

## 2024 ANNUAL REPORT

31 March 2025

ASX Markets Announcement Office  
Exchange Centre  
20 Bridge Street  
Sydney NSW 2000

### 2024 ANNUAL REPORT

Please find attached for release to the market, Xanadu Mines Ltd's *2024 Annual Report*.

-ENDS-

#### For further information, please contact:

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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.

For information on Xanadu visit: [www.xanadumines.com](http://www.xanadumines.com).

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

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Xanadu Mines Ltd ACN 114 249 026

[www.xanadumines.com](http://www.xanadumines.com)

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XANADU MINES

# ANNUAL REPORT

For the year ending  
31 December 2024

ASX:XAM | TSX:XAM  
[xanadumines.com](http://xanadumines.com)

# CORPORATE DIRECTORY

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## DIRECTORS

**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

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## COMPANY SECRETARY

William Hundy

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## NOTICE OF ANNUAL GENERAL MEETING

The detail of the annual general meeting of Xanadu Mines Ltd is:  
Date of Meeting: 22 May 2025

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## REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS - AUSTRALIA

**c/o Company Matters Pty Limited**  
Level 12, 680 George Street, Sydney NSW 2000  
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## REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS - MONGOLIA

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Sukhbaatar District Ulaanbaatar 14240  
Tel: +976 11 7012 0211

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## SHARE REGISTER

**Computershare Investor Services Pty Limited**  
Level 3, 60 Carrington Street, Sydney NSW 2000  
Tel: +61 1300 855 080

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## AUDITOR

**Ernst & Young**  
200 George Street, Sydney NSW 2000

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## STOCK EXCHANGE LISTING

Xanadu Mines Ltd shares are listed on the  
Australian Securities Exchange and Toronto  
Stock Exchange (ASX and TSX code: XAM)

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## WEBSITE

[www.xanadumines.com](http://www.xanadumines.com)

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## ABN

92 114 249 026

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## CORPORATE GOVERNANCE STATEMENT

The Company's Corporate Governance Statement  
can be found on the Company's website:  
[www.xanadumines.com/corporate-governance](http://www.xanadumines.com/corporate-governance)

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# LETTER FROM THE CHAIR

## Dear Shareholders,

It is with great pride that I present to you the progress and achievements of Xanadu Mines over the past year, particularly in relation to the Kharmagtai Copper-Gold Project. (Kharmagtai) This year has been transformative, with significant advancements in exploration, resource expansion, and the completion of the Pre-Feasibility Study (PFS). Our strategic joint venture with Zijin Mining Group Ltd (Zijin) continues to progress through the development phase at Kharmagtai, positioning us to unlock value for our shareholders.

Throughout the year, we advanced both our PFS and discovery exploration programs at Kharmagtai. With the support of US\$35 million from our joint venture with Zijin, we successfully completed several extensional and shallow exploration drill holes. Notably, extensional drilling at White Hill and White Hill West identified a new higher-grade core just below the 2023 pit design and expanded mineralisation, while new discoveries at Altan Shand and Target 25 highlight the project's growth potential.

The successful delivery of the PFS by Xanadu as JV Operator marks a major milestone for Kharmagtai. The study confirms that Kharmagtai is a large-scale, low-cost copper-gold project with strong economics. Key highlights demonstrate the compelling investment case for Kharmagtai, including:

- 29-year mine life with an initial mill throughput of 26 Mtpa, expanding to 52 Mtpa.
- Average annual production of 75 kt copper and 165 koz gold.
- First quartile C1 cash costs of \$0.70/lb Cu (first eight years) and second quartile of \$1.30/lb Cu over LOM.
- Post-tax NPV (8%) of US\$930 million with an IRR of 21%, and a four-year capital payback period.
- Expanded Mineral Resource of 2.2 Bt, including 4.7 Mt of Cu and 11 Mt of Au.
- Maiden Ore Reserve of 730 Mt at 0.21% Cu and 0.17 g/t Au, supporting the long-term viability of the project.

“Throughout the year, we advanced both our PFS and discovery exploration programs at Kharmagtai.”

– Colin Moorhead,  
Executive Chairman

Looking ahead, we are working with Zijin to plan for the Bankable Feasibility Study (BFS) stage as it moves towards a Financial Investment Decision (FID). This will include detailed engineering, permitting and approvals, follow-up studies and other forward works as identified in the PFS and through ongoing review and discussion between the JV partners. Key opportunities remain, including improved metallurgical recoveries, heap leaching for shallow oxide material, and further optimization of pit slopes and underground mining potential.

Operatorship of Kharmagtai was transitioned to Zijin following release of the PFS in the December quarter. This transition marks a new phase of collaboration, ensuring the project will benefit from Zijin’s expertise in project construction. Concurrently, we are actively exploring multiple funding avenues to progress Xanadu’s share of the next stage of development, with options including debt or offtake funding, equity, a transaction with Zijin or a third party, and other strategic partnerships. The retention of Bacchus Capital and Jefferies as our Strategic Funding and M&A Advisers, respectively, further strengthens our ability to navigate this complex pathway to maximise value for our shareholders.

In addition to the Kharmagtai story, we successfully completed a strategic equity placement in November 2024, raising A\$7.5 million to fund our Red Mountain Copper-Gold and Sant Tolgoi Nickel-Copper projects. This funding also ensured interim support for the Khuiten JV as we prepared larger scale funding options for the BFS at Kharmagtai. Notably, Zijin participated and maintained its pro-rata shareholding in Xanadu. Shareholder approval for Zijin’s participation was secured at our Extraordinary General Meeting in December 2024, reflecting strong investor confidence in our vision and strategic direction.

Sustainability remains at the core of our operations, and we are proud to have published our fourth annual Sustainability Report in May 2024. This report highlights our unwavering commitment to ESG principles and responsible exploration practices as we transition into project development at Kharmagtai. We believe that our sustainable approach, coupled with strategic partnerships and disciplined financial management, positions Xanadu for long-term success. We appreciate the continued support of our shareholders as we drive forward our vision as a leading copper-gold explorer and developer.

As we advance Kharmagtai towards production, Xanadu remains committed to responsible and sustainable mining practices. Mongolia continues to emerge as a leading mining jurisdiction, and we are proud to contribute to its economic development while delivering value to our shareholders.

I extend my sincere appreciation to our dedicated team, partners, and shareholders for their unwavering support. With a world-class asset, a strong strategic partnership, and a clear path to production, Xanadu Mines is well-positioned for the future.

Sincerely,



**Colin Moorhead**  
Executive Chairman

31 March 2025

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# MANAGEMENT DISCUSSION & ANALYSIS

## General

This Management Discussion and Analysis (MD&A) is current to 31 March 2025 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 2024 and 2023 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](http://www.sedar.com), on the ASX Announcements platform under the Company's code XAM and on the Company's website at [www.xanadumines.com](http://www.xanadumines.com).

