockwork Hill	3	115	112	0.10	0.09	0.14	0.28
<i>and</i>		125	137	12	0.13	0.06	0.12	0.24
<i>and</i>		171.85	214	42.15	0.07	0.09	0.12	0.23
<i>and</i>		255	275	20	0.04	0.11	0.13	0.26
KHDDH612	Stockwork Hill	8	98	90	0.10	0.13	0.18	0.36
<i>including</i>		58	68	10	0.14	0.30	0.37	0.73
KHDDH613	Stockwork Hill	17	25	8	0.19	0.12	0.22	0.43
<i>and</i>		39	111.35	72.35	0.08	0.13	0.17	0.34
<i>including</i>		70.9	87.8	16.9	0.18	0.20	0.29	0.57
<i>including</i>		97.6	106	8.4	0.14	0.26	0.33	0.64
<i>and</i>		121	495.6	374.6	0.25	0.26	0.40	0.77
<i>including</i>		141	149	8	0.14	0.18	0.25	0.49
<i>including</i>		159	180.6	21.6	0.25	0.31	0.44	0.86
<i>including</i>		199	471	272	0.30	0.31	0.46	0.90
<i>including</i>		237	285	48	0.47	0.45	0.69	1.36
<i>including</i>		409	419	10	0.57	0.56	0.85	1.66
<i>including</i>		409	413	4	0.80	0.80	1.21	2.37
<i>including</i>		441	451	10	1.14	0.37	0.96	1.87
<i>including</i>		443	451	8	1.25	0.38	1.02	1.99
<i>and</i>		506	548	42	0.47	0.41	0.66	1.28
<i>including</i>		507.6	548	40.4	0.48	0.42	0.67	1.31
<i>including</i>		510	544	34	0.53	0.45	0.72	1.41
<i>including</i>		540	544	4	1.42	1.29	2.01	3.94
KHDDH614	Stockwork Hill	2.85	39	36.15	0.09	0.09	0.14	0.27

Management's Discussion and Analysis

Hole ID	Prospect	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (%)	ECu (%)	AuEq (g/t)
<i>and</i>		138	174	36	0.08	0.10	0.14	0.28
KHDDH615	Stockwork Hill	2.4	16	13.6	0.08	0.06	0.10	0.20
<i>and</i>		28	173.8	145.8	0.15	0.13	0.21	0.40
<i>including</i>		46	68	22	0.30	0.18	0.33	0.65
<i>including</i>		84.1	102	17.9	0.22	0.21	0.32	0.63
KHDDH616	White Hill	25	150	125	0.08	0.13	0.17	0.33
<i>including</i>		25	38	13	0.20	0.17	0.28	0.54
KHDDH617	White Hill	0	231	231	0.08	0.15	0.19	0.37
<i>including</i>		94	112	18	0.12	0.24	0.30	0.59
<i>including</i>		144	154	10	0.13	0.20	0.26	0.52
<i>including</i>		168	172	4	0.31	0.23	0.38	0.75
KHDDH618	White Hill	67	444.3	377.3	0.07	0.17	0.21	0.41
<i>including</i>		232	275.2	43.2	0.08	0.25	0.29	0.57
<i>including</i>		304	328	24	0.10	0.22	0.27	0.52
<i>including</i>		342	350	8	0.15	0.26	0.34	0.66
<i>including</i>		374	379	5	0.12	0.32	0.38	0.74
<i>including</i>		391	397	6	0.09	0.25	0.30	0.59
KHDDH619	White Hill	135	634.1	499.1	0.07	0.18	0.22	0.43
<i>including</i>		313.9	349	35.1	0.10	0.28	0.33	0.65
<i>including</i>		387	405.3	18.3	0.18	0.36	0.45	0.89
<i>including</i>		417.2	435.9	18.7	0.12	0.25	0.32	0.62
<i>including</i>		495	503	8	0.10	0.28	0.32	0.63
<i>including</i>		523.2	531	7.8	0.13	0.28	0.34	0.67
<i>including</i>		621	625	4	0.07	0.33	0.36	0.71
KHDDH620	White Hill	0.5	175	174.5	0.05	0.14	0.16	0.32
KHDDH621	Stockwork Hill	202	214	12	0.07	0.03	0.07	0.13
KHDDH622	Target 10	9	51	42	0.01	0.08	0.08	0.16

Management's Discussion and Analysis

Hole ID	Prospect	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (%)	ECu (%)	AuEq (g/t)
<i>and</i>		61	94	33	0.01	0.12	0.12	0.24
<i>and</i>		127	142	15	0.09	1.26	1.31	2.56
<i>including</i>		132.05	138	5.95	0.21	2.97	3.08	6.02
<i>and</i>		215	219	4	0.03	0.48	0.50	0.98
KHDDH623	White Hill	0	250	250	0.11	0.18	0.24	0.46
<i>including</i>		28	34	6	0.37	0.22	0.41	0.80
<i>including</i>		72	116	44	0.16	0.27	0.35	0.69
<i>including</i>		230	246	16	0.17	0.24	0.33	0.64
KHDDH624	White Hill	0	397	397	0.10	0.18	0.24	0.46
<i>including</i>		85	139.2	54.2	0.15	0.26	0.33	0.65
<i>including</i>		149	166.7	17.7	0.17	0.24	0.32	0.63
<i>including</i>		183	212.6	29.6	0.22	0.31	0.42	0.82
<i>including</i>		229	238.1	9.1	0.14	0.27	0.35	0.68
<i>including</i>		321.6	330	8.4	0.18	0.32	0.41	0.81
<i>including</i>		340	362.7	22.7	0.20	0.30	0.40	0.79
<i>and</i>		411	423.6	12.6	0.08	0.14	0.18	0.35
KHDDH625	Target 10	1.4	10	8.6	0.03	0.16	0.17	0.34
<i>and</i>		28	48.3	20.3	0.01	0.29	0.30	0.59
<i>including</i>		32	40	8	0.01	0.45	0.46	0.90
<i>and</i>		64	70	6	0.02	0.00	0.00	0.00
<i>and</i>		80.2	140	59.8	0.02	0.15	0.16	0.32
<i>including</i>		90	99.54	9.54	0.02	0.19	0.20	0.39
<i>and</i>		150	220	70	0.03	0.15	0.17	0.32
<i>including</i>		184	194	10	0.12	0.24	0.30	0.58
<i>and</i>		238	250	12	0.04	0.09	0.11	0.22
KHDDH626	White Hill	3	596	593	0.14	0.25	0.32	0.63
<i>including</i>		119	241	122	0.16	0.30	0.38	0.75
<i>including</i>		256.9	400	143.1	0.17	0.28	0.37	0.72

