

Interim Report - 30 June 2024

12 September 2024

ASX Markets Announcement Office
Exchange Centre
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BY ELECTRONIC LODGEMENT

Interim Report - 30 June 2024

Please find attached for release to the market, the Xanadu Mines Limited's *Interim Report for the six months ended 30 June 2024*.

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About Xanadu Mines Ltd:

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

For information on Xanadu visit: www.xanadumines.com.

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

XANADU MINES

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INTERIM REPORT

30th June 2024

ASX:XAM | TSX:XAM
xanadumines.com

Directors	Colin Moorhead Ganbayar Lkhagvasuren Michele Muscillo Tony Pearson Shaoyang Shen
Company secretary	William Hundy
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Share register	Computershare Investor Services Pty Limited Level 3, 60 Carrington Street Sydney NSW 2000 Tel: +61 1300 855 080
Auditor	Ernst and Young 200 George Street Sydney NSW 2000
Stock exchange listing	Xanadu Mines Ltd shares are listed on the Australian Securities Exchange and Toronto Stock Exchange (ASX and TSX code: XAM)
Website	www.xanadumines.com
ABN	92 114 249 026
Corporate Governance Statement	The Company's Corporate Governance Statement can be found on the Company's website: www.xanadumines.com/corporate-governance/

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Management discussion and analysis

General

This Management Discussion and Analysis (**MD&A**) is current to 30 June 2024 and is Management's assessment of the operations and the financial results together with prospects of Xanadu Mines. This MD&A should be read in conjunction with the Company's audited consolidated financial statements for the years ended 31 December 2023 and 2022 and notes thereto, prepared in accordance with International Financial Reporting Standards (**IFRS**). Management is responsible for the preparation of the financial statements and this MD&A.

All dollar figures in this MD&A are expressed in Australian dollars (\$) unless stated otherwise.

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

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

The information in this MD&A relating to the Kharmagtai Copper-Gold Project Scoping Study and Preliminary Economic Assessment (**PEA**) is supported by the technical report titled *NI43-101 Amended and Restated Preliminary Economic Assessment Technical Report* prepared by Mr. Julian Lawrence of O2 Mining Limited and Robert Spiers of Spiers Geological Consultants, effective date 4 April 2022, amended date 7 May 2024.

Forward-looking statements

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

Description of Business

Xanadu is an Australian incorporated public company with its shares listed on the ASX and TSX under the code XAM. The principal activity of the Company (and its subsidiaries) is metals exploration and development in Mongolia. The Company holds interests in three tenements: (a) the Kharmagtai copper-gold project via the Joint Venture with Zijin Mining Group Co. Ltd (**Zijin**); (b) the Red Mountain copper-gold project (100% Xanadu); and (c) the Sant Tolgoi Copper-Nickel Project (negotiated and settled after the reporting period) (**Figure 1**).

Review of Operations

During the six months ended 30 June 2024 (June half), **Xanadu Mines Ltd (Xanadu or the Company)** progressed the Pre-Feasibility Study (PFS) and discovery exploration at its flagship Kharmagtai Copper-Gold Project, which is due for completion in the third quarter of calendar year 2024. The Kharmagtai PFS and associated exploration was funded by US\$35 million cash from the Joint Venture (JV or **Khuiten JV**) with Zijin. Significant progress was made in both PFS and Exploration, on schedule and budget, building tangible value at Kharmagtai. The Company also undertook exploration drilling at its Red Mountain Project and negotiated a Joint Venture agreement at Sant Tolgoi, the newest project in its portfolio. During this period the Company released its third annual Sustainability Report for 2023 and held a successful Annual General Meeting (AGM).

HIGHLIGHTS DURING THE PERIOD

Kharmagtai Copper-Gold Project

- PFS on track for successful delivery, in September 2024, of a globally significant copper-gold mine with strong project economics, supported by a Maiden Ore Reserve.
- Significant increase in Kharmagtai Resource from 3.4Mt to 3.8Mt Cu and from 8.5Moz to 9.3Moz Au contained metal, a 463Kt increase in contained copper (Cu) and 764Koz increase in contained gold (Au).¹
- Extensional and exploration drilling results expand upon the recently identified higher-grade zone (core) at White Hill, located below the previous Scoping Study pit designs and outside the 2023 Mineral Resource Estimate (MRE).²
- Excellent metallurgical testwork results further demonstrate project viability, with focus on detailed mine and process engineering to incorporate these metallurgical outcomes.^{3,4}

Red Mountain Copper Project

Approximately 4,880m of discovery-focused diamond drilling completed across four prospects at Red Mountain, encountered significant, shallow mineralisation warranting near term follow-up.⁵

Sant Tolgoi Copper-Nickel Project Acquisition

Xanadu agreed to a binding term sheet with STSM LLC (STSM) for an earn-in agreement for up to 80% of Sant Tolgoi, a prospective district scale magmatic copper-nickel project, located in the Zavkhan Province of Western Mongolia. Sant Tolgoi project hosts multiple shallow copper-nickel targets over several kilometers of strike.⁶

Corporate

- Placement of 15,185,328 fully paid ordinary shares to Jinping (Singapore) Mining Pte Ltd, a wholly owned indirect subsidiary of Zijin.⁷
- Completion follows the satisfaction of all Conditions Precedent under the Share Subscription Agreement with Zijin, including shareholder approval in February 2024, and subsequent approval by the Foreign Investment Review Board.
- Appointment of Bacchus Capital Advisers Limited (Bacchus) as strategic and project funding adviser for the next stage of the Kharmagtai Copper-Gold Project.⁸
- Published Xanadu's third annual Sustainability Report for calendar year 2023, highlighting Xanadu's commitment to responsible and transparent ESG.⁹
- Xanadu's Annual General Meeting (AGM) was held on 23 May 2024 with all resolutions passed.¹⁰
- Xanadu is well-funded, with A\$5.2 million in cash at 30 June 2024 and a continued slow burn rate as operator fees are paid by the Kharmagtai project.

¹ ASX/TSX Announcement 21 August 2024 – Increase in Kharmagtai Resource

² ASX/TSX Announcement 30 January 2024 – Kharmagtai Drilling Highlights Continued Growth Potential

³ ASX/TSX Announcement 4 March 2024 – Kharmagtai Rougher Recovery Results

⁴ ASX/TSX Announcement 6 March 2024 – Kharmagtai Oxide Material Recovery Results

⁵ ASX/TSX Announcement 21 June 2024 – Near Surface Copper & Gold Results at Red Mountain

⁶ ASX/TSX Announcement 31 July 2024 – Quarterly Activities Report & Appendix 5B – 30 June 2024

⁷ ASX/TSX Announcement 4 March 2024 – Completion of Placement to Zijin

⁸ ASX/TSX Announcement 18 April 2024 – Bacchus Engaged as Strategic & Project Funding Adviser

⁹ ASX/TSX Announcement 21 May 2024 – Sustainability Report 2023

¹⁰ ASX/TSX Announcement 23 May 2024 – Results of Annual General Meeting

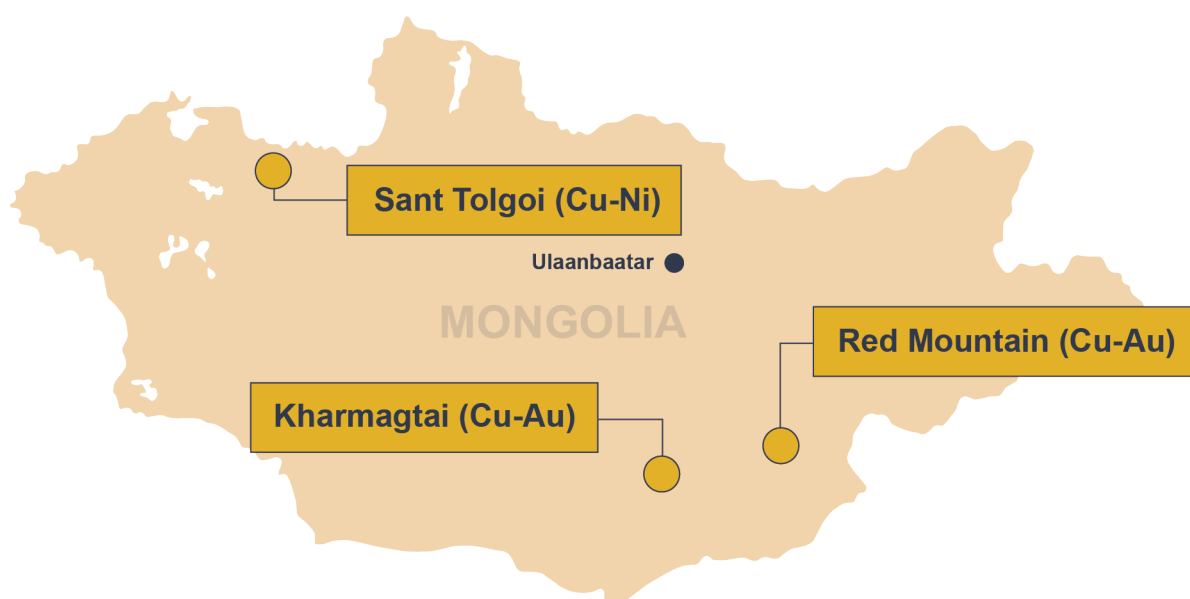


Figure 1: Location of Xanadu's copper projects in Mongolia

Operations Update

Kharmagtai Copper-Gold Project

During the June Half, the Company progressed its PFS Program with activities 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.

Subsequent to the period, the Company reported an increase in the Mineral Resource Estimate (MRE) for Kharmagtai.

Increase in Kharmagtai Mineral Resource Estimate

On 28 August 2024, Xanadu reported an increase in the MRE for its flagship copper-gold project at Kharmagtai, in the South Gobi region of Mongolia (Figure 2 and Table 1)¹¹. The updated Resource increases contained copper metal by 14% or 463kt Cu and contained gold by 9% or 764k Oz Au and is largely driven by updating the resource reporting criteria to reflect pit-shells generated in the pre-feasibility study (PFS) in conjunction with re-estimation of the underlying models to include 7,300m of new drilling completed in six holes at White Hill and five diamond drill holes at Golden Eagle.

This significant increase in Kharmagtai Resource from 3.4Mt to 3.8Mt Cu and from 8.5Moz to 9.3Moz Au contained metal, a 463Kt increase in contained copper (Cu) and 764Koz increase in contained gold (Au).