## 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.

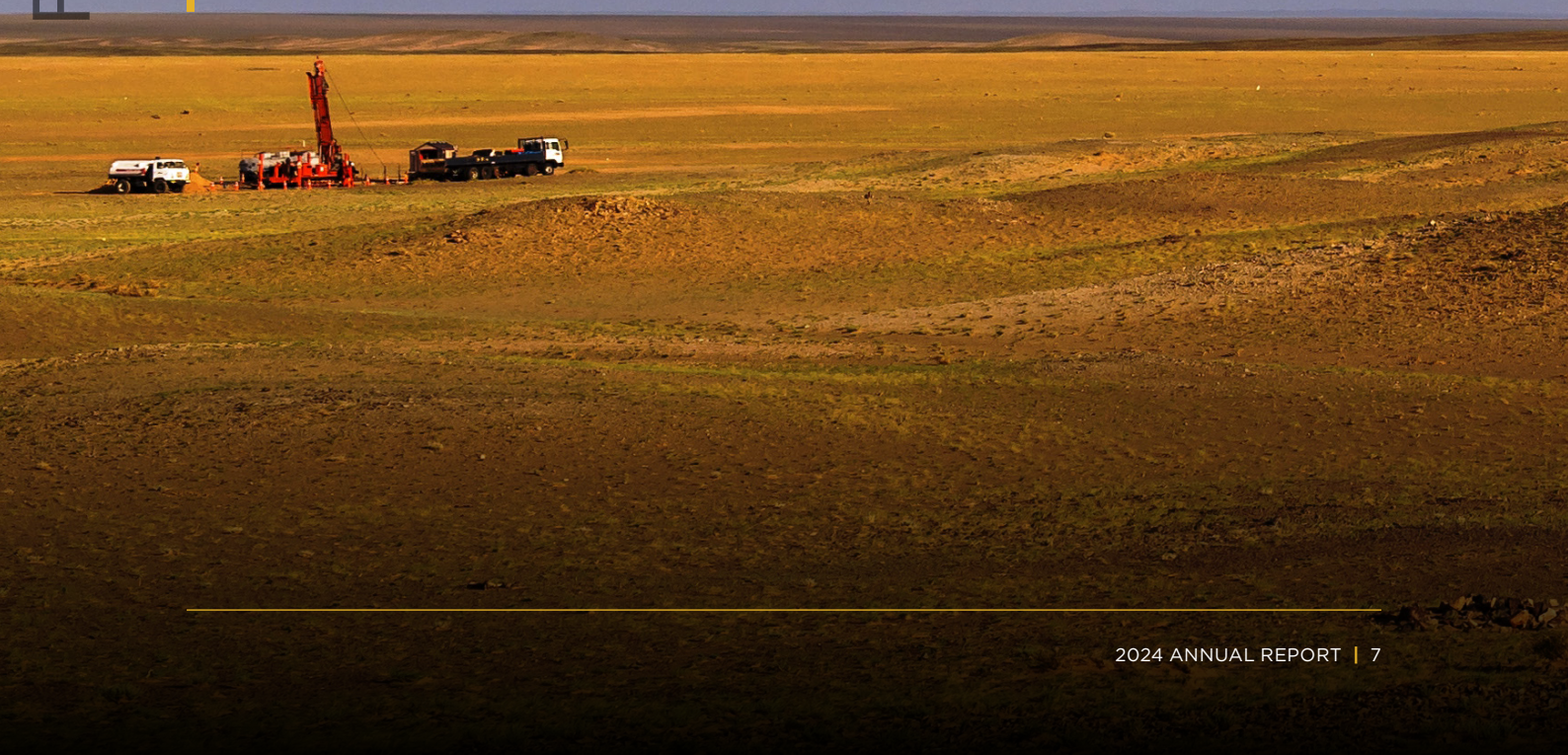
The words believe, expect, anticipate, indicate, contemplate, target, plan, intends, continue, budget, estimate, may, will, schedule and similar expressions identify forward-looking statements. The forward-looking statements included in this MD&A are made as of the date of this MD&A and other than as 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.

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**“As we advance Kharmagtai towards production, Xanadu remains committed to responsible and sustainable mining practices.”**

- Colin Moorhead, Executive Chairman





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# KHARMAGTAI COPPER-GOLD PROJECT (XANADU 38.25%)

## Exploration

During the early part of the year, the Company aggressively progressed both Resource Drilling and Discovery Exploration at Kharmagtai Copper-Gold Project, funded by US\$35 million from the JV with Zijin. Xanadu was operator of the joint venture during the PFS delivery period of 18 months, and this transferred to Zijin in the December 2024 Quarter, with Zijin now the operator for final engineering, construction, commissioning. Zijin will also lead ongoing exploration, which will target expansion at depth to drive a potential future underground mine.

## Extensional Drilling<sup>1</sup>

During the March 2024 quarter, three diamond drill holes (KHDDH816 and KHDDH817 and KHDDH818) were drilled to expand the White Hill and White Hill West deposits (Figure 1).

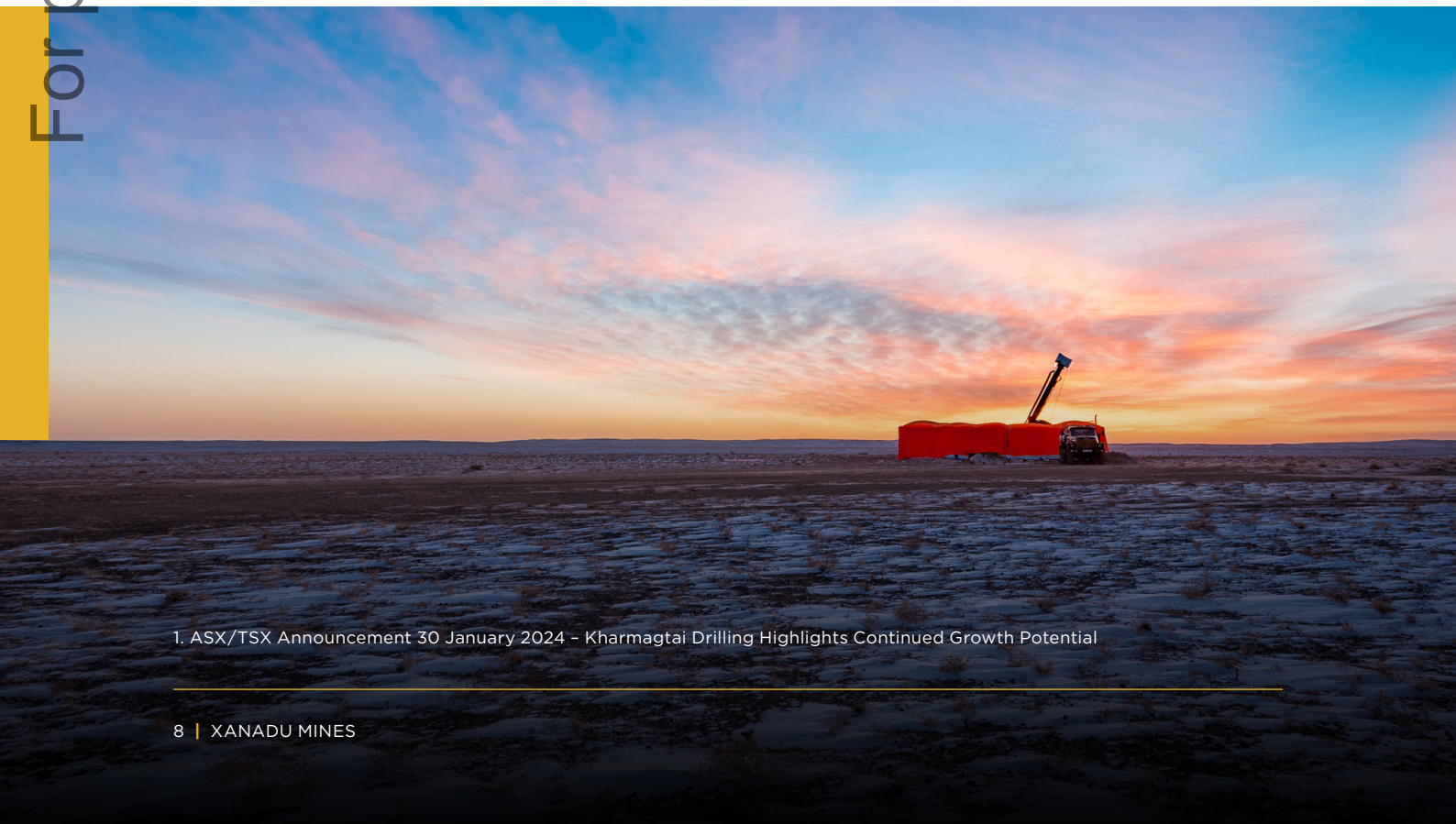
KHDDH816 returned very broad intercepts of mineralisation above the resource cut-off grade expanding mineralisation approximately 200m to the south and below the existing resource.