Management's Discussion and Analysis

Hole ID	Prospect	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (%)	ECu (%)	AuEq (g/t)
<i>including</i>		364	370	6	0.23	0.43	0.55	1.07
<i>including</i>		412	501.98	89.98	0.16	0.25	0.33	0.64
<i>including</i>		512	596	84	0.18	0.32	0.41	0.80
KHDDH627	White Hill	13	672.8	659.8	0.11	0.21	0.26	0.52
<i>including</i>		37	42.7	5.7	0.12	0.38	0.45	0.87
<i>including</i>		65	71	6	0.06	0.25	0.28	0.54
<i>including</i>		201	222	21	0.12	0.25	0.31	0.60
<i>including</i>		232	294.6	62.6	0.23	0.43	0.55	1.07
<i>including</i>		246	272	26	0.29	0.57	0.71	1.40
<i>including</i>		331	337	6	0.16	0.26	0.34	0.67
<i>including</i>		347	376	29	0.17	0.27	0.36	0.70
<i>including</i>		426	464	38	0.15	0.26	0.34	0.66
<i>including</i>		523	546	23	0.13	0.21	0.27	0.53
<i>including</i>		577	599	22	0.12	0.23	0.29	0.58
<i>including</i>		629	645.4	16.4	0.13	0.27	0.33	0.65
<i>including</i>		663	667	4	0.16	0.30	0.38	0.73
KHDDH628	Stockwork Hill	10	22	12	0.67	0.06	0.40	0.79
<i>including</i>		10	18	8	0.93	0.07	0.55	1.07
<i>and</i>		32	50	18	0.15	0.03	0.10	0.20
KHDDH629	Stockwork Hill	3.3	125	121.7	0.07	0.14	0.17	0.34
<i>including</i>		3.3	13	9.7	0.18	0.14	0.24	0.47
<i>including</i>		49	53	4	0.16	0.44	0.51	1.01
<i>including</i>		111	121	10	0.09	0.29	0.34	0.66
KHDDH630	Target 10	7	68	61	0.02	0.11	0.12	0.24
<i>and</i>		99.1	116	16.9	0.03	0.10	0.11	0.22
KHDDH631	White Hill	97	705.6	608.6	0.09	0.20	0.24	0.48
<i>including</i>		270.9	281	10.1	0.15	0.38	0.46	0.90

Management's Discussion and Analysis

Hole ID	Prospect	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (%)	ECu (%)	AuEq (g/t)
<i>including</i>		339	407.5	68.5	0.13	0.28	0.35	0.68
<i>including</i>		357	361	4	0.22	0.66	0.77	1.51
<i>including</i>		432.4	516.4	84	0.14	0.26	0.33	0.64
<i>including</i>		527	544.6	17.6	0.12	0.28	0.34	0.66
<i>including</i>		554.8	575	20.2	0.12	0.24	0.30	0.59
<i>including</i>		609	613	4	0.19	0.36	0.45	0.88
<i>including</i>		639	655	16	0.13	0.30	0.36	0.71
<i>including</i>		669	673	4	0.11	0.26	0.32	0.62
<i>including</i>		685	705.6	20.6	0.12	0.31	0.37	0.72
KHDDH632	White Hill	255	259	4	0.06	0.27	0.30	0.58
KHDDH633	White Hill	0	271	271	0.08	0.16	0.20	0.39
<i>including</i>		4	15.4	11.4	0.26	0.38	0.51	1.00
<i>including</i>		4	13	9	0.25	0.37	0.50	0.98
<i>including</i>		35	68	33	0.11	0.24	0.29	0.57
<i>including</i>		88	98.5	10.5	0.07	0.24	0.27	0.54
<i>and</i>		283.3	321	37.7	0.03	0.09	0.11	0.21
<i>and</i>		333	375.6	42.6	0.04	0.09	0.11	0.21
KHDDH634	White Hill	126	160	34	0.03	0.11	0.12	0.24
<i>and</i>		172	826.5	654.5	0.11	0.28	0.34	0.67
<i>including</i>		352	360.09	8.09	0.14	0.25	0.32	0.63
<i>including</i>		392	410.32	18.32	0.14	0.27	0.34	0.67
<i>including</i>		426	567.5	141.5	0.18	0.39	0.48	0.94
<i>including</i>		494	502	8	0.29	0.63	0.78	1.53
<i>including</i>		512	544	32	0.25	0.48	0.61	1.19
<i>including</i>		556	567.5	11.5	0.19	0.54	0.63	1.24
<i>including</i>		617	675	58	0.23	0.59	0.71	1.38
<i>including</i>		651	659	8	0.50	1.17	1.43	2.79
KHDDH635	Target 10	3	7	4	0.01	0.13	0.14	0.27

Management's Discussion and Analysis

Hole ID	Prospect	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (%)	ECu (%)	AuEq (g/t)
<i>and</i>		21	127.65	106.65	0.03	0.19	0.20	0.40
<i>including</i>		31	35	4	0.22	0.85	0.95	1.87
<i>including</i>		85	90.05	5.05	0.07	0.78	0.82	1.60
<i>and</i>		157.7	200	42.3	0.02	0.11	0.12	0.23
KHDDH636	Target 10	5.3	32.6	27.3	0.03	0.10	0.12	0.23
<i>and</i>		49	58	9	0.06	0.07	0.10	0.20
<i>and</i>		90	200	110	0.05	0.09	0.12	0.23
KHDDH637	White Hill	2.7	360.1	357.4	0.13	0.24	0.31	0.61
<i>including</i>		25	31	6	0.20	0.31	0.41	0.80
<i>including</i>		42	186	144	0.15	0.30	0.38	0.74
<i>including</i>		123	129	6	0.33	0.46	0.63	1.23
<i>including</i>		222.6	359	136.4	0.14	0.25	0.32	0.62
KHDDH638	White Hill	203.8	208	4.2	0.02	0.11	0.12	0.24
<i>and</i>		273.4	817.4	544	0.12	0.34	0.40	0.79
<i>including</i>		360	364	4	0.12	0.28	0.34	0.67
<i>including</i>		422	525	103	0.16	0.32	0.40	0.78
<i>including</i>		541.1	588	46.9	0.12	0.27	0.33	0.65
<i>including</i>		600	815	215	0.15	0.52	0.60	1.17
<i>including</i>		634	697	63	0.23	0.92	1.03	2.02
<i>including</i>		645	673	28	0.32	1.45	1.61	3.15
<i>including</i>		711	723	12	0.19	0.44	0.54	1.05
<i>including</i>		736.5	747.8	11.3	0.16	0.66	0.74	1.45
KHDDH639	White Hill	8	600.5	592.5	0.09	0.20	0.25	0.49
<i>including</i>		30	36	6	0.12	0.33	0.39	0.77
<i>including</i>		48	58.4	10.4	0.16	0.33	0.41	0.81
<i>including</i>		72.4	94	21.6	0.15	0.21	0.29	0.56
<i>including</i>		168	177.4	9.4	0.11	0.24	0.30	0.58
<i>including</i>		195.7	304	108.3	0.13	0.29	0.36	0.71