A small increase of approximately 123kt of contained copper and 156koz of contained gold arose from an update of the underlying models to incorporate new drilling subsequent to the last MRE update (11 holes for approximately 7300m).

The balance of the change was driven by reporting the Mineral Resource falling within the revenue factor 1.4 PFS pit optimisation shells to the notional open pit cut-off grade of 0.2% CuEq, with material falling outside those shells reported to the notional mass underground cut-off of 0.3% CuEq resulting a net increase of material being reported at the lower cut-off. The previous approach used subjectively derived flat relative levels to define potentially open pit resources from underground.

¹¹ ASX/TSX Announcement 28 August 2024 – Update – Increase in Kharmagtai Resource

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Table 1: Kharmagtai Mineral Resource Estimate – Comparison 2023 vs 2024

Resource	Cutoff (% CuEq)	Classification	Tonnes		Grade		Contained Metal			
			Mt	CuEq (%)	Cu (%)	Au (g/t)	CuEq (Mlbs)	CuEq (kt)	Cu (kt)	Au (koz)
2024	0.20 (OC) 0.30 (UG)	Indicated	890	0.37	0.26	0.21	7,300	3,300	2,300	6,000
		Inferred	590	0.34	0.25	0.17	4,500	2,000	1,500	3,300
		Total	1,500	0.36	0.26	0.19	12,000	5,300	3,800	9,300
2023	0.20 (OC) 0.30 (UG)	Indicated	790	0.38	0.27	0.22	6,700	3,000	2,100	5,600
		Inferred	460	0.37	0.27	0.19	3,800	1,700	1,300	2,900
		Total	1,300	0.38	0.27	0.21	10,000	4,700	3,400	8,500

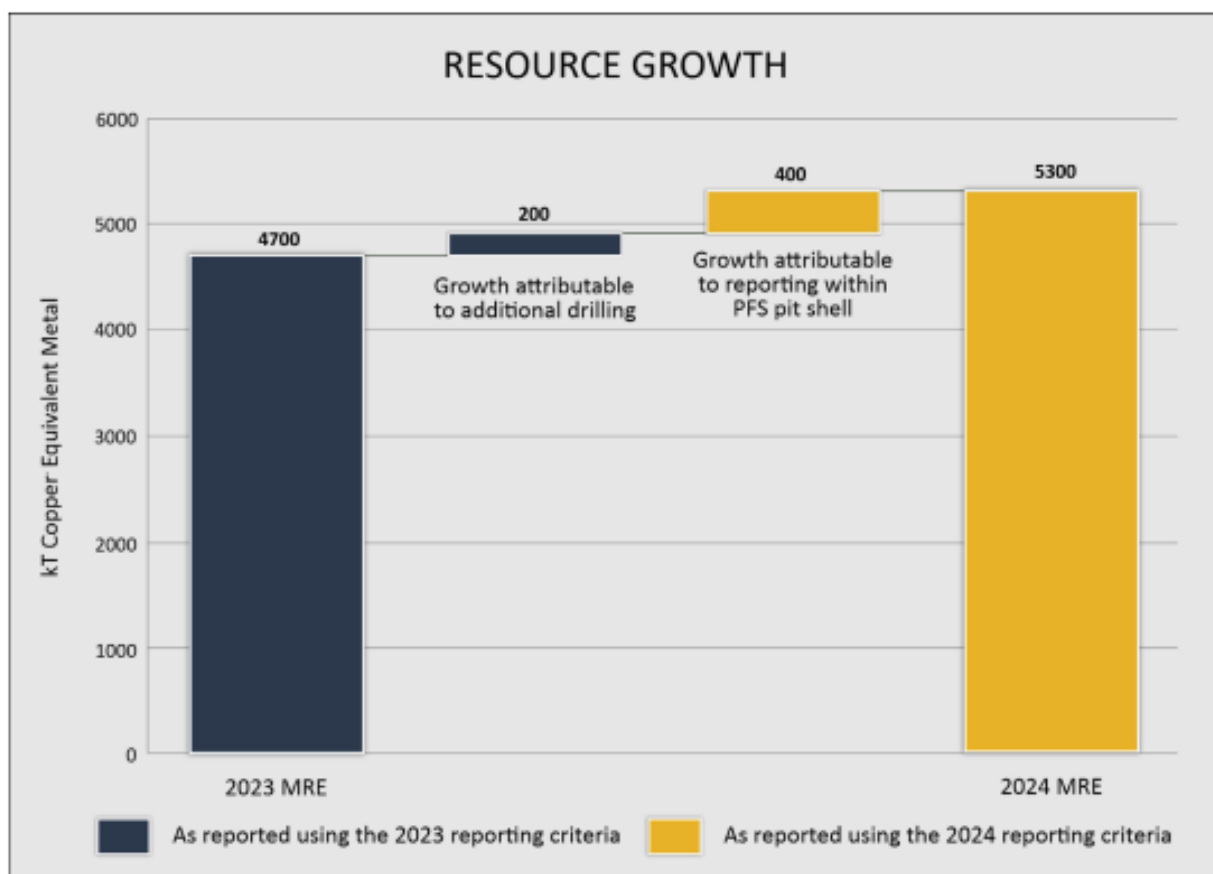


Figure 2: Resource growth in CuEq tonnes between 2023 and 2024 MREs. Growth attributable to additional drilling is a comparison of the 2023 and 2024 MREs reported using the same 2023 reporting criteria.

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Pre-Feasibility Study (PFS) Update

During the June Quarter, the Company continued to aggressively progress both the PFS and Discovery Exploration at Kharmagtai Copper-Gold Project, which is 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.

The Company provided the following updates on PFS progress, which is due for delivery during the September quarter. For full details please refer to the June Quarterly Activities Report¹²:

- The PFS is on track to deliver a Maiden Ore Reserve supported by a PFS that will describe a globally significant copper-gold mine with strong project economics
- PFS metals production increased versus Scoping Study based on higher process plant throughput, underpinned by the 2024 Mineral Resource Update plus mining, process and infrastructure studies nearing completion. Stage 1 throughput will be 20-26Mtpa (Scoping Study 15Mtpa) and Stage 2 will duplicate the plant to 40-52Mtpa (Scoping Study 30Mtpa).
- Water drilling and pump testing is now concluded, with modelling and analysis underway to determine sufficiency for Stage 1 requirements and forward works plans to meet full project demand including Stage 2 expansion.
- Metallurgy program is enhanced with additional studies for carbon in leach (CIL) and dilution cleaner technology to maximise gold recovery and concentrate grade, targeting imminent completion.
- Independent PFS review by Enthalpy to be presented to the Khuiten JV in September 2024.
- Significant progress on Mongolian permitting plans, including a Mongolian Resource submitted for registration, detailed environmental studies completed in July 2024, and the Mongolia Feasibility Study underway and aligned to PFS. Expanded community and government engagement is underway to support the approvals process for Mongolian investment agreement and full-scale construction.
- Maiden Ore Reserve will be published which incorporates both studies and the latest drilling at Kharmagtai.
- Xanadu is assessing multiple opportunities to fund Xanadu's share of the project into Feasibility. This includes international debt providers, investment funds, potential trader customers and royalty streaming companies.
- Copper and gold prices are driving growing interest with spot prices well above those used in the 2022 Scoping Study.¹³

Metallurgical Testwork

During the period, the Company reported a number of metallurgical testwork results which further demonstrated project viability.

Sulphide Rougher flotation tests delivered metallurgical recoveries up to 98% copper and 95% gold, at head grades up to 1.6% Cu and 2.0g/t Au at P80 grind size of 150 micron (μm)¹⁴.

Column leaching tests completed on the mineralised oxide portion of the Kharmagtai MRE delivered promising metallurgical extraction¹⁵, peaking at 93% copper and 46% gold. Successful extraction occurred over 8-week leach duration, using sample head grade of 0.29% Cu and 0.42g/t Au, at a coarse 6mm particle size.

Subsequent coarse ore flotation test work¹⁶ demonstrated improved upfront processing efficiencies, producing a coarse reject of up to ~44% by mass for the main mineralised sulphide orebody with up to 92% copper and 94% gold recovery.

The comprehensive metallurgy program during the Pre-Feasibility Study includes comminution and flotation properties of the mineralisation and alteration styles at Kharmagtai to determine the optimum flowsheet and generate inputs for engineering design. This will also generate data to inform the copper and gold recovery models, and allow operating costs estimates to be calculated. Concentrate samples will also be generated for marketing studies as part of the broader metallurgy program.

¹² ASX/TSX Announcement 31 July 2024 – Quarterly Activities Report

¹³ ASX/TSX Announcement 6 April 2022 – Scoping Study Kharmagtai Copper-Gold Project

¹⁴ ASX/TSX Announcement 4 March 2024 – Metallurgical Tests at Kharmagtai Show Strong Sulphide Rougher Flotation Recovery

¹⁵ ASX/TSX Announcement 6 March 2024 – Encouraging oxide leach recovery for copper & gold at Kharmagtai

¹⁶ ASX/TSX Announcement 23 April 2024 - Compelling Coarse Ore Flotation Results Indicate Throughput Upside for Kharmagtai

Water Supply Drilling

During the period, the Company reported the commencement of a hydrological drill program¹⁷, data from which will be compiled into a hydrology database for use in site water balance for final PFS design, which is assessing ultimate growth of up to 40Mtpa processing throughput.

The hydrological program has six key objectives to provide water supply for Kharmagtai operations. The program will separately test and characterize individual aquifers to:

- Establish hydraulic parameters and groundwater heads.
- Initiate regular monitoring of groundwater levels.
- Examine responses in individual aquifers to external stresses (permeability tests).
- Establish regular monitoring of groundwater quality.
- Collect sufficient data to update the conceptual understanding and aquifer yield estimates.

The overall program was designed to meet PFS confidence requirements under both the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2012) and the NI 43-101 Standards for Disclosure for Mineral Projects. SRK Consulting provided technical oversight.

The hydrology drilling fieldwork program completed a total of 21 monitoring and 4 production bores across two target basins. These holes collected data including core logging and airlift, permeability and pump testing. Bores ranged from 60m to 450m in depth. Results from analysis and modelling, along with forward works plans will be outlined in the upcoming Kharmagtai PFS Report.