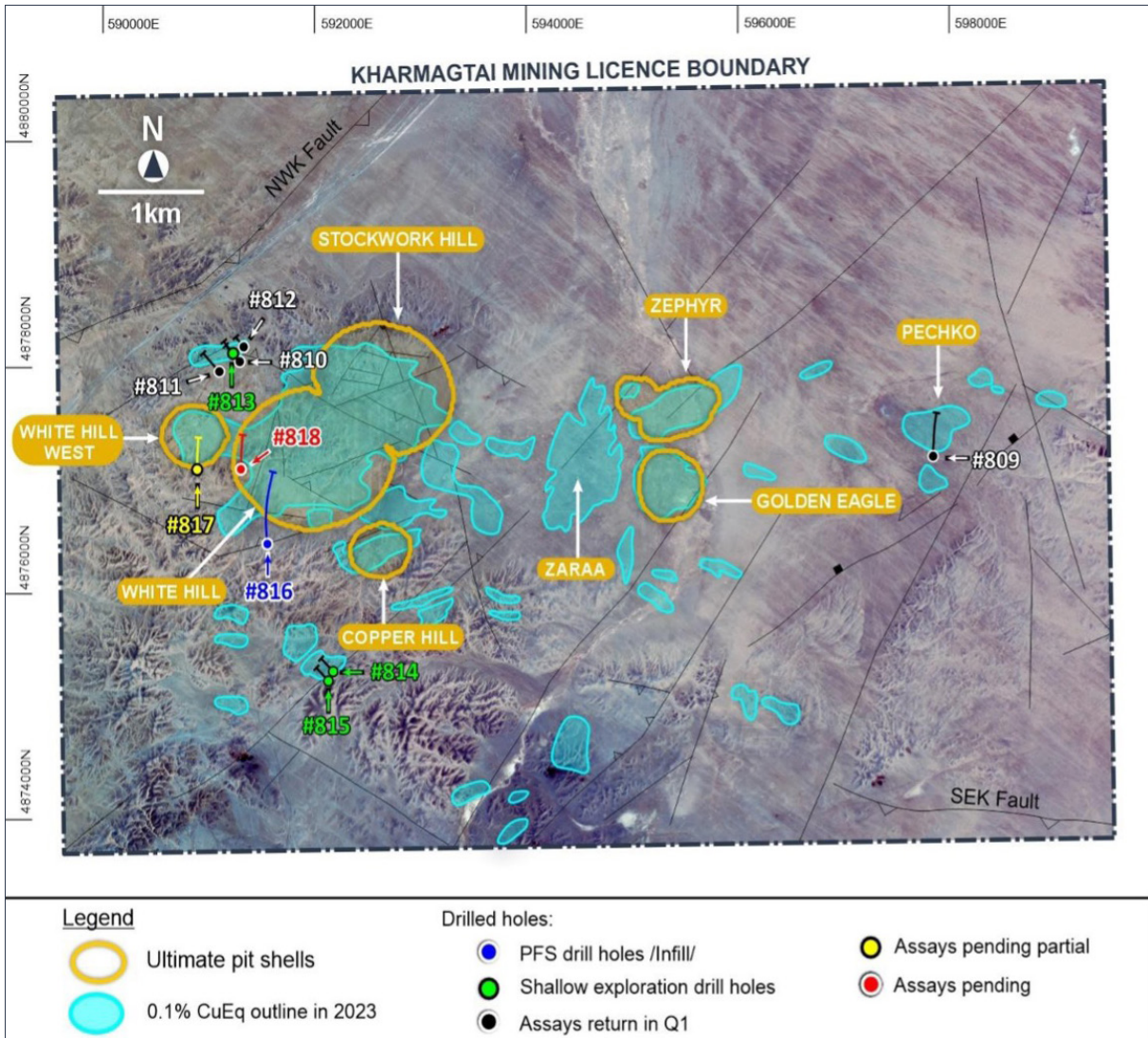
- KHDDH816 - 602.9m @ 0.22% CuEq (0.19% Cu & 0.06g/t Au) from 579m

KHDDH817 drilled at White Hill west beneath the existing resource. Results were returned to 459m with;

- KHDDH817 - 182m @ 0.27% CuEq (0.21% Cu & 0.13g/t Au) from 277m (open, assays pending)  
Including 71m @ 0.39% CuEq (0.29% Cu & 0.19g/t Au) from 388m (open, assays pending)  
Including 11m @ 0.53% CuEq (0.4% Cu & 0.25g/t Au) from 448m (open, assays pending)

1. ASX/TSX Announcement 30 January 2024 - Kharmagtai Drilling Highlights Continued Growth Potential





**Figure 1:** Kharmagtai copper-gold district showing defined mineral deposits and completed infill drill holes, and shallow exploration drill holes completed.

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## Shallow Exploration Drilling<sup>2</sup>

In addition, three diamond drill holes (KHDDH813, KHDDH814 and KHDDH815) were drilled targeting new shallow open pit exploration targets (Figure 1).

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 has 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

## Kharmagtai Mineral Resource and Ore Reserve<sup>3</sup>

### Mineral Resource Estimate Update Overview

Xanadu engaged independent consultants, Spiers Geological Consultants (SGC), to prepare an updated Resource for Kharmagtai. The Resource was reported in accordance with the JORC Code 2012, was effective as of 31<sup>st</sup> July 2024.

This Resource was an update to the August 2024 Mineral Resource Estimate<sup>4</sup>, which reduced the open pit cut-off grade from 0.20% CuEq to 0.13% CuEq in line with the PFS marginal breakeven cut-off grade. Open cut resources were reported within the same revenue factor 1.4 pit shell from the Kharmagtai PFS. The revenue factor 1.4 pit shell was used to define RPEEE for the open pit-able MRE at Kharmagtai.

SGC considers that data collection techniques are consistent with industry best practice and are suitable for use in the preparation of a Resource to be reported in accordance with JORC Code 2012. Available quality assurance and quality control (QA/QC) data supports the use of the input data provided by Xanadu.

The Resource is considered to have reasonable prospects for eventual economic extraction (RPEEE) on the following basis:

The deposit is located in a favourable mining jurisdiction, with no known impediments to land access or tenure status;

- The volume, orientation and grade of the Resource is amenable to mining extraction via traditional open-pit and underground methods;
- A Scoping Study and PFS have been reported to ASX that demonstrate Kharmagtai economic viability as an open pit mine within the revenue factor 1.4 shell that constrains the open cut Resource using the selected marginal cut-off grade, at a range of metal prices and assumptions; and
- The PFS has reported a maiden Ore Reserve based on Indicated Resource within the Open Cut Mineral Resource Estimate.

2. ASX/TSX Announcement 29 April 2024 - Quarterly Activities Report & Appendix 5B - 31 March 2024

3. ASX/TSX Announcement 14 October 2024 - Kharmagtai Maiden Ore Reserve, Updated Mineral Resource

4. ASX/TSX Announcement 28 August 2024 - Update - Increase in Kharmagtai Resource

The Resource models are well understood and there is substantial upside potential to be realised by better understanding the economics of the deposit. As demonstrated in Figure 2 below, significant volumes of mineralisation have been modelled that fall outside of the constraining pit wireframe. These parts of the model will be targeted for further investigation through economic studies to assess if more of this material can be brought into the Mineral Resource.

**Table 1:** Comparison October 2024 vs August 2024 Mineral Resource Estimate

Resource	Cutoff (% CuEq)	Classification	Tonnes (Mt)	Grades			Contained Metal			
				CuEq (%)	Cu (%)	Au (g/t)	CuEq (Mlbs)	CuEq (kt)	Cu (kt)	Au (koz)
October 2024	0.13 (OC)	Indicated	1,300	0.30	0.22	0.17	8,800	4,000	2,900	7,100
		Inferred	900	0.28	0.21	0.13	5,600	2,500	1,900	4,000
	0.30 (UG)	Total	2,200	0.29	0.21	0.15	14,400	6,500	4,700	11,000
August 2024	0.20 (OC)	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
	0.30 (UG)	Total	1,500	0.36	0.26	0.19	12,000	5,300	3,800	9,300

Notes:

- CuEq (lbs and t) accounts for Au (g/t) value and CuEq (t) must not be totalled to Au ounces
- Figures may not sum due to rounding
- Significant figures do not imply an added level of precision
- Resource constrained by 0.1%CuEq reporting solid in line with geological analysis by XAM
- Resource constrained by RV1400fpit (coded field equal to 1)
- Cut-off for Open Cut uses 0.13% CuEq, the marginal mine cut-off per the October 2024 PFS. Cut-off for Underground remains unchanged at 0.30% CuEq.
- Resource CuEq equation ( $CuEq = Cu + Au * 0.60049 * 0.86667$ ) where Au at USD\$1400/oz and Cu at USD\$3.4/lb was employed according to the Clients' (XAM) direction.
- Au recovery is relative with Cu rec=90% and Au rec=78% (rel Au rec=78/90=86.667% with number according to the Clients' (XAM) direction
- Underground Resource "other Op2 and Op3" NOT inside RV1400fpit above and below nominated mRL level by deposit as follows SH>=720mRL, WH>=915mRL, CH>=1100mRL, ZA>=920mRL, ZE>=945mRL, PE>=1100mRL and GE>=845mRL
- Model: KH\_ALL\_GLOBAL\_OKMOD\_FINAL\_V3\_FORCLIENT\_140624\_inRV1400fpit

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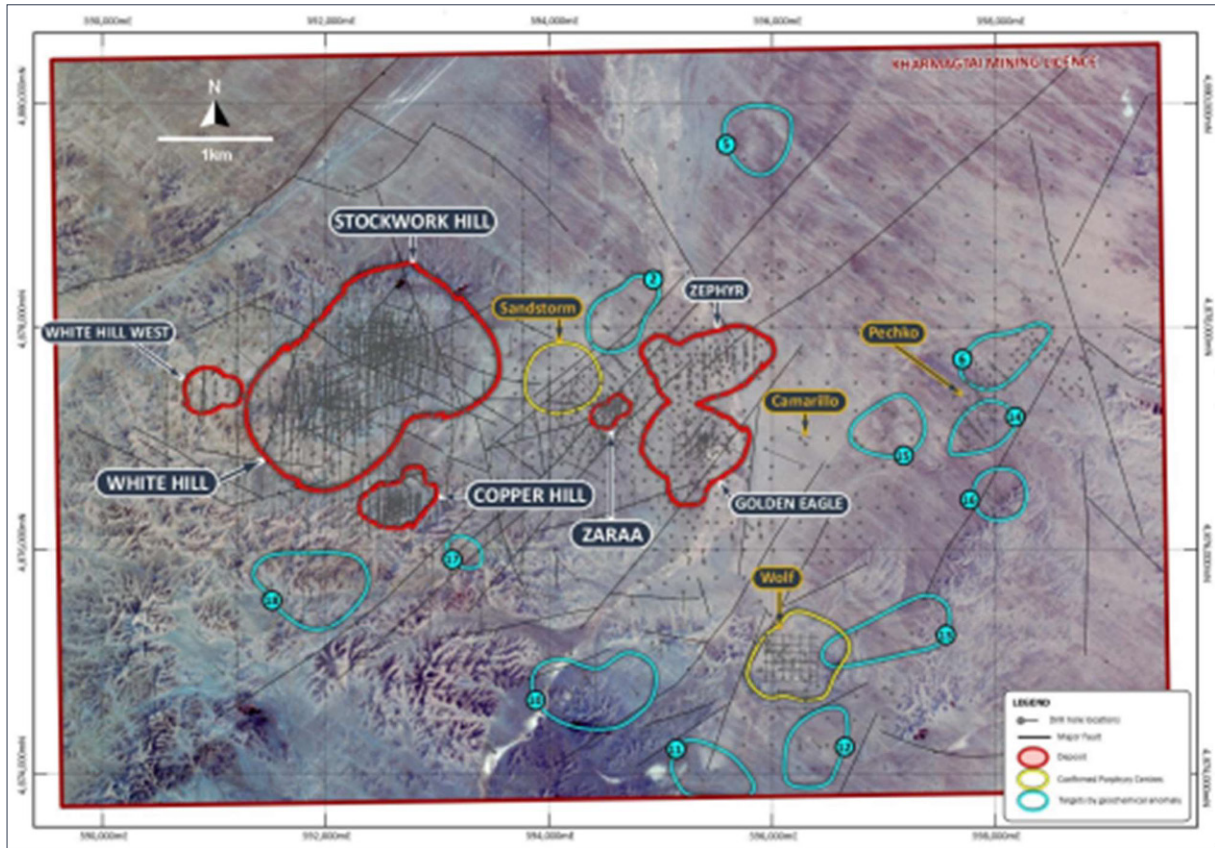


Figure 2: Plan view of the Kharmagtai district. Deposit outlines define the edges of the PFS open pit designs



## Ore Reserve Estimate Update Overview

During the completion of the Kharmagtai PFS in October, evaluation of an Ore Reserve Estimate was completed. This includes Probable tonnes only. To support the Ore Reserve evaluation within the PFS a separate Whittle 4X open pit optimization evaluation was also completed with no value given to the inferred classified material within the mineral resource estimate for all deposits. Following this a PFS level mine design, mine scheduling, mining costing and overall project economic model evaluation was completed to confirm positive economic outcomes for the Ore Reserve.

A summary of material assumptions can be found in the ASX/TSX Announcement dated 14 October 2024 “Kharmagtai Maiden Ore Reserve, Updated Mineral Resource”. There are no material differences between the definitions of Probable Ore Reserves under the 2014 CIM Definition Standards for Mineral Resources and Mineral Reserves and the equivalent definitions in the JORC Code.

**Table 2:** Ore Reserve by Classification (Open Cut)

Classification	Tonnes (Mt)	Grades		Contained Metal	
		Cu (%)	Au (g/t)	Cu (kt)	Au (koz)
<b>Proved</b>	0	0	0	0	0
<b>Probable</b>	730	0.21	0.17	1,600	4,000

Notes:

- Figures may not sum due to rounding
- Significant figures do not imply an added level of precision
- Ore Reserve constrained by Kharmagtai PFS mine plan inventory
- The marginal breakeven open pit mine cut-off is 0.13% CuEq per the October 2024 PFS.
- Au recovery is relative with Cu rec=80% and Au rec=81% according to the Clients' (XAM) direction

**Table 3:** Ore Reserve by Deposit (all Probable)

Classification	Tonnes (Mt)	Grades		Contained Metal	
		Cu (%)	Au (g/t)	Cu (kt)	Au (koz)
<b>Stockwork Hill</b>	233	0.22	0.21	520	1,600
<b>White Hill</b>	437	0.21	0.14	930	2,000
<b>Copper Hill</b>	22	0.26	0.17	60	200
<b>Golden Eagle</b>	13	0.12	0.31	20	100
<b>Zephyr</b>	16	0.15	0.19	20	100
<b>White Hill West</b>	11	0.16	0.11	20	40
<b>Probable</b>	730	0.21	0.17	1,600	4,000

Notes:

- Figures may not sum due to rounding
- Significant figures do not imply an added level of precision
- Ore Reserve constrained by Kharmagtai PFS mine plan inventory
- Reserve CuEq equation ( $CuEq = Cu + Au * 0.7039Au$ ) where Au at USD\$1900/oz and Cu at USD\$4.0/lb was employed according to the Clients' (XAM) direction.
- Au recovery is relative with Cu rec=80% and Au rec=81% according to the Clients' (XAM) direction

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## Pre-Feasibility Study<sup>5</sup>

Presented in 100% terms (Xanadu holds 50% control and 38.25% economic share)

### Large Scale, Low-Cost Copper and Gold Production

- Average annual production of 75kt copper and 165koz gold.
- 29-year Life of Mine (LOM) at an initial mill throughput of 26Mtpa, expanding to 52Mtpa.
- Total LOM ore processed of 1,270 Mt, producing approximately 2.2Mt of copper and 4.8Moz of gold metal.
- First quartile C1 cash cost \$0.70/lb Cu net of byproduct credits for the first eight years and second quartile C1 cash cost of \$1.30/lb Cu over LOM.

### Strong Investment Returns

- Post-Tax Internal Rate of Return (IRR) of 21% (range 14% to 25%, and 31% for spot commodities).
- Payback of 4 years (range 4 to 5 years, and 3 years for spot commodities).
- Post-Tax Net Present Value (NPV) of \$930 million (range \$450 million to \$1,220 million, and \$1,880 million for spot commodities).
- Estimated pre-production capital expenditure of \$890 million for pit development, process plant and infrastructure (range \$840 million to \$930 million).