Management's Discussion and Analysis

Hole ID	Prospect	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (%)	ECu (%)	AuEq (g/t)
<i>including</i>		314.4	354	39.6	0.10	0.23	0.29	0.56
<i>including</i>		480.7	487.2	6.5	0.13	0.25	0.32	0.62
<i>including</i>		497	511	14	0.14	0.25	0.33	0.64
<i>including</i>		558	599	41	0.12	0.26	0.32	0.62
KHDDH641		84	112	28	0.02	0.09	0.10	0.21
KHDDH642	White Hill	2	454	452	0.12	0.20	0.26	0.51
<i>including</i>		100	104	4	0.20	0.36	0.46	0.90
<i>including</i>		120	129.2	9.2	0.19	0.28	0.37	0.73
<i>including</i>		165	187	22	0.11	0.21	0.27	0.53
<i>including</i>		205	341.8	136.8	0.19	0.30	0.40	0.79
<i>including</i>		261	272	11	0.39	0.44	0.64	1.26
<i>including</i>		385	413	28	0.15	0.21	0.28	0.55
<i>and</i>		470	552	82	0.06	0.15	0.18	0.34
<i>including</i>		503.5	509	5.5	0.10	0.26	0.31	0.61
<i>including</i>		521	525	4	0.09	0.30	0.34	0.67
<i>and</i>		562	625	63	0.17	0.28	0.37	0.73
<i>including</i>		580.8	625	44.2	0.20	0.35	0.45	0.88
KHDDH644	White Hill	0	200	200	0.09	0.16	0.20	0.40
<i>including</i>		102	106	4	0.14	0.30	0.37	0.72
KHDDH645	White Hill	75	79	4	0.09	0.06	0.11	0.21
<i>and</i>		153.8	171	17.2	0.04	0.09	0.11	0.21
<i>and</i>		180.6	279	98.4	0.04	0.14	0.16	0.32
<i>and</i>		313	715.6	402.6	0.14	0.32	0.40	0.77
<i>including</i>		337	580	243	0.15	0.32	0.40	0.78
<i>including</i>		512	536	24	0.21	0.57	0.68	1.33
<i>including</i>		592	658	66	0.19	0.45	0.55	1.07
<i>including</i>		609	615.1	6.1	0.26	0.53	0.67	1.31
<i>including</i>		625	658	33	0.23	0.54	0.66	1.28

Management's Discussion and Analysis

Hole ID	Prospect	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (%)	ECu (%)	AuEq (g/t)
<i>including</i>		668.3	706	37.7	0.14	0.37	0.44	0.86
<i>including</i>		668.3	682	13.7	0.24	0.54	0.66	1.29
KHDDH646		147	151	4	0.33	0.02	0.19	0.38
KHDDH647	Stockwork Hill	5	21	16	0.18	0.05	0.15	0.28
<i>and</i>		94	104	10	0.11	0.07	0.13	0.25
<i>and</i>		142	164	22	0.08	0.07	0.11	0.22
<i>and</i>		174	211	37	0.18	0.15	0.24	0.46
<i>including</i>		184	211	27	0.20	0.16	0.26	0.52
<i>and</i>		258	367	109	0.12	0.25	0.31	0.61
<i>including</i>		258	278	20	0.23	0.43	0.55	1.07
<i>including</i>		258	274	16	0.24	0.47	0.59	1.16
<i>including</i>		290	304	14	0.12	0.21	0.28	0.54
<i>including</i>		317	332	15	0.12	0.33	0.39	0.76
<i>including</i>		349	363	14	0.15	0.25	0.33	0.65
<i>and</i>		381	389	8	0.04	0.20	0.22	0.44
<i>and</i>		403	409	6	0.07	0.16	0.20	0.38
<i>and</i>		423	435	12	0.09	0.12	0.17	0.33
<i>and</i>		467	560	93	0.23	0.12	0.23	0.46
<i>including</i>		471	485.7	14.7	0.19	0.18	0.28	0.55
<i>including</i>		534	546	12	1.04	0.17	0.70	1.38
KHDDH648		29	123	94	0.08	0.14	0.18	0.35
<i>including</i>		99	111	12	0.10	0.18	0.23	0.45
<i>and</i>		139	221	82	0.04	0.12	0.14	0.28
<i>and</i>		241	269	28	0.02	0.07	0.08	0.16
<i>and</i>		287	311	24	0.03	0.09	0.10	0.19
<i>and</i>		325	345	20	0.03	0.13	0.14	0.28
<i>and</i>		423.2	479	55.8	0.05	0.16	0.18	0.36