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¹⁷ ASX/TSX Announcement 27 March 2024 – Kharmagtai Water Supply Drilling Program Recommences

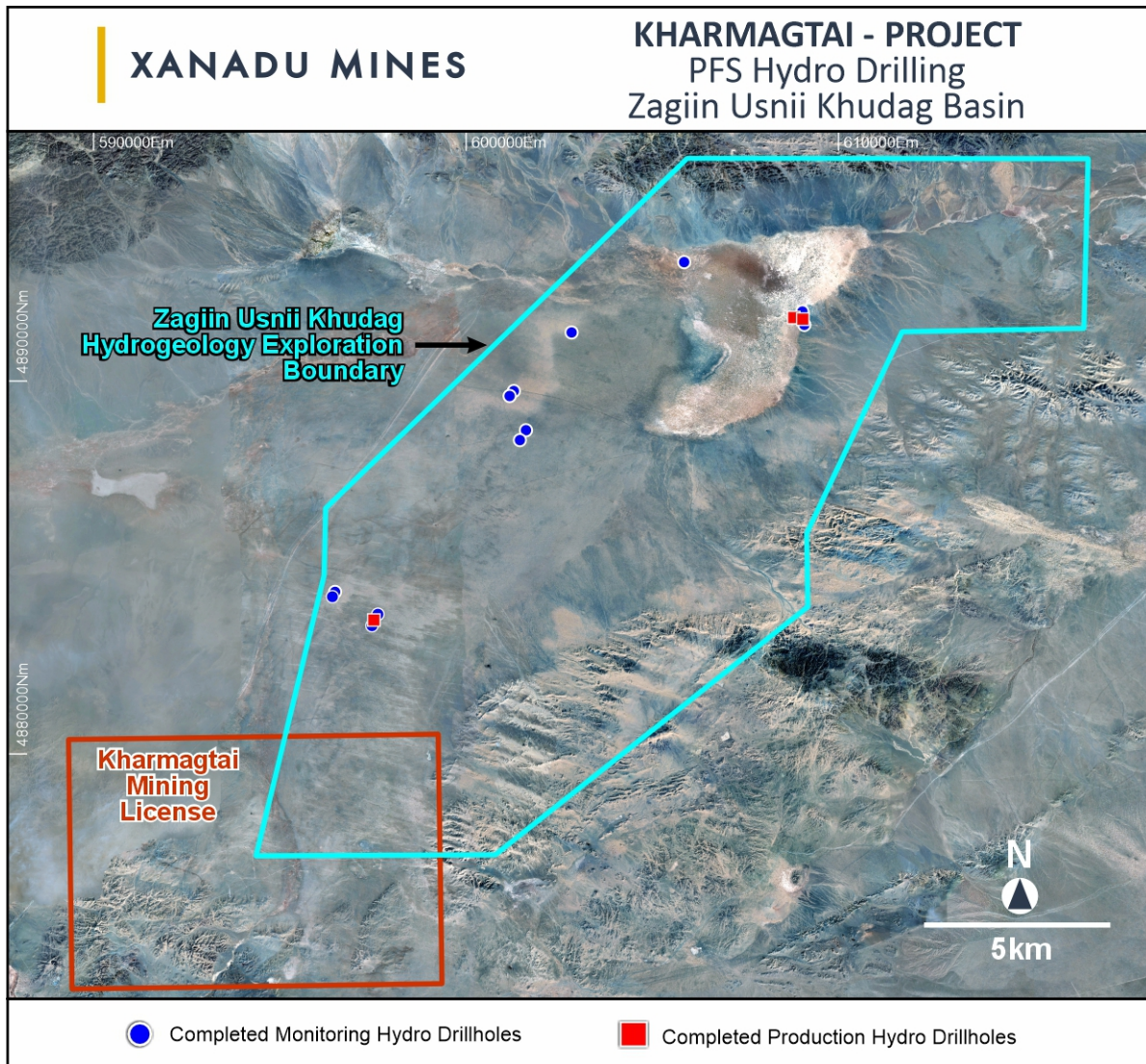


Figure 3: PFS Water Drilling in ZUK Basin

Extensional and Exploration Drilling Results

Extensional and exploration drilling results were reported during the period¹⁸, which expand upon the recently identified higher-grade zone (core) at White Hill, located below the previous Scoping Study pit designs and outside the 2023 Mineral Resource Estimate (MRE).

Extensional diamond drilling was undertaken to expand the White Hill and White Hill West deposits. KHDDH816 returned very broad intercepts of mineralisation above the resource cut-off grade expanding mineralisation approximately 200m to the south and below the existing resource.

- KHDDH816 – 602.9m @ 0.22% CuEq (0.19% Cu & 0.06g/t Au) from 579m

Shallow Exploration diamond drilling was aimed at targeting new shallow open pit exploration targets. This returned significant intercepts from two targets.

¹⁸ ASX/TSX Announcement 30 January 2024 – Kharmagtai Drilling Highlights Continued Growth Potential

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KHDDH813 was drilled at Altan Shand, approximately 1km along strike from Stockwork Hill and returned an ore-grade width intercept from surface highlighting the potential for additional open pit material adjacent to the currently planned open pits.

- KHDDH813 – **119.5m 0.34% CuEq (0.23% Cu & 0.22g/t Au)** from 3.5m
Including **91m @ 0.38% CuEq (0.26% Cu & 0.24g/t Au)** from 28m

KHDDH814 and KHDDH815 were drilled at Target 25, south of Copper Hill where porphyry stockwork veining outcrops associated with anomalous gold and copper. KHDDH814 returned a significantly high-grade intercept associated with a regional scale structure.

- KHDDH814 – **45m @ 0.55% CuEq (0.17% Cu & 0.74g/t Au)** from 104m
Including **4m @ 4.5% CuEq (1.36% Cu & 6.15g/t Au)** from 104m

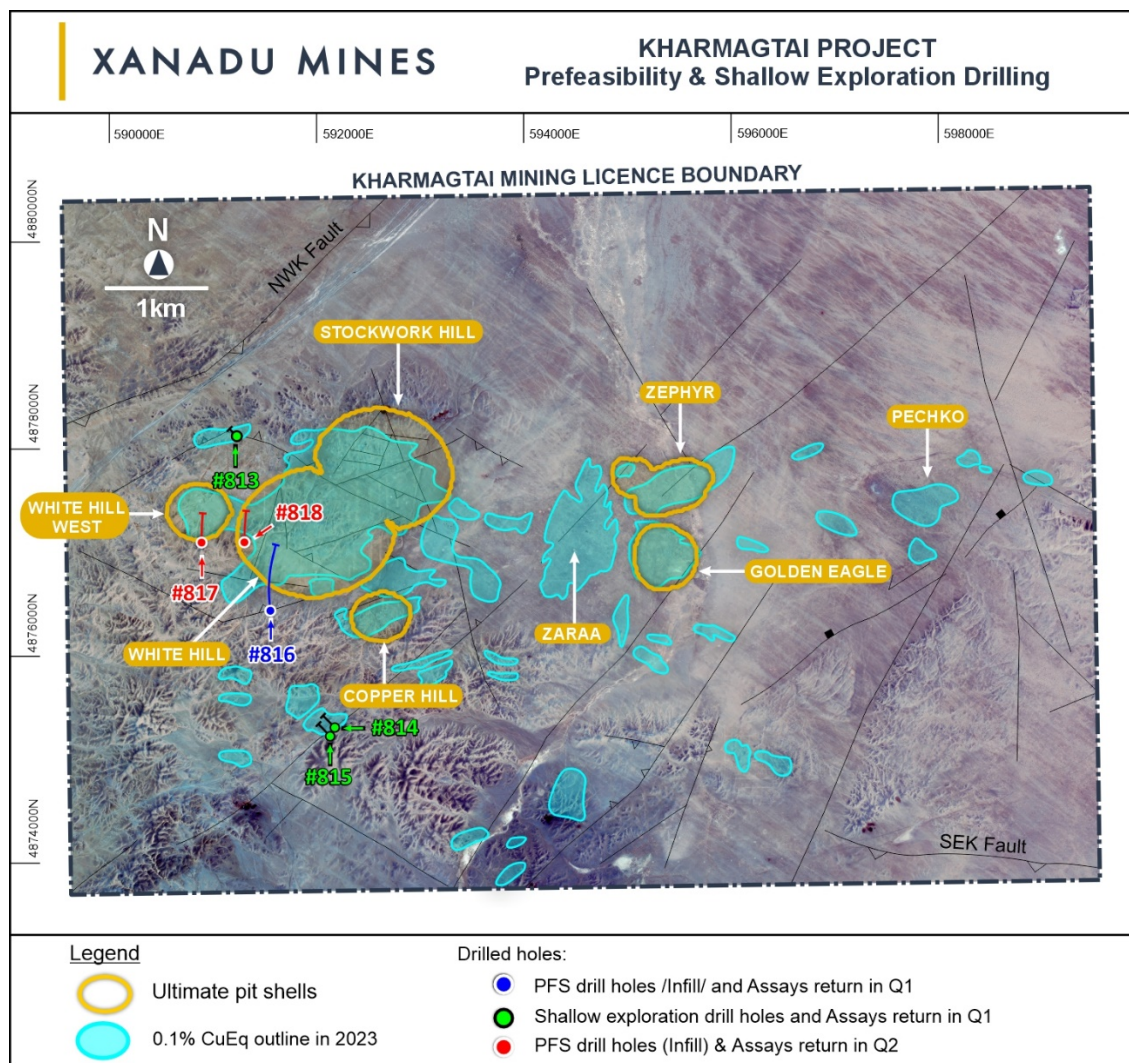


Figure 4: Kharmagtai Copper-Gold district showing defined mineral deposits, completed infill drill holes and shallow exploration drill holes.