### Low Technical Complexity

- Open pit mine, with low 0.6:1 strip ratio for first eight years and 1.4:1 over LOM.
- Limited (30-40Mt) pre-strip of oxidised material.
- Conventional copper sulphide flotation plant, augmented with gravity and Carbon In Leach (CIL) to improve gold recoveries.
- Relatively flat terrain and low rainfall enabling low risk waste and tailings storage solutions.
- Rail links and upgradeable construction grid power are already in place at or near the tenement.

### Globally Competitive Time to Production

- Relatively low ESG risk due to sparse population and flat terrain.
- Permitting and approvals process established and achievable.
- Established road and rail infrastructure and proximity to major copper markets.
- Mongolia is a well established and emerging mining jurisdiction with a well-educated population providing access to the required skills base.

5. ASX/TSX Announcement 14 October 2024 – Pre-Feasibility Study Kharmagtai Copper-Gold Project

### Significant Upside Opportunities

- Copper recovery potential to improve through further optimisation of reagents, including pyrite suppression.
- Test work demonstrates that silver is present in the ore at payable grades, with potential to add material value uplift but is yet to be modelled to JORC standard.
- Heap leach testwork using glycine leach technology demonstrated potential to reduce stripping and generate early cash from processing shallow copper and gold rich oxide material, subject to further studies and finding a commercial solution for acid supply.
- Potential for further optimisation of pit slopes through targeted drilling, structural modelling and geological studies to reduce stripping and deepen pits.
- Application of additional technologies in later stages such as trolley assist and other future technologies has potential to reduce carbon emissions, lower operating costs, enable bigger economic pits, and extend the mine life.
- Modelling demonstrates further exploration upside with mineralisation remaining open along strike and at depth in several areas, implying potential to grow the resource and extend higher-grade zones.
- Deeper, higher-grade zones have potential for future bulk underground (UG) mining.
- With a large Chinese miner as a partner, there is potential to access lower cost capital which could materially uplift project NPV.

The appointment of Kharmagtai JV Partner Zijin Mining Group as operator for the final feasibility stage prior to Financial Investment Decision (FID) may add significant value uplift through further project optimisation and access to lower cost of capital. The PFS was delivered by Xanadu as operator of the JV in October 2024, and the Khuiten Metals JV is now working to develop and agree the detailed project execution plan and budget for the BFS.

**“Our strategic joint venture with Zijin Mining Group Ltd (Zijin) continues to progress through the development phase at Kharmagtai, positioning us to unlock value for our shareholders.”**

- Colin Moorhead,  
Executive Chairman







**Figure 3:** Kharmagtai PFS Site General Arrangement

### Key Study Findings

Presented on 100% basis (Xanadu holds 50% control and 38.25% economic share)

**Table 4:** Key Study Outcome Ranges (US\$)

Project Financial Summary	Unit	Low	Base	High	Spot	2022 PEA <sup>6</sup>
Net Revenue	\$M	26,600	27,900	29,300	32,400	16,100
EBITDA	\$M	7,400	8,500	9,500	12,500	6,770
Post-Tax Net Cash Flow	\$M	3,200	4,600	5,500	7,700	3,420
Post-Tax NPV (8%)	\$M	450	930	1,220	1,880	630
Post-Tax IRR	%	14%	21%	25%	31%	20%
Post-Tax Capital Payback <sup>a</sup>	Yr	5	4	4	3	4
Pre-Tax Net Cash Flow	\$M	5,100	6,300	7,500	10,300	4,900
Pre-Tax NPV (8%)	\$M	1,030	1,400	1,770	2,670	1,030
Pre-Tax IRR	%	22%	27%	32%	40%	25%
Pre-Tax Capital Payback	yr	4	3	3	2	3

a. Represents the year during which capital payback is achieved

6. ASX/TSX Announcement 6 April 2022 – Scoping Study Kharmagtai Copper-Gold Project; and ASX Announcement 20 June 2022 – NI43-101 Preliminary Economic Assessment Technical Report

**Table 5:** Key Study Assumptions (US\$)

Project Financial Summary	Unit	Low	Base	High	Spot <sup>a</sup>	2022 PEA
Cu price	\$/lb	3.69	4.10	4.51	4.52	4.00
Au price	\$/oz	2,210	2,100	1,990	2,658	1,700
Pre-Production Capex	\$M	930	890	840	890	690
LOM Capex <sup>b</sup>	\$M	2,070	1,970	1,870	1,970	1,880

a. Spot prices as at 4 October 2024, per [dailymetalprice.com](http://dailymetalprice.com)

b. LOM capex includes Stage 1 Pre-Production capital, Stage 2 Expansion capital, and Sustaining capital as developed during the PFS

The high and low ranges are created to help readers understand potential variances in different economic outcomes by flexing copper price, gold price, and capex. The low case scenario assumes copper price -10%, capex +5%, and gold price +5% which represents an economic environment of slowing industrial activity (copper -10%), higher inflation (capex +5%), partly offset by gold acting as a natural hedge (gold +5%). The high case represents the inverse, representing an accelerating industrial environment and reduced inflation.

The spot price scenario above assumes no change to capex and metal prices remaining at the current spot prices per the date in the table.

Capital payback is found to be within the 4th year of operation in both high and low scenarios, although much earlier within the year for the high scenario.

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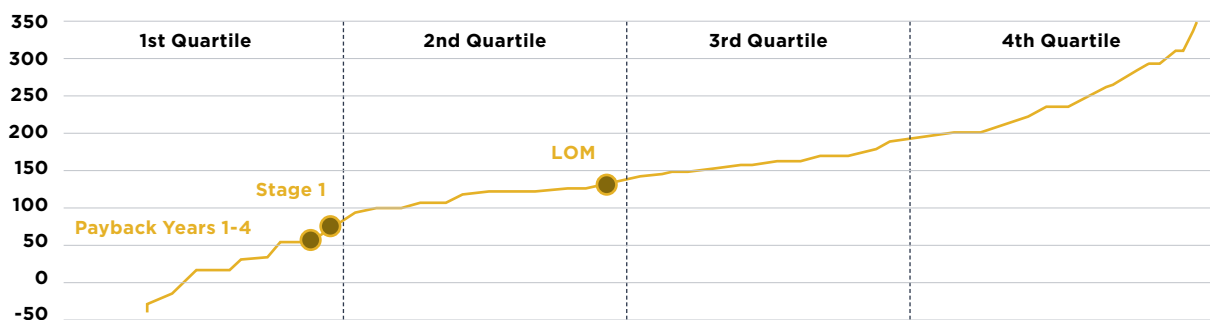


**Table 6:** Base Case Detail Findings (US\$)

Area	Measure	Unit	Stage 1 (8-yr)	Stage 2 (21-yr)	PFS LOM	2022 PEA LOM <sup>7</sup>
Production	Period	Years	8	21	29	30
	Ore Process Rate <sup>a</sup>	Mtpa	26	52	26-52	15-30
	Ore Processed	Mt	210	1,060	1,270	760
	Cu avg grade	%	0.28%	0.20%	0.21%	0.21%
	Au avg grade	g/t	0.24	0.13	0.15	0.18
	Cu avg recovery	%	83%	82%	82%	90%
	Au avg recovery from sulphide	%	82%	79%	81%	73%
	Cu produced total	kt	490	1,710	2,200	1,480
	Au produced from sulphide	koz	1,270	3,420	4,700	3,340
	Au produced from oxide	koz	70	0	70	0
	Au produced total	koz	1,340	3,420	4,770	3,340
	Cu avg annual production	ktpa	60	80	75	50
	Au avg annual production	kozpa	170	165	165	110
Capital	Project Capital	\$M	890	720	1,610	1,210
	Sustaining Capital	\$M	80	290	360	680
Operating Cost	All In Sustaining Cost	\$/lb	1.25	2.05	1.90	1.90
	C1 Cash Cost	\$/lb	0.70	1.50	1.30	1.35
	Operating Cost	\$/t ore	16.80	11.50	12.50	11.20

a. Excludes processing of higher gold grade oxides for first 8 years

Kharmagtai operates in the first quartile C1 Cash Costs for Stage 1 and the second quartile C1 Cash Costs for the Life of Mine.