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Hole ID	Prospect	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (%)	ECu (%)	AuEq (g/t)
<i>including</i>		423.2	439	15.8	0.07	0.23	0.27	0.53
<i>including</i>		451	457	6	0.08	0.26	0.31	0.60
<i>and</i>		491	1072	581	0.07	0.20	0.23	0.46
<i>including</i>		509	527	18	0.07	0.27	0.31	0.60
<i>including</i>		619	707	88	0.08	0.28	0.32	0.63
<i>including</i>		627	635	8	0.17	0.64	0.73	1.43
<i>including</i>		717	798	81	0.09	0.29	0.34	0.66
<i>including</i>		759	763.4	4.4	0.19	0.63	0.73	1.43
<i>including</i>		824	836	12	0.07	0.20	0.24	0.47
<i>including</i>		848	872	24	0.10	0.30	0.35	0.69
<i>including</i>		964	976	12	0.09	0.22	0.27	0.52
<i>including</i>		1004	1020	16	0.18	0.22	0.32	0.62
<i>Assays pending</i>								
KHDDH649	Stockwork Hill	26	38	12	0.07	0.08	0.11	0.22
<i>and</i>		50	60	10	0.08	0.09	0.13	0.26
<i>and</i>		108	112	4	0.14	0.11	0.18	0.36
<i>and</i>		126	550	424	0.21	0.26	0.36	0.71
<i>including</i>		126	198.2	72.2	0.60	0.41	0.72	1.40
<i>including</i>		134.3	154	19.7	0.83	0.51	0.93	1.82
<i>including</i>		168	198.2	30.2	0.76	0.50	0.89	1.73
<i>including</i>		186	198.2	12.2	1.10	0.69	1.25	2.44
<i>including</i>		220	226	6	0.61	0.31	0.62	1.22
<i>including</i>		276	296	20	0.28	0.30	0.45	0.88
<i>including</i>		318	382	64	0.15	0.41	0.48	0.94
<i>including</i>		348	378	30	0.16	0.51	0.59	1.16
<i>including</i>		348	354	6	0.19	0.86	0.96	1.88
<i>including</i>		396	452	56	0.12	0.27	0.33	0.64

Management's Discussion and Analysis

Hole ID	Prospect	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (%)	ECu (%)	AuEq (g/t)
<i>including</i>		400	404	4	0.16	0.62	0.70	1.37
<i>including</i>		466	484	18	0.23	0.54	0.66	1.29
<i>including</i>		470	484	14	0.25	0.60	0.73	1.42
<i>including</i>		504	514	10	0.13	0.18	0.24	0.47
KHDDH650	Stockwork Hill	6	282	276	0.36	0.33	0.52	1.01
<i>including</i>		6	137	131	0.67	0.35	0.70	1.36
<i>including</i>		26	102	76	1.00	0.45	0.96	1.88
<i>including</i>		58	96.5	38.5	1.44	0.51	1.24	2.43
<i>including</i>		161	169	8	0.11	0.29	0.35	0.68
<i>including</i>		185	214	29	0.14	0.92	1.00	1.95
<i>including</i>		187	207.3	20.3	0.16	1.16	1.24	2.43
<i>including</i>		187	205	18	0.17	1.23	1.31	2.57
<i>including</i>		264	282	18	0.04	0.36	0.38	0.74
<i>and</i>		292	419	127	0.33	0.28	0.46	0.89
<i>including</i>		297	320.65	23.65	0.16	0.33	0.41	0.80
<i>including</i>		315	319	4	0.36	0.72	0.90	1.76
<i>including</i>		347	388.7	41.7	0.81	0.53	0.94	1.85
<i>including</i>		349	388.7	39.7	0.84	0.54	0.97	1.91
<i>including</i>		353	386	33	0.89	0.55	1.01	1.97
<i>and</i>		437	446.29	9.29	0.10	0.06	0.12	0.23
KHDDH651	White Hill	2	316	314	0.07	0.17	0.20	0.39
<i>including</i>		54	74	20	0.07	0.24	0.27	0.54
<i>including</i>		102	106	4	0.17	0.24	0.33	0.64
<i>including</i>		118.15	130	11.85	0.15	0.29	0.37	0.72
<i>including</i>		156	160.85	4.85	0.11	0.24	0.29	0.57
<i>and</i>		326	416	90	0.06	0.17	0.20	0.39
<i>including</i>		374	388	14	0.10	0.31	0.36	0.71

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Hole ID	Prospect	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (%)	ECu (%)	AuEq (g/t)
KHDDH652	Stockwork Hill	127.4	132	4.6	0.64	0.13	0.46	0.89
<i>and</i>		194	230	36	0.13	0.10	0.16	0.32
<i>including</i>		194	202	8	0.26	0.11	0.25	0.48
<i>and</i>		256	280	24	0.25	0.12	0.25	0.48
<i>and</i>		298	326	28	0.29	0.07	0.21	0.42
KHDDH653	Stockwork Hill	134	142	8	0.12	0.06	0.12	0.23
<i>and</i>		156	160	4	0.04	0.09	0.11	0.22
<i>and</i>		183.8	190	6.2	1.31	1.42	2.08	4.08
<i>and</i>		202	216	14	1.32	0.15	0.83	1.62
<i>including</i>		210.3	214.8	4.5	3.91	0.36	2.36	4.61
<i>and</i>		269	275	6	0.23	0.02	0.14	0.27
KHDDH654	Stockwork Hill	144	158	14	0.11	0.41	0.47	0.92
<i>including</i>		146	158	12	0.11	0.46	0.52	1.01
<i>including</i>		154	158	4	0.21	0.92	1.03	2.01
<i>and</i>		198	218	20	0.02	0.06	0.07	0.15
<i>and</i>		232	242	10	0.04	0.11	0.13	0.25
<i>and</i>		256	501.1	245.1	0.11	0.23	0.29	0.56
<i>including</i>		272	279.3	7.3	0.27	0.14	0.28	0.56
<i>including</i>		299	351	52	0.13	0.28	0.35	0.68
<i>including</i>		361	439	78	0.10	0.29	0.34	0.66
<i>including</i>		367	371	4	0.20	0.96	1.06	2.06
<i>including</i>		455.2	478	22.8	0.14	0.18	0.25	0.48
<i>including</i>		488	501.1	13.1	0.08	0.27	0.31	0.60
KHDDH655	Stockwork Hill	72	78	6	0.13	0.06	0.13	0.25
<i>and</i>		178	210	32	0.04	0.08	0.11	0.21
<i>and</i>		236	606	370	0.28	0.41	0.55	1.08