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Red Mountain Copper-Gold Project

Red Mountain Exploration Drilling

Approximately 4,880m of diamond drilling was designed to test and successfully encountered shallow high-grade gold and copper-gold targets across the Red Mountain Lease¹⁹ (Figure 5). Each prospect drill-tested was targeting the following mineralisation:

- Shallow epithermal gold at Target 33
- High-grade copper sulphide lodes at Target 10, and
- Shallow copper-gold porphyry mineralisation at Nowie and Bavuu.
- Meters originally designed for Stockwork were reallocated to Target 33 during the program, following the highly encouraging initial results achieved

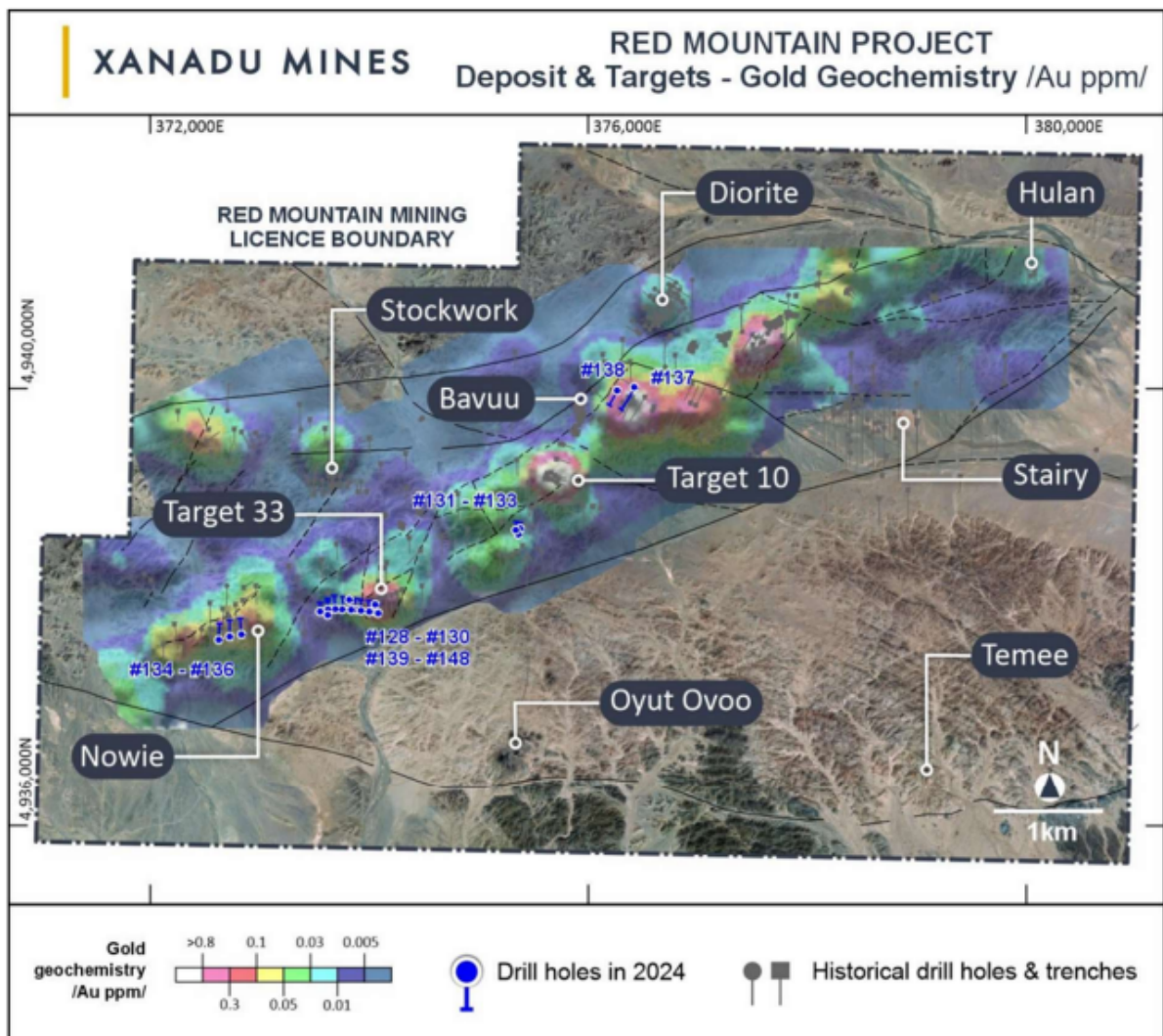


Figure 5: The Red Mountain Mining Lease with drill holes and target locations.

¹⁹ ASX/TSX Announcement 21 June 2024 – Near Surface Copper & Gold Results at Red Mountain

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Target 33 Epithermal Gold

Drilling at the Target 33 Prospect comprised thirteen shallow holes targeting the gold surface expression from previous drilling and trenching.

Drilling encountered multiple broad zones of gold mineralisation associated with the main east-west trending intrusive and some narrow higher-grade associated with cross cutting epithermal mineralisation. OUDDH128 was drilled targeting previous shallow RC drill holes with the object of identifying the geological features hosting gold mineralisation. It returned several broad intersections of epithermal gold rich mineralisation, at shallow depths:

- **41m @ 1.07g/t Au** from 34m
 - Including **13m @ 1.74g/t Au** from 34m
 - Including **5m @ 2.67g/t Au** from 38m
 - And **17m @ 1.06g/t Au** from 58m
 - Including **6m @ 2.28g/t Au** from 58m

OUDDH130 was drilled 200m along strike from OUDDH128 and returned broader zones of shallow gold mineralisation.

- **142m @ 0.32g/t Au** from 4m
 - Including **29m @ 0.54g/t Au** from 4m
 - Including **4.1m @ 1.39g/t Au** from 18m
 - And **16.2m @ 0.65g/t Au** from 51.8m
 - And **5.1m @ 0.55g/t Au** from 95m

Nowie Copper Copper-Gold Porphyry

Drilling at the Nowie Prospect comprised three holes targeting the surface expression of copper-gold porphyry stockwork

OUDDH134 was drilled on the western end of Nowie targeting outcropping stockwork and copper oxides at surface.

OUDDH134 returned several broad intercepts of copper and gold and several narrower (4 - 8m) intervals of higher-grade copper:

- **120m @ 0.14% Cu and 0.12g/t Au (0.20% CuEq)** from 1m
 - Including **24m @ 0.26% Cu and 0.22g/t Au (0.37% CuEq)** from 5m
 - And **45m @ 0.27% Cu and 0.15g/t Au (0.35% CuEq)** from 139m
 - Including **4m @ 0.75% Cu and 0.55g/t Au (1.03% CuEq)** from 141m
 - And **8m @ 1.00% Cu and 0.12g/t Au (1.06% CuEq)** from 267m

OUDDH136 was drilled on the eastern end of Nowie targeting outcropping stockwork and previous trench results.

OUDDH136 returned an encouraging zone grading up to 0.75% Cu.

- **10m @ 0.37% Cu and 0.16g/t Au (0.46% CuEq)** from 78m
 - And **14m @ 0.75% Cu and 0.26g/t Au (0.88% CuEq)** from 113m

Target 10 Copper Gold Porphyry

Drilling at Target 10 focused on expanding the very high-grade copper intercept drilled in 2017. Three close spaced (25m) holes were designed to determine the orientation of the high-grade copper vein¹³. One of these holes, OUDDH132 intercepted the target zone, returning broad zones of mineralisation:

- **109.8m @ 0.25% Cu and 0.23g/t Au (0.37% CuEq)** from 140.2m

Including **10m @ 0.61% Cu and 0.88g/t Au (1.06% CuEq)** from 184m

Including **4m @ 0.85% Cu and 1.52g/t Au (1.62% CuEq)** from 186m

Bavuu Copper-Gold Porphyry

Two diamond drill holes were completed at Bavuu Porphyry Prospect to expand on previous drilling and trenching results.

OUIDH137 was drilled as 100m step-out to the east relative to previous drill hole OURC032, returning broad zones of low-grade mineralisation:

- **49m @ 0.15% Cu and 0.11g/t Au** from 109m
Including **9.5m @ 0.47% Cu and 0.21g/t Au** from 110.3m
And **143m @ 0.10% Cu and 0.10g/t Au** from 235m

OUIDH138 was drilled 100m west and along strike from OURC032, returning similar width and tenor of mineralisation as OUIDH137:

- **137m @ 0.1% Cu and 0.13g/t Au** from 76m

Sant Tolgoi Copper-Nickel Project

Xanadu announced a binding term sheet²⁰ with STSM LLC (STSM) granting the right to earn up to 80% interest in two exploration licenses XV-17774 (Oyut) and XV-21887 (Sant Tolgoi) located in the Zavkhan Province of Western Mongolia (Figure 6) 25.

These two licenses make up the Sant Tolgoi Project, which is considered highly prospective for discovery of new magmatic intrusion-related Copper-Nickel sulphide systems. The Sant Tolgoi project hosts multiple shallow copper-nickel targets over several kilometres of strike and is well aligned to Xanadu's Horizon 3 Strategy to build a portfolio future facing metals projects.

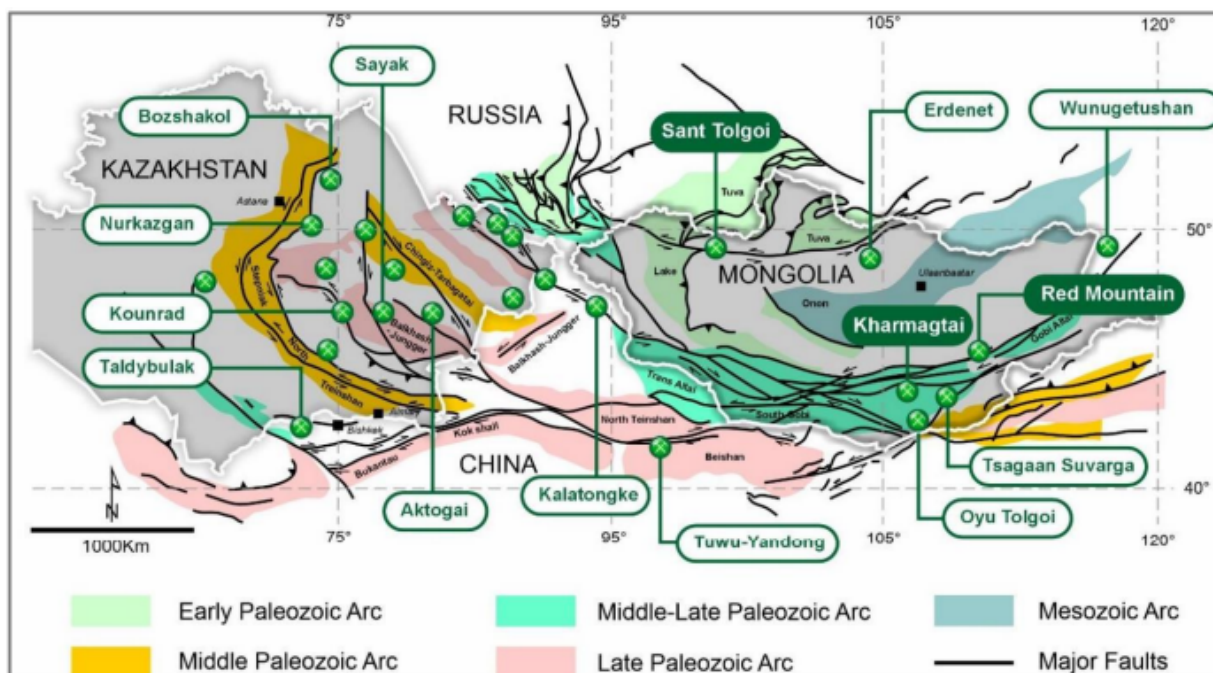


Figure 6: Sant Tolgoi Cu-Ni project is located in Zavkhan Province approximately 1,100 km west of Ulaanbaatar, Mongolia.