**Figure 4:** Kharmagtai on C1 Industry Cost Curve (USc/lb)<sup>8</sup>

7. ASX/TSX Announcement 6 April 2022 – Scoping Study Kharmagtai Copper-Gold Project; and ASX Announcement 20 June 2022 – NI43-101 Preliminary Economic Assessment Technical Report

8. ASX/TSX Announcement 14 October 2024 – Pre-Feasibility Study Kharmagtai Copper-Gold Project; Industry curve sourced from S&P Global Market Intelligence

The Project timeline included in the PFS released 14 October 2024 has been developed with inputs from the PFS team and Mongolian project, government and community relations advisers in consideration of required Mongolian submissions and approvals. The construction period incorporates a hybrid of traditional western and Chinese contributions to a Mongolian constructed facility. Construction timing will be subject to Khuiten Metals JV Board approval, detailed planning, Mongolian permitting, and results of the BFS.

Measure	2024	2025	2026	2027	2028
Pre-feasibility Study	■				
Mongolian Feasibility Study (TEZU)	■				
Environmental Approval Process (DEIA)	■				
Bankable Feasibility Study		■			
Investment Agreement / Permit Approval		■			
Construction			■		
Commercial Production					■

Figure 5: Project Timeline



With the support of US\$35 million from our joint venture with Zijin, we successfully completed several extensional and shallow exploration drill holes.”

- Colin Moorhead, Executive Chairman

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## Kharmagtai PFS Metallurgical Testwork<sup>9,10</sup>

PFS metallurgical testwork was completed for the copper-gold porphyry deposits located within the Kharmagtai Porphyry Project. The PFS program built on previous testwork during and prior to the 2022 Scoping Study. The more substantial PFS data set provides an appropriate basis for overall recovery, product quality and process engineering design. Key objectives of the program included:

- Ore hardness and comminution characteristics
- Optimal grind size
- Regrind size
- Gravity recoverable gold
- Gold and copper recovery by froth flotation
- Gold cyanidation via treatment of cleaner tailings stream and high-grade oxide feed
- Copper and gold recovery via staged heap leach

The overall goal of the program was to complete test-work and trade-off studies to identify the optimal ore processing pathway and flowsheet for the Kharmagtai deposits.

The testwork program was developed and supervised by Leo Consulting. Principally, the work was performed at ALS laboratories in Perth, with some specialist work performed by others.

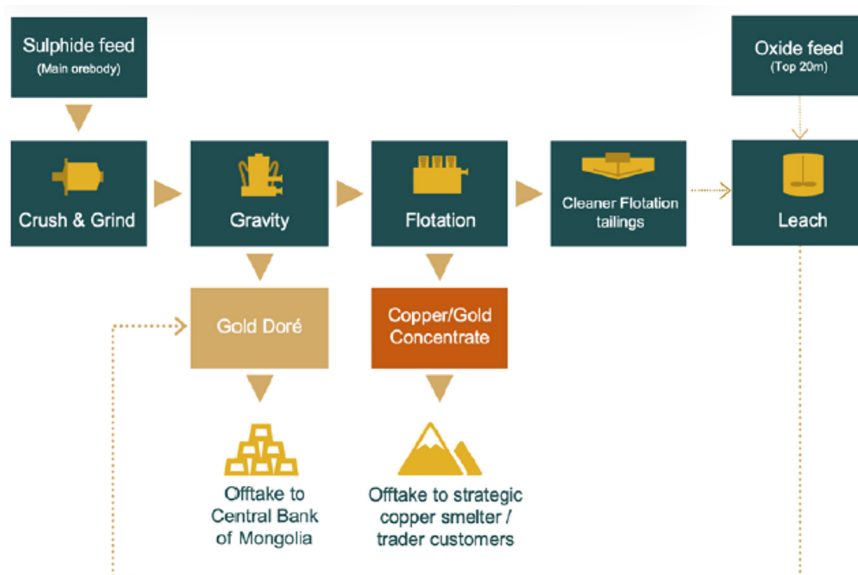
The study outcome defines a conventional flowsheet, including crushing, grinding and flotation to produce a saleable concentrate. Gold doré is also produced through an upfront gravity circuit and leaching of cleaner tails.

The combined process plant is projected to deliver average overall recoveries of approximately 82% copper and 81% gold from sulphide feed.

Recoveries are made up of the following:

- Gravity gold recovery of approximately 10%
- Simple flotation recovery of 82% copper and 63% gold
- Carbon in leach (CIL) recovery of an additional 7% gold

Testwork also shows concentrate grades of up to 25% copper and 25g/t gold, with very low impurities, indicating potential strong demand for the product.



**Figure 6:** Simplified Process Flow Diagram

9. ASX/TSX Announcement 18 September 2024 - Kharmagtai PFS Metallurgy Results

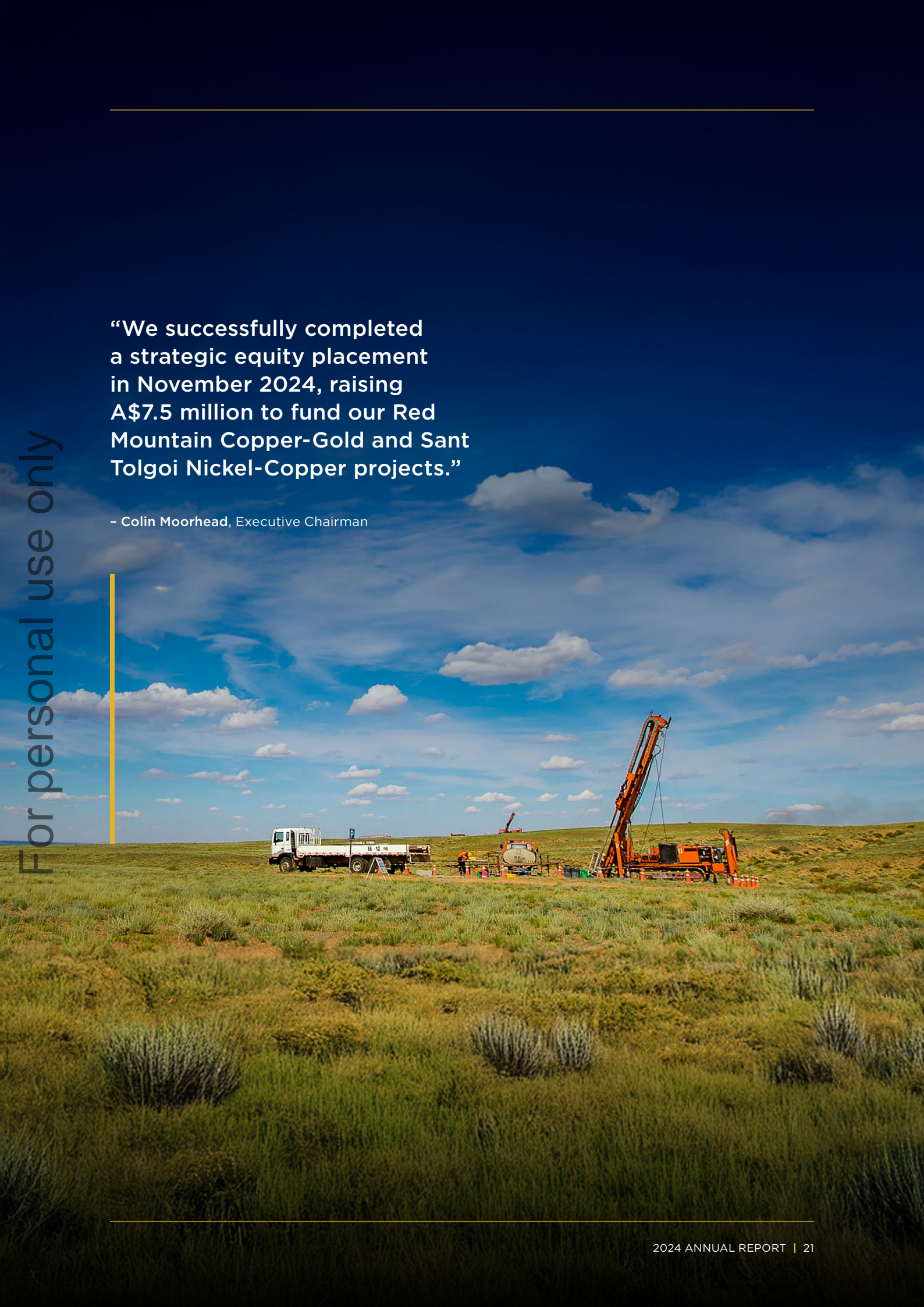
10. ASX/TSX Announcement 14 October 2024 - Pre-Feasibility Study Kharmagtai Copper-Gold Project