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Hole ID	Prospect	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (%)	ECu (%)	AuEq (g/t)
<i>including</i>		242	590	348	0.29	0.43	0.58	1.13
<i>including</i>		250	254	4	0.70	0.30	0.66	1.29
<i>including</i>		296	300	4	0.16	0.63	0.71	1.38
<i>including</i>		346	350	4	0.41	0.44	0.65	1.27
<i>including</i>		364	376	12	0.65	0.52	0.85	1.66
<i>including</i>		386	492	106	0.48	0.56	0.80	1.57
<i>including</i>		392	396	4	0.58	1.15	1.44	2.82
<i>including</i>		426	450	24	0.71	0.80	1.16	2.27
<i>including</i>		522	534	12	0.10	0.45	0.50	0.97
<i>including</i>		544	590	46	0.32	0.69	0.85	1.66
<i>including</i>		548	554	6	0.23	1.09	1.21	2.36
<i>including</i>		578	590	12	0.69	1.00	1.35	2.63
<i>and</i>		616	650	34	0.10	0.16	0.21	0.41
<i>including</i>		642	648	6	0.24	0.34	0.46	0.91
<i>and</i>		672	696	24	0.14	0.13	0.21	0.41
<i>including</i>		678	682	4	0.17	0.26	0.35	0.68
<i>and</i>		724	734	10	0.05	0.10	0.12	0.24
KHDDH656	White Hill	85.4	91.25	5.85	0.30	0.06	0.21	0.42
<i>and</i>		114.85	122.18	7.33	0.07	0.07	0.11	0.21
<i>and</i>		224	420.6	196.6	0.07	0.16	0.20	0.38
<i>including</i>		280	296	16	0.11	0.28	0.34	0.66
<i>including</i>		346	362	16	0.08	0.19	0.24	0.46
KHDDH657	White Hill	1	233	232	0.10	0.14	0.20	0.39
<i>including</i>		1	19	18	0.26	0.23	0.36	0.70
<i>including</i>		87	103	16	0.20	0.18	0.28	0.55
KHDDH658	White Hill	<i>Assays pending</i>						
KHDDH659	White Hill	<i>Assays pending</i>						

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Hole ID	Prospect	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (%)	ECu (%)	AuEq (g/t)
KHDDH660	Stockwork Hill				Assays pending			
KHDDH661	White Hill				Assays pending			
KHDDH662	White Hill				Assays pending			
KHDDH663	White Hill				Assays pending			
KHDDH664	White Hill				Assays pending			
KHDDH665	White Hill				Assays pending			
KHDDH666	White Hill				Assays pending			
KHDDH667	White Hill				Assays pending			
KHDDH668	White Hill				Assays pending			
KHDDH669	White Hill				Assays pending			
KHDDH670	White Hill				Assays pending			

Note that true widths will generally be narrow than those reported. See disclosure in JORC Table 1, Section 2.

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APPENDIX 5: STATEMENTS AND DISCLAIMERS

MINERAL RESOURCES AND ORE RESERVES REPORTING REQUIREMENTS

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

The information in this Announcement relates to the exploration results previously reported in ASX/TSX Announcements which are available on the Xanadu website at: <https://www.xanadumines.com/site/investor-centre/asx-announcements>

MINERAL RESOURCES AND ORE RESERVES

The previously reported resource estimates for Kharmagtai have not changed. For information regarding these resources, please see the Company's ASX/TSX announcements dated December 8, 2021 and February 28, 2022. Xanadu is not aware of any new information or data that materially affects the information included in the ASX & TSX Announcements referenced in this MD&A, and all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

MINING ACTIVITIES

There were no mine production or development activities during the six months ended June 30, 2023.

LIST OF TENEMENTS

Xanadu held licenses for the following tenements during the June 2023 Quarter. No new farm-in or farm-out agreements were entered into during the quarter. Location of tenements is shown in **Figure 8**.

Project Name	Tenement Name	Beneficial Ownership Start of Quarter	Beneficial Ownership End of Quarter	Location
Red Mountain	Red Mountain	100%	100%	Mongolia, Dornogobi province, Saikhandulaan soum
Kharmagtai	Kharmagtai	38.25% ²⁷	38.25%	Mongolia, Umnugobi province, Tsogttsetsii soum

²⁷ 38.25% represents 50% of Khuiten Metals via the Khuiten JV with Zijin. Khuiten Metals controls Kharmagtai and holds 76.5% of the Kharmagtai mining lease.