²⁰ ASX/TSX Announcement 22 January 2024 - Xanadu Enters into New Magmatic Copper and Nickel Sulphide Project

Corporate

During the six months to June 2024, Xanadu announced the appointment of Bacchus Capital as its strategic & project funding adviser²¹ for the Kharmagtai Copper-Gold Project. The Company completed an equity placement to Zijin and released its fourth annual Sustainability Report for 2023 and held its Annual General Meeting.

Zijin Strategic Partnership and Placement

The Company confirmed a Placement of 15,185,328 fully paid ordinary shares to Jinping (Singapore) Mining Pte Ltd, a wholly owned indirect subsidiary of Zijin²². Completion of this placement follows the satisfaction of all Conditions Precedent under the Share Subscription Agreement with Zijin, including shareholder approval in February 2024, and approval by the Foreign Investment Review Board. This represented Zijin's participation as the second tranche of a brokered equity placement which was announced in November 2023.²³

Sustainability Report

On 21 May 2024, Xanadu issued its third annual Sustainability Report for calendar year 2023, highlighting Xanadu's commitment to responsible and transparent ESG. 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 23 May 2024 with resolutions including the following²⁴:

- Re-election of Director Tony Pearson
- Remuneration Report
- Grant of Options to Colin Moorhead
- Grant of Options to Ganbayar Lkhagvasuren
- Grant of Options to Michele Muscillo
- Grant of Options to Tony Pearson
- Proportional Takeover Provisions

Competent Person's Statements

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

The information in this MD&A that relates to exploration results 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. Australasian Institute of Geoscientists and is a Member of the Australasian Institute of Geoscientists, has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as the Competent Person as defined in the JORC Code, 2012 and the National Instrument 43-101. Dr Stewart consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

The information in this MD&A that relates to process, metallurgy and metallurgical test work has been reviewed by Graham Brock, BSc (Eng), ARSM. Mr Brock is not an employee of the Company but is employed as a contract consultant. Mr Brock

²¹ ASX/TSX Announcement 18 April 2024 - Bacchus Capital Engaged as Strategic & Project Funding Adviser

²² ASX/TSX Announcement 4 March 2024 - Completion of Placement to Zijin Mining

²³ ASX/TSX Announcement 20 November 2023 - Xanadu \$4.3 million Placement

²⁴ ASX/TSX Announcement 23 May 2024 - Results of Annual General Meeting

is a Fellow of the Australasian Institute of Mining and Metallurgy; he has sufficient experience with the style of processing response and type of deposit under consideration, and to the activities undertaken, to qualify as a competent as defined in the 2012 Edition of the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves and the National Instrument 43-101. Mr Brock consents to the inclusion in this report of the contained technical information in the form and context as it appears.

The information in this MD&A that relates to mining and project management has been reviewed by Julien Lawrence, BEng (Mining Hons 1), MS (Project Management). Mr Lawrence is not an employee of the Company but is employed as a contract consultant. Mr Lawrence is a Fellow of the Australian Institute of Mining and Metallurgy and has sufficient experience with the style of mining and type of deposit under consideration, and to the activities undertaken, to qualify as a competent as defined in the 2012 Edition of the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves and the National Instrument 43-101. Mr Lawrence consents to the inclusion in this report of the contained technical information in the form and context as it appears.

Resource Reporting Governance Arrangements

Xanadu Mines reporting of resource estimates are governed by the following:

- Reporting in accordance with the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the **JORC Code 2012**); and
- By suitably qualified and experienced persons

The Company confirms it is not aware of any new information or data that materially affects the information included in this MD&A relating to exploration activities and all material assumptions and technical parameters underpinning the exploration activities in the market MD&As referenced continue to apply and have not been changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market MD&As.

Designated Foreign Issuer (TSX)

Xanadu Mines Ltd is listed on the Australian Securities Exchange and Toronto Stock Exchange. It is a "designated foreign issuer" as defined in National Instrument 71-102–Continuous Disclosure and Other Exemptions Relating to Foreign Issuers and is subject to the regulatory requirements of the Australian Securities & Investments Commission and the Australian Securities Exchange.

Results of Operations

Selected Quarterly Information

	Quarter Ended				
	30 Jun	31 Mar	31 Dec	30 Sep	30 Jun
	2024	2024	2023	2023	2023
	\$'000	\$'000	\$'000	\$'000	\$'000
Kharmagtai (Khuiten JV)					
Gross Exploration Expenditure ^a	4,209	2,883	7,839 ^g	10,515	8,360
Drill metres ^{b,c}	601	3,283	12,677	29,388	28,032
Red Mountain					
Gross Exploration Expenditure ^a	920	317	69	90	32
Drill metres ^{b,c}	3,726	1,220	-	-	-
Exploration expenditures capitalised ^{a,d}	920	317	69	90	32
Corporate general and administration	2,049	1,148	2,184 ^e	1,365	2,712 ^e
Less JV Operator Overhead recovery ^f	(856)	(825)	(891)	(970)	(1,001)
Net Corporate general and administration	1,193	323	1,293	395	1,712

	Quarter Ended				
	31 Mar	31 Dec	30 Sep	30 Jun	31 Mar
	2023	2022	2022	2022	2022
	\$'000	\$'000	\$'000	\$'000	\$'000
Kharmagtai (Khuiten JV)					
Gross Exploration Expenditure ^a	1,850	402	749	1,140	802
Drill metres ^{b,c}	6,111	-	-	-	-
Red Mountain					
Gross Exploration Expenditure ^a	29	261	343	117	242
Drill metres ^{b,c}	-	-	-	-	-
Exploration expenditures capitalised ^{a,d}	29	663	1,092	1,257	1,044
Corporate general and administration	1,267	1,095	1,042	1,641	861

- Includes all forms of exploration such as diamond drilling, trenching, hydrology drilling, geophysics, assays and related costs.
- Reflects invoiced metres paid during the quarter under drilling contract. Physical metres drilled during the quarter may vary due to invoice timing.
- Excludes metres related to horizontal trenching, hydrological drilling, and shallow geotechnical investigation.
- Excludes Kharmagtai (Khuiten JV) Gross exploration expenditure for periods after March 2023. After Zijin investment to earn 50% of Khuiten Metals JV, Kharmagtai is no longer consolidated in the Company's results.
- Includes tranche 1 of success fee of AUD\$753k paid to Jeffries in April 2023 and following tranche 2 AUD\$750 accrued Dec 2023, paid April 2024 in relation to completion of Khuiten JV with Zijin.
- As operator of Khuiten JV, the operator overheads are recoverable in accordance with the Shareholders Joint Venture Agreement

Capital Management

The Company had \$5.2 million cash on hand on 30 June 2024 (31 December 2023: \$7.3 million). The Khuiten Metals JV, which controls the Kharmagtai project, had US\$3.2 million in cash available to progress the Kharmagtai PFS to completion.

Xanadu has an unlimited number of ordinary shares authorized, with 1,716,006,009 fully paid ordinary shares and 151,860,000 options over ordinary shares on issue on June 30, 2024.

On 4 March 2024, the Company completed a placement of 15,185,328 fully paid ordinary shares to Jinping (Singapore) Mining Pte Ltd, a wholly owned indirect subsidiary of Zijin. Completion followed the satisfaction of all Conditions Precedent under the Share Subscription Agreement with Zijin, including shareholder approval in February 2024, and subsequent approval by the Foreign Investment Review Board.

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

Financial Instruments and Risk Management

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

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

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

Market risk

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

Foreign currency risk

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

Commodity price risk

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

Equity price risk

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

Interest rate risk

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

Credit risk

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

The Company's maximum exposure to credit risk at the reporting date is the carrying value of its cash and cash equivalents of \$5.2 million (31 December 2023 \$7.3 million).

Liquidity risk

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

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

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

Other business risks

Political and legal risks

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

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

Licence risks

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

Mineral resource assumptions risk

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

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

Environmental risk

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

Operational risk

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

Contractual risk

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

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

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

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

Director's report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Xanadu Mines Ltd (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 30 June 2024.

Directors

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

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

Principal activities

Xanadu Mines Ltd is an Australian incorporated public company with its shares listed on the ASX and TSX under the code XAM. The principal activity of the Company (and its subsidiaries) during the period was the development of the Kharmagtai project with our JV partner Zijin and continuing exploration for copper-gold in Mongolia. The Company held interests in the following three tenements:

- (a) the Kharmagtai copper-gold project via the Khuiten JV;
- (b) the Red Mountain copper-gold project; and
- (c) the Sant Tolgoi copper-nickel project, negotiated and settled after the reporting period

Dividends

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

Review of operations

The loss for the Group after providing for income tax amounted to \$3,014,000 (30 June 2023: \$3,607,000).

A more detailed 'review of operations' and 'results of operations' is included in the Management Discussion and Analysis ('MD&A').

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial period

No matters or circumstance have arisen since 30 June 2024 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Rounding of amounts

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

Related Parties

Payments made to related parties and their associates was approx. \$582,000 in the 6 months to 30 June 2024. 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; and rent fees paid to Colin Moorhead & Associates (a company associated with Xanadu's Executive Chairman and Managing Director, Colin Moorhead) in relation to a share of Xanadu's Melbourne office.