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**“We successfully completed a strategic equity placement in November 2024, raising A\$7.5 million to fund our Red Mountain Copper-Gold and Sant Tolgoi Nickel-Copper projects.”**

**- Colin Moorhead, Executive Chairman**

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# RED MOUNTAIN COPPER-GOLD PROJECT (XANADU 100%)

## Red Mountain Exploration Drilling<sup>11</sup>

Approximately 4,880m of diamond drilling was designed to test and has successfully encountered shallow high-grade gold and copper-gold targets across the Red Mountain Lease (Figure 7). 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

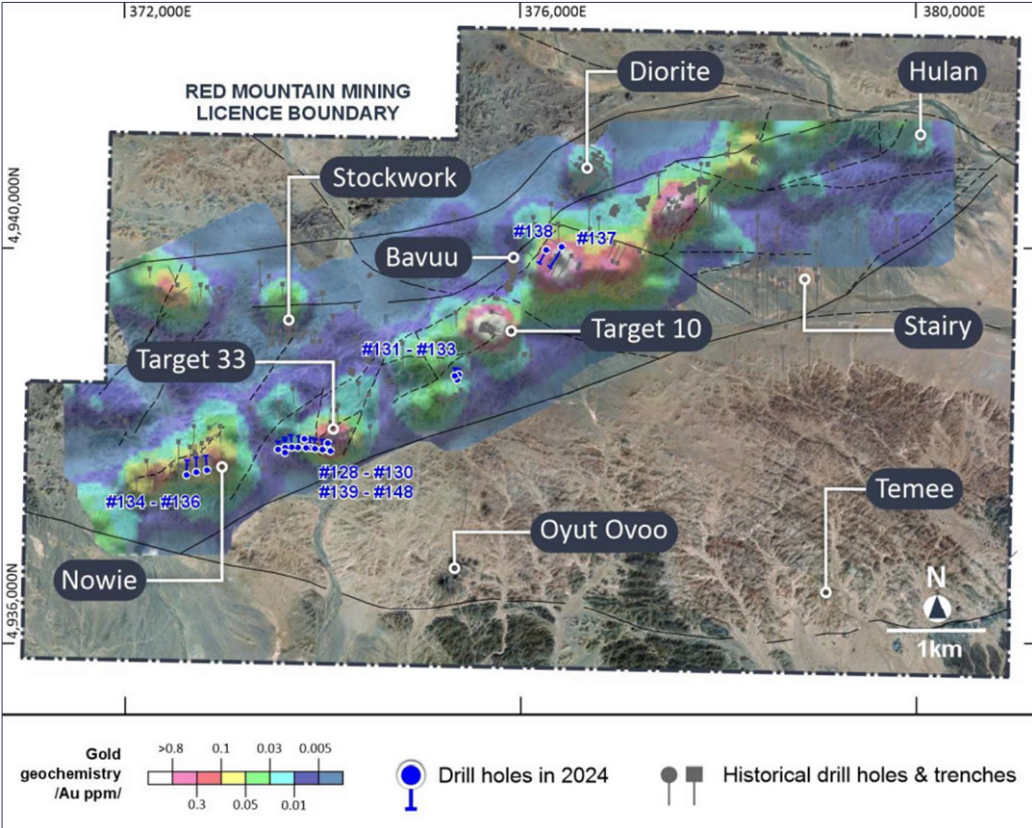


Figure 7: The Red Mountain Mining Lease with drill holes and target locations.

11. 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 (Figure 7) 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-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 vein. 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.

OUDDH137 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

OUDDH138 was drilled 100m west and along strike from OURC032, returning similar width and tenor of mineralisation as OUDDH137:

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



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**“Shareholder approval for Zijin’s participation was secured at our Extraordinary General Meeting in December 2024, reflecting strong investor confidence in our vision and strategic direction.”**

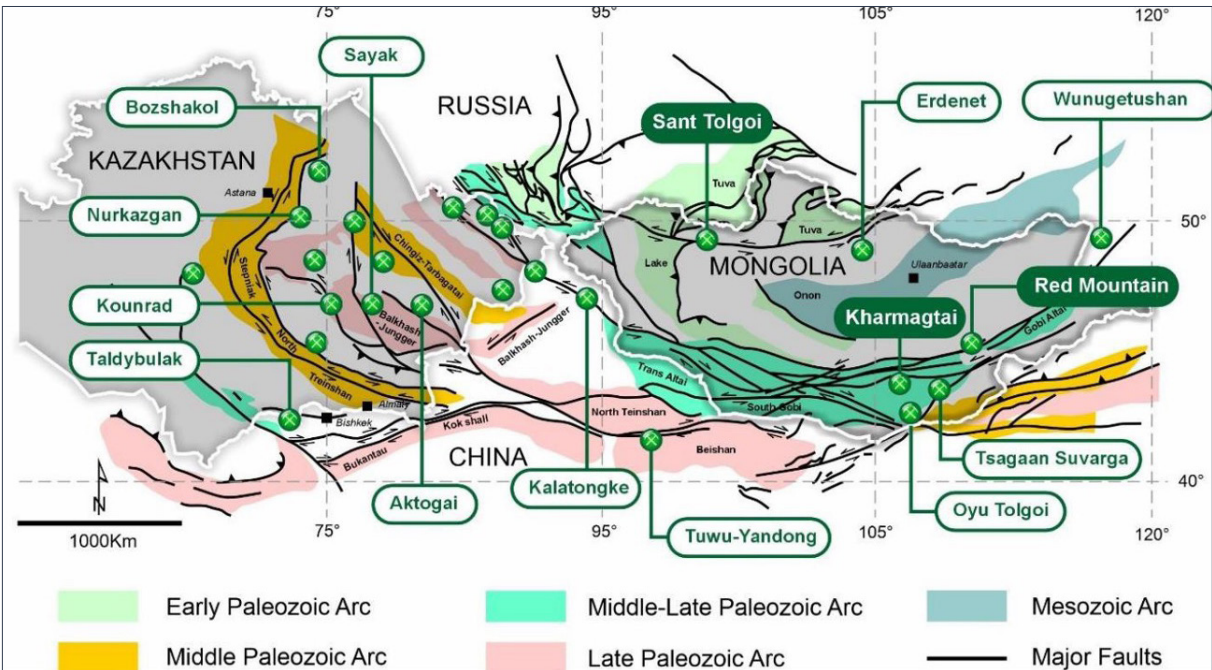
- Colin Moorhead, Executive Chairman

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# SANT TOLGOI COPPER-NICKEL PROJECT (80% EARN-IN)<sup>12, 13</sup>

Xanadu announced a binding term sheet with STSM LLC (STSM) granting the right to earn up to 80% interest in two exploration licences XV-17774 (Oyut) and XV-21887 (Sant Tolgoi) located in the Zavkhan Province of Western Mongolia (Figure 8). 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 8:** Sant Tolgoi Cu-Ni project is located in the Zavkhan Province approximately 1,100 km west of Ulaanbaatar, Mongolia.

12. ASX/TSX Announcement 22 January 2024 - XAM Enters new Copper Nickel sulphide exploration project  
 13. ASX/TSX Announcement 20 November 2024 - High Priority Copper Drill Targets Defined at Sant Tolgoi

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Four key targets were identified, based firstly on favourable geology and co-incident strong geochemistry, supported by the geophysical properties indicative of mineral deposits (Figure 9).