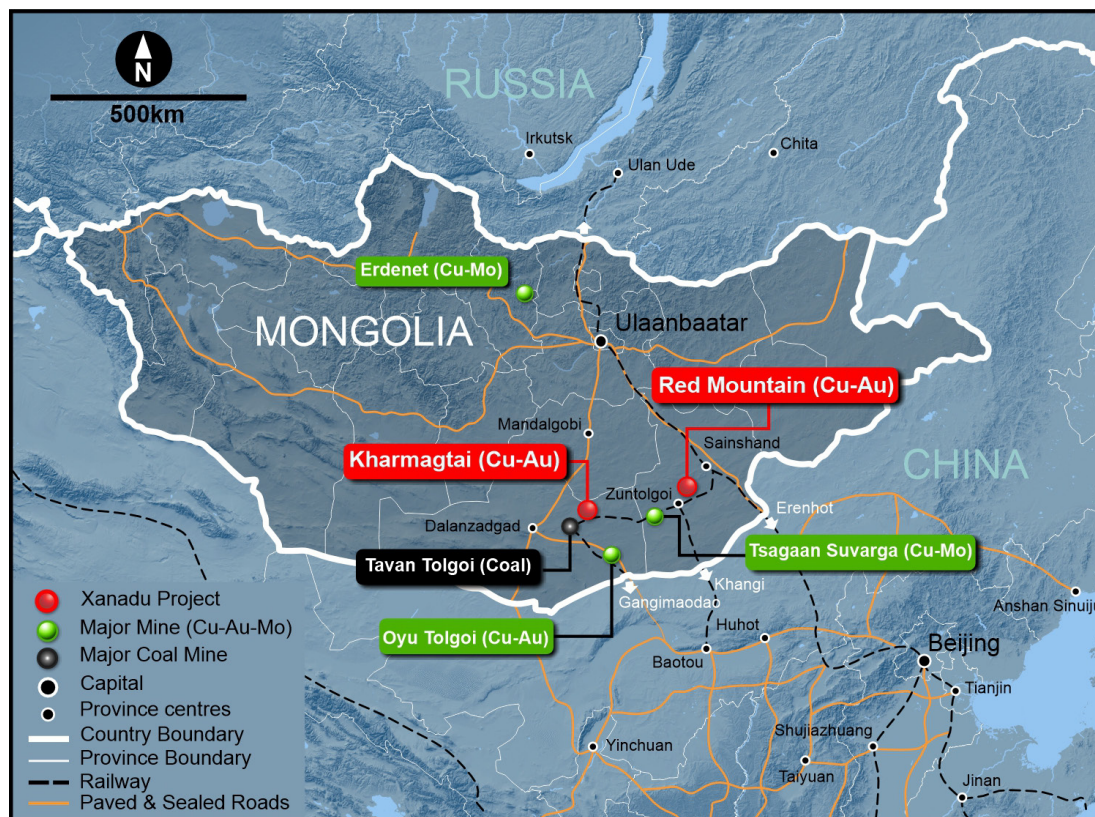


Figure 8: Location of Xanadu Projects in the South Gobi region of Mongolia

COPPER EQUIVALENT CALCULATIONS

The copper equivalent (eCu) calculation represents the total metal value for each metal, multiplied by the conversion factor, summed and expressed in equivalent copper percentage with a metallurgical recovery factor applied.

Copper equivalent (eCu) grade values were calculated using the formula: $eCu = Cu + Au * 0.60049 * 0.86667$.

Where Cu - copper grade (%); Au - gold grade (g/t); 0.60049 - conversion factor (gold to copper); 0.86667 - relative recovery of gold to copper (86.67%).

The copper equivalent formula was based on the following parameters (prices are in USD): Copper price 3.4 \$/lb; Gold price 1400 \$/oz; Copper recovery 90%; Gold recovery 78%; Relative recovery of gold to copper = $78\% / 90\% = 86.67\%$.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A, including information as to the future financial or operating performance of Xanadu and its projects may also include statements which are 'forward-looking statements' that may include, amongst other things, statements regarding targets, estimates and assumptions in respect of mineral reserves and mineral resources and anticipated grades and recovery rates, production and prices, recovery costs and results, capital expenditures and are or may be based on assumptions and estimates related to future technical, economic, market, political, social and other conditions. These 'forward-looking statements' are necessarily based upon a number of estimates and assumptions that, while considered reasonable by Xanadu, are inherently subject to significant technical, business, economic, competitive, political and social uncertainties and contingencies and involve known and unknown risks and uncertainties that could cause actual events or results to differ materially from estimated or anticipated events or results reflected in such forward-looking statements.

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Xanadu disclaims any intent or obligation to update publicly or release any revisions to any forward-looking statements, whether as a result of new information, future events, circumstances or results or otherwise after the date of this MD&A or to reflect the occurrence of unanticipated events, other than required by the Australian *Corporations Act 2001* (Cth) and the Listing Rules of the Australian Securities Exchange (**ASX**) and Toronto Stock Exchange (**TSX**). The words 'believe', 'expect', 'anticipate', 'indicate', 'contemplate', 'target', 'plan', 'intends', 'continue', 'budget', 'estimate', 'may', 'will', 'schedule' and similar expressions identify forward-looking statements.

All 'forward-looking statements' made in this MD&A are qualified by the foregoing cautionary statements. Investors are cautioned that 'forward-looking statements' are not guarantee of future performance and accordingly investors are cautioned not to put undue reliance on 'forward-looking statements' due to the inherent uncertainty therein.

For further information please visit the Xanadu Mines' web site **www.xanadumines.com**.

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APPENDIX 6: KHARMAGTAI TABLE 1 (JORC 2012)

Set out below is Section 1 and Section 2 of Table 1 under the JORC Code, 2012 Edition for the Kharmagtai project. Data provided by Xanadu. This Table 1 updates the JORC Table 1 disclosure dated 8 December 2021.

JORC TABLE 1 - SECTION 1 - SAMPLING TECHNIQUES AND DATA

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

Criteria	Commentary
<i>Sampling techniques</i>	- Representative ½ core samples were split from PQ, HQ & NQ diameter diamond drill core on site using rock saws, on a routine 2m sample interval that also honours lithological/intrusive contacts. - The orientation of the cut line is controlled using the core orientation line ensuring uniformity of core splitting wherever the core has been successfully oriented. - Sample intervals are defined and subsequently checked by geologists, and sample tags are attached (stapled) to the plastic core trays for every sample interval. - Reverse Circulation (RC) chip samples are ¼ splits from one meter (1m) intervals using a 75%:25% riffle splitter to obtain a 3kg sample - RC samples are uniform 2m samples formed from the combination of two ¼ split 1m samples.
<i>Drilling techniques</i>	- The Mineral Resource Estimation has been based upon diamond drilling of PQ, HQ and NQ diameters with both standard and triple tube core recovery configurations, RC drilling and surface trenching with channel sampling. - All drill core drilled by Xanadu has been oriented using the "Reflex Ace" tool.
<i>Drill sample recovery</i>	- Diamond drill core recoveries were assessed using the standard industry (best) practice which involves removing the core from core trays; reassembling multiple core runs in a v-rail; measuring core lengths with a tape measure, assessing recovery against core block depth measurements and recording any measured core loss for each core run. - Diamond core recoveries average 97% through mineralisation. - Overall, core quality is good, with minimal core loss. Where there is localised faulting and or fracturing core recoveries decrease, however, this is a very small percentage of the mineralised intersections. - RC recoveries are measured using whole weight of each 1m intercept measured before splitting - Analysis of recovery results vs grade shows no significant trends that might indicate sampling bias introduced by variable recovery in fault/fracture zones.
<i>Logging</i>	- All drill core is geologically logged by well-trained geologists using a modified "Anaconda-style" logging system methodology. The Anaconda method of logging and mapping is specifically designed for porphyry Cu-Au mineral systems and is entirely appropriate to support Mineral Resource Estimation, mining and metallurgical studies. - Logging of lithology, alteration and mineralogy is intrinsically qualitative in nature. However, the logging is subsequently supported by 4 Acid ICP-MS (48 element) geochemistry and SWIR spectral mineralogy (facilitating semi-quantitative/calculated mineralogical, lithological and alteration classification) which is integrated with the