Auditor's independence declaration

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

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



Colin Moorhead
Executive Chairman & Managing Director

12 September 2024

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Independent auditor's declaration



Ernst & Young Services Pty Limited
200 George Street
Sydney NSW 2000 Australia
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Auditor's independence declaration to the directors of Xanadu Mines Limited

As lead auditor for the review of the half-year financial report of Xanadu Mines Limited for the half-year ended 30 June 2024, I declare to the best of my knowledge and belief, there have been:

- No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;
- No contraventions of any applicable code of professional conduct in relation to the review; and
- No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

This declaration is in respect of Xanadu Mines Limited and the entities it controlled during the financial period.


Ernst & Young



Siobhan Hughes
Partner
12 September 2024

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Statement of profit or loss and other comprehensive income

30 June 2024

XANADU MINES

Statement of profit or loss and other comprehensive income

	Note	Consolidated	
		30 Jun 2024	30 Jun 2023
		\$'000	\$'000
Revenue			
Other income	5	1,940	1,001
Gain on deconsolidation of subsidiary	6	-	1,155
Expenses			
Other expenses	7	(3,197)	(4,442)
Share-based payments expense	22	(459)	(515)
Depreciation and amortisation expense		(39)	(31)
Exploration and evaluation		(117)	-
Loss on disposal of assets		(11)	-
Finance costs		(16)	(23)
Share of losses of joint ventures accounted for using the equity method	9	(1,115)	(752)
Loss before income tax expense		(3,014)	(3,607)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Xanadu Mines Ltd		(3,014)	(3,607)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation:			
Translation of foreign operations		570	(512)
Share of foreign currency translation of a joint venture	9	1,357	776
Reclassified to profit or loss		-	12,508
Other comprehensive income for the half-year, net of tax		1,927	12,772
Total comprehensive income for the half-year attributable to the owners of Xanadu Mines Ltd		(1,087)	9,165
		Cents	Cents
Basic earnings per share	21	(0.18)	(0.23)
Diluted earnings per share	21	(0.18)	(0.23)

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

Statement of financial position

30 June 2024

XANADU MINES

Statement of financial position

	Note	Consolidated 30 Jun 2024 \$'000	31 Dec 2023 \$'000
Assets			
Current assets			
Cash and cash equivalents		5,238	7,324
Other receivables	8	113	506
Total current assets		5,351	7,830
Non-current assets			
Investments accounted for using the equity method	9	50,850	50,608
Property, plant and equipment	10	192	212
Right-of-use assets	11	259	271
Deferred exploration and evaluation expenditure	12	8,478	7,193
Total non-current assets		59,779	58,284
Total assets		65,130	66,114
Liabilities			
Current liabilities			
Trade and other payables		264	1,481
Employee benefits		144	107
Lease liabilities	13	53	61
Total current liabilities		461	1,649
Non-current liabilities			
Employee benefits		79	62
Lease liabilities	13	114	134
Total non-current liabilities		193	196
Total liabilities		654	1,845
Net assets		64,476	64,269
Equity			
Issued capital	14	163,918	163,083
Reserves	15	7,720	5,334
Accumulated losses		(107,162)	(104,148)
Total equity		64,476	64,269

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

Statement of changes in equity

30 June 2024

XANADU MINES

Statement of changes in equity

Consolidated	Issued capital \$'000	Foreign currency translation reserve \$'000	Share-based payments reserve \$'000	Transactions with owners reserve \$'000	Accumulated losses \$'000	Non-controlling interest \$'000	Total equity \$'000
Balance at 1 January 2023	151,671	(18,830)	10,936	(537)	(96,570)	3,239	49,909
Loss after income tax expense for the half-year	-	-	-	-	(3,607)	-	(3,607)
Other comprehensive income for the half-year, net of tax	-	12,853	-	-	-	(81)	12,772
Total comprehensive income for the half-year	-	12,853	-	-	(3,607)	(81)	9,165
<i>Transactions with owners in their capacity as owners:</i>							
Contributions of equity, net of transaction costs	8,227	-	-	-	-	-	8,227
Share-based payments (note 22)	-	-	515	-	-	-	515
Disposal of Subsidiary	-	-	-	-	-	(3,158)	(3,158)
Other share based payment movements	-	-	42	-	-	-	42
Balance at 30 June 2023	159,898	(5,977)	11,493	(537)	(100,177)	-	64,700
Consolidated	Issued capital \$'000	Foreign currency translation reserve \$'000	Share-based payments reserve \$'000	Transactions with owners reserve \$'000	Accumulated losses \$'000	Non-controlling interest \$'000	Total equity \$'000
Balance at 1 January 2024	163,083	(6,588)	12,459	(537)	(104,148)	-	64,269
Loss after income tax expense for the half-year	-	-	-	-	(3,014)	-	(3,014)
Other comprehensive income for the half-year, net of tax	-	1,927	-	-	-	-	1,927
Total comprehensive income for the half-year	-	1,927	-	-	(3,014)	-	(1,087)
<i>Transactions with owners in their capacity as owners:</i>							
Contributions of equity, net of transaction costs (note 14)	835	-	-	-	-	-	835
Share-based payments expensed (note 22)	-	-	459	-	-	-	459
Balance at 30 June 2024	163,918	(4,661)	12,918	(537)	(107,162)	-	64,476

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

Statement of cash flows

30 June 2024

XANADU MINES

Statement of cash flows

	Note	Consolidated	
		30 Jun 2024 \$'000	30 Jun 2023 \$'000
Cash flows from operating activities			
Payments to suppliers and employees		(3,570)	(3,995)
Interest received		78	-
Other revenue (JV Operator overhead and rental income)		1,862	1,001
Interest and other finance costs paid		(13)	(23)
Net cash used in operating activities	20	(1,643)	(3,017)
Cash flows from investing activities			
Payments for property, plant and equipment	10	-	(7)
Payment for exploration and evaluation expenditure	12	(1,237)	(87)
Net cash used in investing activities		(1,237)	(94)
Cash flows from financing activities			
Proceeds from issue of shares	14	835	8,227
Repayment of lease liabilities		(29)	(94)
Net cash from financing activities		806	8,133
Net increase/(decrease) in cash and cash equivalents		(2,074)	5,022
Cash and cash equivalents at the beginning of the financial half-year		7,324	61
Effects of exchange rate changes on cash and cash equivalents		(12)	(6)
Cash and cash equivalents at the end of the financial half-year		5,238	5,077

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

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Notes to the financial statements

Note 1. Corporate information

The financial statements cover Xanadu Mines Ltd as a Group consisting of Xanadu Mines Ltd and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Xanadu Mines Ltd's functional and presentation currency. The functional currency of the Company's Mongolian subsidiaries is the Mongolian Tughrík ('MNT') and the US Dollar ('USD') is the functional currency of the Company's Singaporean subsidiaries.

Xanadu Mines Ltd is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 12, 680 George Street
Sydney NSW 2000
Tel: +61 2 8280 7497
Fax: +61 2 9287 0350

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 10 September 2024.

Note 2. Material accounting policy information

These general purpose financial statements for the interim half-year reporting period ended 30 June 2024 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2023 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

New or amended Accounting Standards and Interpretations adopted

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

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

Going concern basis of accounting

The Financial Report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realization of assets and settlement of liabilities in the ordinary course of business.

The Group has incurred net losses after tax of \$3,014,000 (30 June 2023: \$3,607,000) and net cash outflows from operations of \$1,643,000 (30 June 2023 \$3,017,000) for the period ended 30 June 2024. At period end, cash and cash equivalents were \$5,238,000. As the Group is in the exploration stage and does not generate operating cash inflows, the Group is dependent on further capital raises or external financing to maintain ongoing operations.

In the prior year, Xanadu completed Phase 2 and Phase 3 of its strategic partnership with Zijin. Phase 2 was an equity placement in Xanadu Mines by Zijin, which resulted in the Group receiving \$7,164,645. Phase 3 was the sale of a 50% interest in the Kharmagtai Project resulting in the receipt of US\$35M for the 50% stake disposed. This US\$35m has paid by Zijin directly into the Kharmagtai project joint venture and must be used to fund this project through to completion of the Pre-Feasibility stage and decision to mine.

During the year, Xanadu further raised \$835k from the shares issued to Zijin (year ended 31 December 2023: \$11,769,000).

Note 2. Material Accounting Policy Information (continued)

In the Director's opinion, the going concern basis of preparation remains appropriate. Whilst the Group has cash on hand at 30 June 2024, given the Group does not generate revenue and based on the 12 month cash flow prepared by the Group, there is uncertainty on the Group's ability to maintain a positive cash position over the coming 12 months, whilst also funding ongoing corporate operating and administrative costs, exploration at the Red Mountain project and Sant Tolgoi project.

The Directors, in their consideration of the appropriateness of the going concern basis for the preparation of the financial report, believe that there are reasonable grounds to continue as a going concern through the following actions:

- raising equity funds in capital markets, noting that the Group has a history of successful equity raisings;
- raising capital in debt markets on the basis of the Kharmagtai PFS outcomes if Xanadu chooses not to sell all its interest in Khuiten Metals;
- entering into farm-out, sell down or joint venture agreements at Red Mountain in order to continue to advance the project through further exploration work;
- deferral of discretionary corporate operating and administrative costs and exploration expenditures; and
- exercise one of the put options under the Khuiten Metals Joint Venture Shareholders agreement to sell 100% of Xanadu's remaining ownership in Khuiten Metals to Zijin for US\$50 million or 50% for US\$25 million; available for a 6 month period commencing on the date of PFS Delivery (which is expected to be in September 2024).

Accordingly, the Directors believe at the date of signing this financial report that the Group will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

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

Note 3. Critical accounting judgements, estimates and assumptions

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

Impairment of non-financial assets

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

The Group also holds a 50% interest in Khuiten Metals Pte Ltd. As a result of the terms of this agreement, Xanadu accounts for this interest as an equity accounted investment. Any losses of the operation to date are taken off of the fair value of the investment at period end. After application of the equity method on the investment in Khuiten Metals, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within 'Share of profit of a joint venture' in the statement of profit or loss.

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Note 3. Critical accounting judgements, estimates and assumptions (continued)

Exploration and evaluation costs

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

Note 4. Operating segments

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

Note 5. Other income

	Consolidated	
	30 Jun 2024	30 Jun 2023
	\$'000	\$'000
Interest income	78	-
Operator overhead	1,681	888
Rental income	181	113
Other income	1,940	1,001

Operator overhead income pertains to the allocated costs incurred and charged by Xanadu to the joint venture for its services for the joint venture. Rental recovery is rent of equipment to joint venture.