Management's Discussion and Analysis

Criteria	Commentary
	logging to improve cross section interpretation and 3D geological model development. • Drill core is also systematically logged for both geotechnical features and geological structures. Where drill core has been successfully oriented, the orientation of structures and geotechnical features are also routinely measured. • Both wet and dry core photos are taken after core has been logged and marked-up but before drill core has been cut.
Sub-sampling techniques and sample preparation	• All drill core samples are ½ core splits from either PQ, HQ or NQ diameter cores. A routine 2m sample interval is used, but this is varied locally to honour lithological/intrusive contacts. The minimum allowed sample length is 30cm. • Core is appropriately split (onsite) using diamond core saws with the cut line routinely located relative to the core orientation line (where present) to provide consistency of sample split selection. • The diamond saws are regularly flushed with water to minimize potential contamination. • A field duplicate ¼ core sample is collected every 30th sample to ensure the “representivity of the in-situ material collected”. The performance of these field duplicates is routinely analysed as part of Xanadu’s sample QC process. • Routine sample preparation and analyses of DDH samples were carried out by ALS Mongolia LLC (ALS Mongolia), who operates an independent sample preparation and analytical laboratory in Ulaanbaatar. • All samples were prepared to meet standard quality control procedures as follows: Crushed to 75% passing 2mm, split to 1kg, pulverised to 85% passing 200 mesh (75 microns) and split to 150g sample pulp. • ALS Mongolia Geochemistry labs quality management system is certified to ISO 9001:2008. • The sample support (sub-sample mass and comminution) is appropriate for the grainsize and Cu-Au distribution of the porphyry Cu-Au mineralization and associated host rocks.
Quality of assay data and laboratory tests	• All samples were routinely assayed by ALS Mongolia for gold • Au is determined using a 25g fire assay fusion, cupelled to obtain a bead, and digested with Aqua Regia, followed by an atomic absorption spectroscopy (AAS) finish, with a lower detection (LDL) of 0.01 ppm. • All samples were also submitted to ALS Mongolia for the 48-element package ME-ICP61 using a four-acid digest (considered to be an effective total digest for the elements relevant to the Mineral Resource Estimate (MRE)). Where copper is over-range (>1% Cu), it is analysed by a second analytical technique (Cu-OG62), which has a higher upper detection limit (UDL) of 5% copper. • Quality assurance has been managed by insertion of appropriate Standards (1:30 samples – suitable Ore Research Pty Ltd certified standards), Blanks (1:30 samples), Duplicates (1:30 samples – ¼ core duplicate) by XAM. • Assay results outside the optimal range for methods were re-analysed by appropriate methods. • Ore Research Pty Ltd certified copper and gold standards have been implemented as a part of QC procedures, as well as coarse and pulp blanks, and certified matrix matched copper-gold standards.

Management's Discussion and Analysis

Criteria	Commentary
	- QC monitoring is an active and ongoing processes on batch by batch basis by which unacceptable results are re-assayed as soon as practicable. - Prior to 2014: Cu, Ag, Pb, Zn, As and Mo were routinely determined using a three-acid-digestion of a 0.3g sub-sample followed by an AAS finish (AAS21R) at SGS Mongolia. Samples were digested with nitric, hydrochloric and perchloric acids to dryness before leaching with hydrochloric acid to dissolve soluble salts and made to 15ml volume with distilled water. The LDL for copper using this technique was 2ppm. Where copper was over-range (>1% Cu), it was analysed by a second analytical technique (AAS22S), which has a higher upper detection limit (UDL) of 5% copper. Gold analysis method was essentially unchanged.
Verification of sampling and assaying	- All assay data QA/QC is checked prior to loading into XAM's Geobank data base. - The data is managed by XAM geologists. - The data base and geological interpretation is managed by XAM. - Check assays are submitted to an umpire lab (SGS Mongolia) for duplicate analysis. - No twinned drill holes exist. - There have been no adjustments to any of the assay data.
Location of data points	- Diamond drill holes have been surveyed with a differential global positioning system (DGPS) to within 10cm accuracy. - The grid system used for the project is UTM WGS-84 Zone 48N - Historically, Eastman Kodak and Flexit electronic multi-shot downhole survey tools have been used at Kharmagtai to collect down hole azimuth and inclination information for the majority of the diamond drill holes. Single shots were typically taken every 30m to 50m during the drilling process, and a multi-shot survey with readings every 3-5m are conducted at the completion of the drill hole. As these tools rely on the earth's magnetic field to measure azimuth, there is some localised interference/inaccuracy introduced by the presence of magnetite in some parts of the Kharmagtai mineral system. The extent of this interference cannot be quantified on a reading-by-reading basis. - More recently (since September 2017), a north-seeking gyro has been employed by the drilling crews on site (rented and operated by the drilling contractor), providing accurate downhole orientation measurements unaffected by magnetic effects. Xanadu have a permanent calibration station setup for the gyro tool, which is routinely calibrated every 2 weeks (calibration records are maintained and were sighted) - The project Digital Terrain Model (DTM) is based on 1m contours from satellite imagery with an accuracy of ± 0.1 m.
Data spacing and distribution	- Holes spacings range from <50m spacings within the core of mineralization to +500m spacings for exploration drilling. Hole spacings can be determined using the sections and drill plans provided. - Holes range from vertical to an inclination of -60 degrees depending on the attitude of the target and the drilling method. - The data spacing and distribution is sufficient to establish anomalism and targeting for porphyry Cu-Au, tourmaline breccia and epithermal target types. - Holes have been drilled to a maximum of 1,304m vertical depth. - The data spacing and distribution is sufficient to establish geological and grade continuity,

Management's Discussion and Analysis

Criteria	Commentary
	and to support the Mineral Resource classification.
Orientation of data in relation to geological structure	• Drilling is conducted in a predominantly regular grid to allow unbiased interpretation and targeting. • Scissor drilling, as well as some vertical and oblique drilling, has been used in key mineralised zones to achieve unbiased sampling of interpreted structures and mineralised zones, and in particular to assist in constraining the geometry of the mineralised hydrothermal tourmaline-sulphide breccia domains.
Sample security	• Samples are delivered from the drill rig to the core shed twice daily and are never left unattended at the rig. • Samples are dispatched from site in locked boxes transported on XAM company vehicles to ALS lab in Ulaanbaatar. • Sample shipment receipt is signed off at the Laboratory with additional email confirmation of receipt. • Samples are then stored at the lab and returned to a locked storage site.
Audits or reviews	• Internal audits of sampling techniques and data management are undertaken on a regular basis, to ensure industry best practice is employed at all times. • External reviews and audits have been conducted by the following groups: • 2012: AMC Consultants Pty Ltd. was engaged to conduct an Independent Technical Report which reviewed drilling and sampling procedures. It was concluded that sampling and data record was to an appropriate standard. • 2013: Mining Associates Ltd. was engaged to conduct an Independent Technical Report to review drilling, sampling techniques and QAQC. Methods were found to conform to international best practice. • 2018: CSA Global reviewed the entire drilling, logging, sampling, sample shipping and laboratory processes during the competent persons site visit for the 2018 MRE and found the systems and adherence to protocols to be to an appropriate standard.

JORC TABLE 1 - SECTION 2 - REPORTING OF EXPLORATION RESULTS

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

Criteria	Commentary
Mineral tenement and land tenure status	• The Project comprises 2 Mining Licences (MV-17129A Oyut Ulaan and (MV-17387A Kharmagtai): ○ Xanadu now owns 90% of Vantage LLC, the 100% owner of the Oyut Ulaan mining licence. ○ The Kharmagtai mining license MV-17387A is 100% owned by Oyut Ulaan LLC. Xanadu has an 85% interest in Mongol Metals LLC, which has 90% interest in Oyut Ulaan LLC. The remaining 10% in Oyut Ulaan LLC is owned by Quincunx (BVI) Ltd ("Quincunx"). • The <i>Mongolian Minerals Law (2006)</i> and <i>Mongolian Land Law (2002)</i> govern exploration, mining and land use rights for the project.

Management's Discussion and Analysis

Criteria	Commentary
Exploration done by other parties	• Previous exploration at Kharmagtai was conducted by Quincunx Ltd, Ivanhoe Mines Ltd and Turquoise Hill Resources Ltd including extensive drilling, surface geochemistry, geophysics, mapping. • Previous exploration at Red Mountain (Oyut Ulaan) was conducted by Ivanhoe Mines.
Geology	• The mineralisation is characterised as porphyry copper-gold type. • Porphyry copper-gold deposits are formed from magmatic hydrothermal fluids typically associated with felsic intrusive stocks that have deposited metals as sulphides both within the intrusive and the intruded host rocks. Quartz stockwork veining is typically associated with sulphides occurring both within the quartz veinlets and disseminated throughout the wall rock. Porphyry deposits are typically large tonnage deposits ranging from low to high grade and are generally mined by large scale open pit or underground bulk mining methods. The deposits at Kharmagtai are atypical in that they are associated with intermediate intrusions of diorite to quartz diorite composition; however, the deposits are in terms of contained gold significant, and similar gold-rich porphyry deposits.
Drill hole Information	• Diamond drill holes are the principal source of geological and grade data for the Project. • See figures in this ASX/TSX Announcement.
Data Aggregation methods	• The CSAMT data was converted into 2D line data using the Zonge CSAMT processing software and then converted into 3D space using a UBC inversion process. Inversion fit was acceptable, and error was generally low. • A nominal cut-off of 0.1% eCu is used in copper dominant systems for identification of potentially significant intercepts for reporting purposes. Higher grade cut-offs are 0.3%, 0.6% and 1% eCu. • A nominal cut-off of 0.1g/t eAu is used in gold dominant systems like Golden Eagle for identification of potentially significant intercepts for reporting purposes. Higher grade cut-offs are 0.3g/t, 0.6g/t and 1g/t eAu. • Maximum contiguous dilution within each intercept is 9m for 0.1%, 0.3%, 0.6% and 1% eCu. • Most of the reported intercepts are shown in sufficient detail, including maxima and subintervals, to allow the reader to make an assessment of the balance of high and low grades in the intercept. • Informing samples have been composited to two metre lengths honouring the geological domains and adjusted where necessary to ensure that no residual sample lengths have been excluded (best fit). The copper equivalent (eCu) calculation represents the total metal value for each metal, multiplied by the conversion factor, summed and expressed in equivalent copper percentage with a metallurgical recovery factor applied. The copper equivalent calculation used is based off the eCu calculation defined by CSA Global in the 2018 Mineral Resource Upgrade. Copper equivalent (eCu) grade values were calculated using the following formula: $\text{eCu} = \text{Cu} + \text{Au} * 0.62097 * 0.8235,$ Gold Equivalent (eAu) grade values were calculated using the following formula:

Management's Discussion and Analysis

Criteria	Commentary
	$eAu = Au + Cu / 0.62097 * 0.8235.$ Where: Cu - copper grade (%) Au - gold grade (g/t) 0.62097 - conversion factor (gold to copper) 0.8235 - relative recovery of gold to copper (82.35%) The copper equivalent formula was based on the following parameters (prices are in USD): ○ Copper price - 3.1 \$/lb (or 6834 \$/t) ○ Gold price- 1320 \$/oz ○ Copper recovery - 85% ○ Gold recovery - 70% ○ Relative recovery of gold to copper = 70% / 85% = 82.35%.
Relationship between mineralisation on widths and intercept lengths	• Mineralised structures are variable in orientation, and therefore drill orientations have been adjusted from place to place in order to allow intersection angles as close as possible to true widths. • Exploration results have been reported as an interval with 'from' and 'to' stated in tables of significant economic intercepts. Tables clearly indicate that true widths will generally be narrower than those reported.
Diagrams	• See figures in the body of this ASX/TSX Announcement.
Balanced reporting	• Resources have been reported at a range of cut-off grades, above a minimum suitable for open pit mining, and above a minimum suitable for underground mining.
Other substantive Exploration data	• Extensive work in this area has been done and is reported separately.
Further Work	• The mineralisation is open at depth and along strike. • Current estimates are restricted to those expected to be reasonable for open pit mining. Limited drilling below this depth (-300m RLI) shows widths and grades potentially suitable for underground extraction. • Exploration on going.

JORC TABLE 1 - SECTION 3 - ESTIMATION AND REPORTING OF MINERAL RESOURCES

Mineral Resources are not reported so this is not applicable to this Announcement. Please refer to the Company's ASX Announcement dated 8 December 2021 for Xanadu's most recent reported Mineral Resource Estimate and applicable Table 1, Section 3.

JORC TABLE 1 - SECTION 4 - ESTIMATION AND REPORTING OF ORE RESERVES

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