Note 6. Gain on deconsolidation of subsidiary

In the prior year, the Group entered into a series of agreements with Zijin Mining Group Co., Ltd (Zijin) to sell 50% of the share capital in Khuiten Metals Pte Ltd ("Khuiten Metals") which owns the Group's Kharmagtai Project. The transaction was formally completed on 10 March 2023.

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

	Consolidated	
	30 Jun 2024	30 Jun 2023
	\$'000	\$'000
Gain on deconsolidation of subsidiary	-	1,155

The gain on deconsolidation was made up of the following gains/(losses):

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Note 6. Gain on deconsolidation of subsidiary (continued)

	Consolidated	
	30 Jun 2024	30 Jun 2023
	\$'000	\$'000
Fair value of the retained 50% interest in Khuiten Metals	-	53,038
Carrying value of net assets of Khuiten Metals	-	(42,533)
Derecognition of the carrying value of Non-controlling interest	-	3,158
Foreign currency translation reclassified to profit or loss	-	(12,508)
	<u>-</u>	<u>1,155</u>

Note 7. Other expenses

	Consolidated	
	30 Jun 2024	30 Jun 2023
	\$'000	\$'000
Administration expenses	1,009	1,302
Wages and management fees	1,677	1,332
Consulting fees	467	1,803
Net foreign currency (gains) losses	44	5
	<u>3,197</u>	<u>4,442</u>

Note 8. Other receivables

	Consolidated	
	30 Jun 2024	31 Dec 2023
	\$'000	\$'000
<i>Current assets</i>		
Security Deposits & other receivables	76	54
GST recoverable	37	75
Prepayments	-	55
Deposits for incorporation of Mongolian companies	-	313
Interest receivable	-	9
	<u>113</u>	<u>506</u>

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

Deposits for incorporation relates to the incorporation costs for two entities that have been paid to the Mongolian authorities for the companies to be set up and registered. The deposits are for amounts of USD \$100k each.

Note 9. Investments accounted for using the equity method

	Consolidated	
	30 Jun 2024	31 Dec 2023
	\$'000	\$'000
<i>Non-current assets</i>		
Investment in Khuiten joint venture	<u>50,850</u>	<u>50,608</u>

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

Reconciliation of the Investment in Joint Venture since its inception:

	Consolidated	
	30 Jun 2024	31 Dec 2023
	\$'000	\$'000
Fair value of investment in joint venture	50,608	53,038
Share of loss of joint venture	(1,115)	(2,412)
Share of joint venture's foreign currency translation gain	1,357	(18)
	<u>50,850</u>	<u>50,608</u>

As disclosed in note 6, Xanadu lost control of Khuiten Metals in the prior fiscal year and as such the remaining 50% interest in Khuiten Metals is accounted for using the equity method in the consolidated financial statements starting on 10 March 2023, the date the Joint Venture commenced.

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

Summarised statement of financial position of Khuiten Metals:

	30 June 2024	31 Dec 2023
<i>Current assets</i>		
Cash	4,766	17,057
Trade and other receivables	29	28
Prepayments	59	131
	<u>4,854</u>	<u>17,216</u>
<i>Non-current assets</i>		
Property, plant and equipment	3,770	3,525
Capitalised Mining and Exploration Expense	83,851	70,830
	<u>87,621</u>	<u>74,355</u>
<i>Current Liabilities</i>		
Trade and other payables	(1,379)	(1,275)
Net assets	<u>91,096</u>	<u>90,296</u>
Xanadu's share in net assets at 50% ownership interest	45,548	45,148
Deferred Exploration and Evaluation	5,302	5,460
Carrying amount of the investment	<u>50,850</u>	<u>50,608</u>

Summarised statement of profit or loss and other comprehensive income of Khuiten:

	30 June 2024	30 Jun 2023 *
Interest income	211	301
Administrative expenses	(2,339)	(1,556)
Net foreign currency losses	(5)	(141)
Other expenses	(238)	(108)
Amounts attributable to NCI	141	-
Profit before tax	<u>(2,230)</u>	<u>(1,504)</u>
Other comprehensive income	2,713	1,551
Total comprehensive income	<u>483</u>	<u>47</u>
Xanadu's share of loss at 50% ownership interest	(1,115)	(752)
Xanadu's share of other comprehensive income at 50% ownership interest	1,357	776

* The comparative period for Khuiten was from 10 March 2023 to 30 June 2023.

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Note 10. Property, plant and equipment

	Consolidated	
	30 Jun 2024	31 Dec 2023
	\$'000	\$'000
<i>Non-current assets</i>		
Plant and equipment - at cost	168	163
Less: Accumulated depreciation	(156)	(149)
	<u>12</u>	<u>14</u>
Motor vehicles - at cost	286	345
Less: Accumulated depreciation	(106)	(147)
	<u>180</u>	<u>198</u>
	<u><u>192</u></u>	<u><u>212</u></u>

Reconciliations

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

Consolidated	Plant & Equipment \$'000	Motor Vehicles \$'000	Total \$'000
Balance at 1 January 2024	15	197	212
Disposals	-	(12)	(12)
Exchange differences	2	3	5
Depreciation expense	(4)	(9)	(13)
Balance at 30 June 2024	<u><u>12</u></u>	<u><u>180</u></u>	<u><u>192</u></u>

Note 11. Right-of-use assets

	Consolidated	
	30 Jun 2024	31 Dec 2023
	\$'000	\$'000
<i>Non-current assets</i>		
Motor vehicles - right-of-use	360	346
Less: Accumulated depreciation	(101)	(75)
	<u>259</u>	<u>271</u>

Reconciliations

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

Consolidated	Motor vehicles right-of-use \$'000
Balance at 1 January 2024	271
Exchange differences	14
Depreciation expense	(26)
Balance at 30 June 2024	<u><u>259</u></u>

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Note 12. Deferred exploration and evaluation expenditure

	Consolidated	
	30 Jun 2024	31 Dec 2023
	\$'000	\$'000
<i>Non-current assets</i>		
Deferred exploration and evaluation expenditure	13,995	12,710
Less: Accumulated impairment	(5,517)	(5,517)
	<u>8,478</u>	<u>7,193</u>

The accumulated impairment relates to deferred exploration expenditure assets at Red Mountain of \$5,517,000.

Reconciliations

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

Consolidated	Exploration and evaluation \$'000
Balance at 1 January 2024	7,193
Additions ⁽ⁱ⁾	1,237
Exchange differences	48
Balance at 30 June 2024	<u>8,478</u>

(i) Additions Funded by Xanadu:

Cashflow payments for exploration and evaluation at Red Mountain amounted to \$1,237,000.

The consolidated Exploration and Evaluation expenditure above relates to the company held interests in the "Red Mountain" Copper-Gold project to the period to 30 June 2024.

Red Mountain Copper-Gold Project

Xanadu's Red Mountain porphyry copper-gold Project is located within the Dornogovi Province of southern Mongolia, approximately 420km southeast of Ulaanbaatar, and 70km west from the provincial centre of Sainshand. The project holds a 30-year mining licence and is owned 100% by Xanadu.

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Note 13. Lease liabilities

	Consolidated	
	30 Jun 2024 \$'000	31 Dec 2023 \$'000
<i>Current liabilities</i>		
Lease liability - motor vehicles	53	61
<i>Non-current liabilities</i>		
Lease liability - motor vehicles	114	134
	<u>167</u>	<u>195</u>
<i>Reconciliation</i>		
Reconciliation of the fair values at the beginning and end of the current and previous financial half-year are set out below:		
Opening balance	195	323
Repayment of lease liabilities	(28)	(127)
Exchange differences	-	(1)
Closing balance	<u>167</u>	<u>195</u>

Note 14. Issued capital

	Consolidated			
	30 Jun 2024 Shares	31 Dec 2023 Shares	30 Jun 2024 \$'000	31 Dec 2023 \$'000
Ordinary shares - fully paid (net of transaction costs)	<u>1,716,006,009</u>	<u>1,700,820,681</u>	<u>163,918</u>	<u>163,083</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 January 2024	1,700,820,681		163,083
Shares issued - placement	4 March 2024	<u>15,185,328</u>	\$0.055	<u>835</u>
Balance	30 June 2024	<u>1,716,006,009</u>		<u>163,918</u>

Movements in options

Details	Date	Options	\$'000
Balance	1 January 2024	124,860,000	-
Options granted during the period	23 May 2024	<u>27,000,000</u>	<u>-</u>
Balance	30 June 2024	<u>151,860,000</u>	<u>-</u>

Ordinary shares

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

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

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Note 14. Issued capital (continued)

Share buy-back

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

Capital risk management

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

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

Management effectively manages Xanadu's capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of expenditure and debt levels, distributions to shareholders and share and option issues. The capital risk management policy remains unchanged from the 31 December 2023 Annual Report.

Note 15. Reserves

	Consolidated	
	30 Jun 2024	31 Dec 2023
	\$'000	\$'000
Foreign currency translation reserve	(4,661)	(6,588)
Share-based payments reserve	12,918	12,459
Transactions with owners reserve	(537)	(537)
	<u>7,720</u>	<u>5,334</u>

Foreign currency translation reserve

This reserve is used to accumulate the changes in the value investments in subsidiaries that arise from changes in the exchange rates.

Share-based payments reserve

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

Movements in reserves

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

Consolidated	Foreign currency translation reserve \$'000	Share-based payments reserve \$'000	Transactions with owners reserve \$'000	Total \$'000
Balance at 1 January 2024	(6,588)	12,459	(537)	5,334
Share-based payments	-	459	-	459
Foreign currency translation	570	-	-	570
Share of foreign currency translation of a joint venture	1,357	-	-	1,357
Balance at 30 June 2024	<u>(4,661)</u>	<u>12,918</u>	<u>(537)</u>	<u>7,720</u>

Note 16. Dividends

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

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Note 17. Contingent liabilities

There are no material contingent liabilities relating to the Group.

Note 18. Related party transactions

The following transactions occurred with related parties.

	Consolidated	
	30 Jun 2024	30 Jun 2023
	\$	\$
Payment for goods and services:		
Office rent, paid to Ganbayar Lkhagvasuren ⁽ⁱ⁾	37,176	35,520
Legal fees, paid to HopgoodGanim Lawyers ⁽ⁱⁱ⁾	114,431	110,746
Melbourne office rent and operations support paid to Colin Moorhead and Associates ⁽ⁱⁱⁱ⁾	35,190	38,985
Fees paid to Directors	395,439	549,599
Receipts from Khuiten Joint venture to Xanadu for Operator Overheads ^(iv)	1,681,000	887,079
Receipts from Oyut Ulaan to Xanadu Exploration Mongolia LLC for hire of vehicles ^(v)	181,000	113,880

(i) The Company maintains a rental agreement for its Ulaanbaatar office with Ganbayar Lkhagvasuren, an Executive Director of the Company.

(ii) The Company sources legal services from HopgoodGanim Lawyers, where Non-Executive Director Michele Muscillo is a partner.

(iii) The Company maintains a rental and executive support agreement related to a Melbourne office with Colin Moorhead & Associates.

(iv) Under the shareholders agreement for the Khuiten JV, Xanadu is entitled to recover operator overhead for its overheads incurred in the management of the JV and the project.

(v) Under the shareholders agreement for the Khuiten JV, Xanadu and its subsidiary Xanadu Exploration Mongolia are entitled to recover the cost of their motor vehicle fleet which is used on the JV.

Receivable from and payable to related parties

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

Loans to/from related parties

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

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Mongol Metals

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

All funding for Mongol metals is provided by the Khuiten strategic JV.

Note 19. Events after the reporting period

No matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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Note 20. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	30 Jun 2024	30 Jun 2023
	\$'000	\$'000
Loss after income tax expense for the half-year	(3,014)	(3,607)
Adjustments for:		
Depreciation and amortisation	39	34
Net loss on disposal of property, plant and equipment	11	-
Share of loss - joint ventures	1,115	752
Share-based payments	459	515
Foreign exchange differences	517	(183)
Net (gain)/loss on disposal of subsidiary	-	(1,155)
Change in operating assets and liabilities:		
Decrease/(increase) in other receivables	393	(144)
Decrease/(increase) in prepayments	-	(11)
(Decrease)/Increase in trade and other payables	(1,217)	719
Increase in employee benefits	54	63
Net cash used in operating activities	<u>(1,643)</u>	<u>(3,017)</u>

Note 21. Earnings per share

	Consolidated	
	30 Jun 2024	30 Jun 2023
	\$'000	\$'000
Loss after income tax attributable to the owners of Xanadu Mines Ltd	<u>(3,014)</u>	<u>(3,607)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>1,710,720,508</u>	<u>1,560,245,761</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>1,710,720,508</u>	<u>1,560,245,761</u>
	Cents	Cents
Basic earnings per share	(0.18)	(0.23)
Diluted earnings per share	(0.18)	(0.23)

Note 22. Share-based payments

The Xanadu Equity Incentive Plan ('Plan') was approved by shareholders at the Company's 2020 Annual Greeting Meeting; with additional vesting conditions approved by shareholders during the 23 December 2020 Extraordinary General Meeting. Under the Plan, the Board may grant options and share rights over ordinary shares in the Company to certain key management personnel of the Company. The share rights are issued for nil consideration and are granted in accordance with performance guidelines established by the Board. The options were granted in the period from 2021 to 2024.

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Note 22. Share-based payments (continued)

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

30 Jun 2024

Grant date	Expiry date	Note below	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other *	Balance at the end of the half-year
17/06/2021	30/06/2025	i	\$0.00	1,140,000	-	-	-	1,140,000
21/01/2021	21/01/2027	ii	\$0.00	38,250,000	-	-	-	38,250,000
22/09/2022	22/09/2028	iii	\$0.00	6,000,000	-	-	-	6,000,000
07/02/2023	22/02/2029	iv	\$0.00	32,770,000	-	-	-	32,770,000
07/02/2023	22/02/2029	v	\$0.00	34,100,000	-	-	-	34,100,000
07/02/2023	22/02/2029	vi	\$0.00	12,600,000	-	-	-	12,600,000
23/05/2024	23/05/2030	vii	\$0.00	-	15,000,000	-	-	15,000,000
23/05/2024	23/05/2030	viii	\$0.00	-	12,000,000	-	-	12,000,000
				124,860,000	27,000,000	-	-	151,860,000

30 Jun 2023

Grant date	Expiry date	Note below	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other *	Balance at the end of the half-year
21/01/2021	30/06/2024	-	\$0.00	3,420,000	-	-	-	3,420,000
17/06/2021	30/06/2024	-	\$0.00	1,140,000	-	-	-	1,140,000
17/06/2021	30/06/2025	i	\$0.00	1,140,000	-	-	-	1,140,000
21/01/2021	31/12/2023	ii	\$0.00	38,250,000	-	-	-	38,250,000
05/10/2021	05/10/2023	-	\$0.00	3,000,000	-	-	-	3,000,000
30/11/2022	30/11/2028	iv	\$0.00	-	32,770,000	-	-	32,770,000
30/11/2022	30/11/2028	vi	\$0.00	-	6,300,000	-	-	6,300,000
30/11/2022	30/11/2028	vi	\$0.00	-	6,300,000	-	-	6,300,000
				46,950,000	45,370,000	-	-	92,320,000

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

Option	Class	Exercise Price	Balance of options
i. Unlisted Non-Executive Director Options, issued as part of share-based compensation for remuneration	Vesting in one remaining tranche upon 18 months continuous employment condition: 1,140,000 vesting on 31 Dec 2023 and expiring on 30 Jun 2025.	\$0.000	1,140,000
ii. Unlisted Executive Director Options, issued as part of share-based compensation for performance	Vesting in five tranches upon attainment of performance criteria, two years continuous employment condition and share price hurdles: Performance measurement/vesting on 30 June 2026 and expiring on 21 Jan 2027.	\$0.000	21,250,000
ii. Unlisted Management Options, issued as part of share-based compensation for performance	Vesting in five tranches upon attainment of performance criteria, two years continuous employment condition and share price hurdles: Performance measurement/vesting on 30 June 2026 and expiring on 21 Jan 2027.	\$0.000	17,000,000
v. Unlisted Employee Options, issued as part of share-based compensation for performance	Vesting in three tranches upon attainment of one of the following performance criteria; Delivery of a satisfactory pre-feasibility study for the Kharmagtai Copper – Gold Project, a 1.5 year for Non-Executive Directors and a 3 year continuous employment condition for Executive Directors and share price hurdles: Performance measurement/vesting on 10 September 2024 and expiring on 28 Feb 2029.	\$0.000	34,100,000

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Option	Class	Exercise Price	Balance of options
iv. Unlisted Executive Director Options, issued as part of share-based compensation for performance	Vesting in two tranches upon attainment of one of the following performance criteria; Delivery of a satisfactory pre-feasibility study for the Kharmagtai Copper – Gold Project, a 1.5 year for Non-Executive Directors and a 3 year continuous employment condition for Executive Directors and share price hurdles: Performance measurement/vesting on 10 September 2024 and expiring on 28 Feb 2029.	\$0.000	32,770,000
iii. Unlisted Executive Director Options, issued as part of share-based compensation for performance	Vesting in one tranche upon attainment of one of the following performance criteria; Delivery of a satisfactory pre-feasibility study for the Kharmagtai Copper – Gold Project, a 2 year continuous employment condition and share price hurdles: Performance measurement/vesting on 10 September 2024 and expiring on 28 Feb 2029.	\$0.000	6,000,000
vi. Unlisted Executive Director Options, issued as part of share-based compensation for performance	Vesting in two tranches upon attainment of one of the following performance criteria; Delivery of a satisfactory pre-feasibility study for the Kharmagtai Copper – Gold Project, a 1.5 year for Non-Executive Directors and a 3 year continuous employment condition for Executive Directors: Performance measurement/vesting on 10 September 2024 and expiring on 28 Feb 2029.	\$0.000	12,600,000
vii. Unlisted Director Options, issued as part of share-based compensation for performance	Vesting in four tranches upon attainment of one of the following performance criteria; expansion of the Company's non-Kharmagtai portfolio to at least 4 projects in Mongolia and the surrounding region, the achievement of a significant discovery at one of the non-Kharmagtai projects aligned to Xanadu Tollgate 3 Discovery and a 2-year continuous employment condition: Performance measurement/vesting on 23 May 2026 and expiring on 23 May 2030.	\$0.000	15,000,000
viii. Unlisted Employee Options, issued as part of share-based compensation for performance	Vesting in three tranches upon attainment of one of the following performance criteria; expansion of the Company's non-Kharmagtai portfolio to at least 4 projects in Mongolia and the surrounding region, the achievement of a significant discovery at one of the non-Kharmagtai projects aligned to Xanadu Tollgate 3 Discovery and a 3-year continuous employment condition: Performance measurement/vesting on 23 May 2027 and expiring on 23 May 2030.	\$0.000	12,000,000
			151,860,000
			Consolidated
			30 Jun 2024 30 Jun 2023
			\$'000 \$'000
Share based payment expense			
Amortisation of share based payment options based on vesting conditions above		459	515

Note 23. Subsequent Event

Acquisition of Interest in “Sant Tolgoi”

During the half, it was announced that Xanadu had paid a deposit in January 2024 for the acquisition of an interest in a new exploration lease Sant Tolgoi, a copper-nickel project, located in the Zavkhan Province of Western Mongolia. Subsequent to the end of the half, negotiations were completed and contracts were exchanged on the 27th of July 2024. The nature of the acquisition is via a Joint Venture, Farm in Agreement, which will allow Xanadu to acquire up to 80% of the project upon meeting specified criteria, including US\$1 Million dollars of exploration expenditure over the next 2 years from the date of the contract.

Directors' declaration

30 June 2024

XANADU MINES

Director's declaration

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2024 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Colin Moorhead

Executive Chairman and Managing Director

12 September 2024

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Independent auditor's report



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Independent auditor's review report to the members of Xanadu Mines Limited

Conclusion

We have reviewed the accompanying half-year financial report of Xanadu Mines Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 30 June 2024, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2024 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

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

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

Material uncertainty related to going concern

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

Directors' responsibilities for the half-year financial report

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



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

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2024 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Ernst & Young

Siobhan Hughes
Partner
Sydney
12 September 2024

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