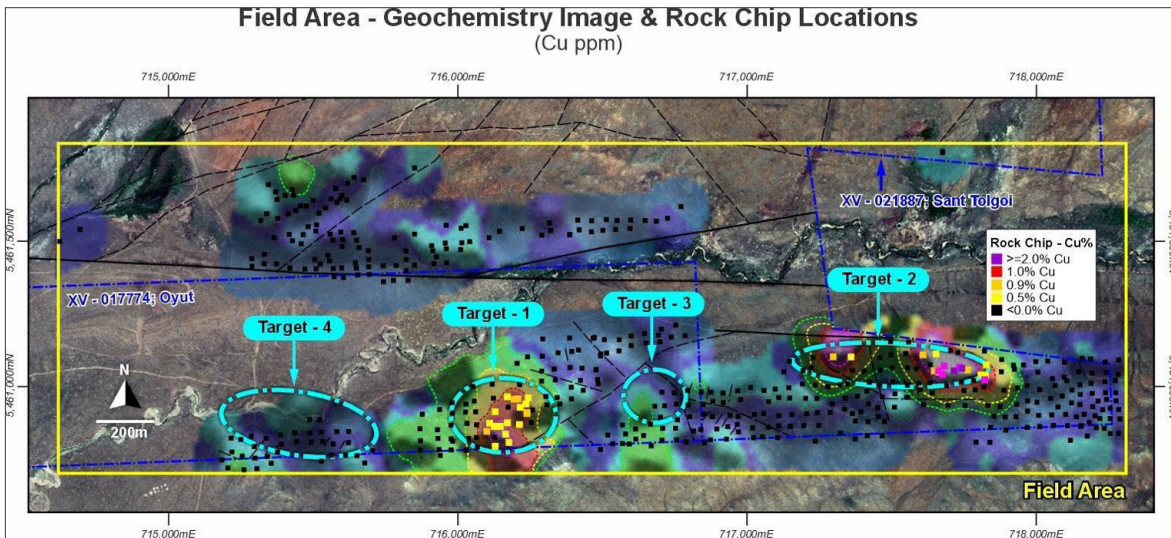
Geochemistry defined four distinct copper targets at surface (Figure 10).

**Target 1** consists of outcropping copper oxides (Malachite and Azurite) up to 1% copper in assays with mineralisation associated with coarse grained gabbro stock covering a 500m x 300m area. This area sits within a fault jog on a splay off the Khangai Fault System, where dilation could have created space for mineralised intrusions. Magnetics show a strong remanent magnetic feature in 3D suggesting the target consists of an intrusive rock, or rock that has been altered or mineralised by hydrothermal fluids. Gravity data shows a strong density contrast with surrounding rocks, indicative of a denser, potentially mineralised intrusive. A Dipole-Dipole Induced Polarisation (DDIP) line that crossed the target shows a relatively strong 20mV/V IP chargeability anomaly directly below anomalous geochemistry, indicative of disseminated sulphides in a mineralised intrusive. Controlled source audio-frequency magnetotellurics (CSAMT) data also shows a conductive zone associated with the center of this Induced Polarisation (IP) Chargeability anomaly, potentially massive sulphide, surrounded by a resistive halo.

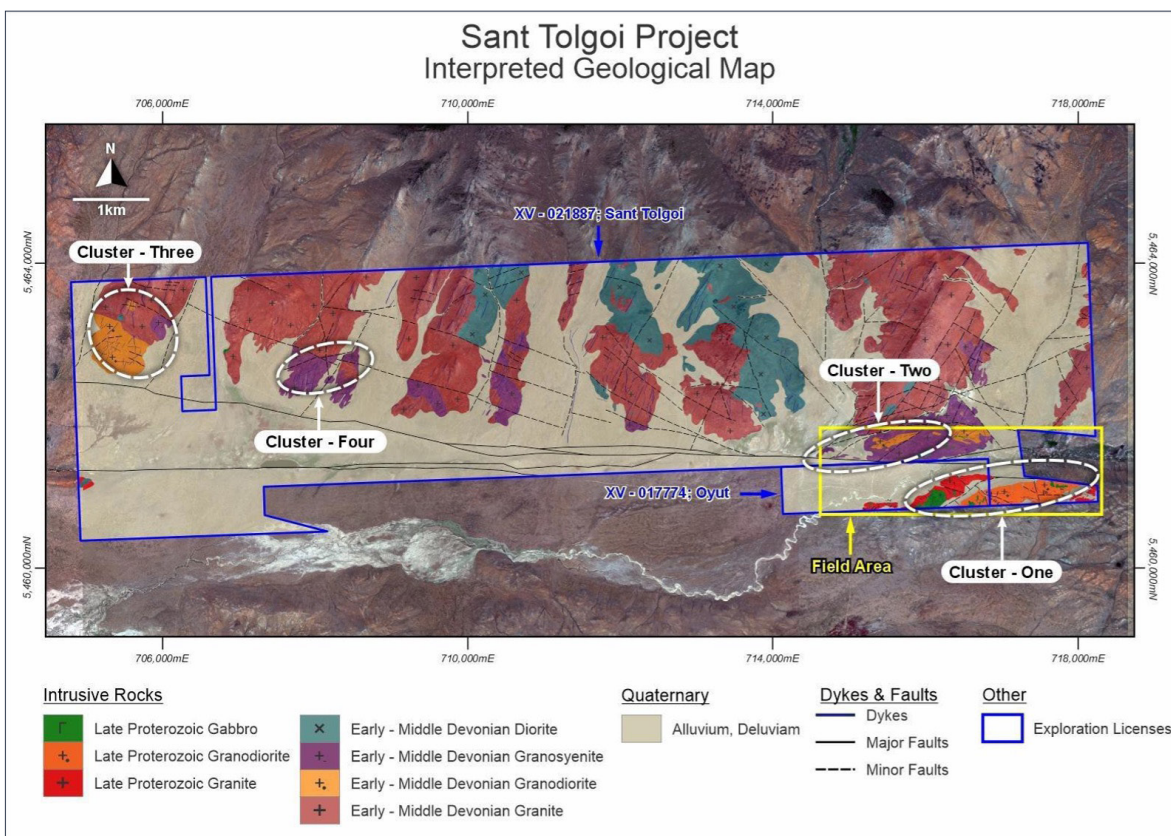
**Target 2** is outcropping copper (up to 2.1% Cu) mineralisation associated with coarse grained gabbro sill like body along the structure and covering a 300m x 50m area. Magnetics show a moderate remanent magnetic feature in 3D suggesting the target consists of an intrusive rock, or rock that has been altered or mineralised. Gravity data shows a strong density contrast with surrounding rocks, indicative of a denser, potentially mineralised intrusive. A DDIP line that crossed the target shows a moderate 17mV/V IP chargeability anomaly directly below the geochemistry, indicative of disseminated sulphides. CSAMT data also shows a conductive zone, potentially massive sulphide in an intrusive.

**Target 3** is a blind geophysical target under the cover. Target has high density and moderate magnetic features similar with targets have outcropping copper mineralisation. The size of the anomaly is 300m x 200m.

**Target 4** is a blind geophysical target. Target has high density and moderate magnetic features similar with targets have outcropping copper mineralisation. The size of the anomaly is 400m x 300m.



**Figure 9:** Interpreted Geology Sant Tolgoi and Field Area Highlighted



**Figure 10:** Field Area Copper rock-chip results

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# GOVERNANCE

## Competent Person's Statements

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

**Mineral Resources:** The information in this report 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.

**Ore Reserves:** The information in this report that relates to Ore Reserves is based on information compiled by Mr Colin McVie and Mr Simon Grimbeek, who are responsible for the Ore Reserve. Both Mr McVie and Mr Grimbeek are full time Managers and Mining Engineers employed by Mining Plus and are both Fellows of the Australasian Institute of Mining and Metallurgy. They both have 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 McVie and Mr Grimbeek consent to the inclusion in the report of the matters based on this information in the form and context in which it appears.

**Exploration:** The information in this report that relates to exploration results is based on information compiled by Dr Andrew Stewart, who is responsible for the exploration data, comments on exploration target sizes, QA/QC and geological interpretation and information. Dr Stewart, who is an employee of Xanadu and is a Member of the Australasian Institute of Geoscientists, has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as the Qualified Person as defined in the CIM Guidelines and National Instrument 43-101 and as a Competent Person under JORC Code 2012. 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.

**Processing and Metallurgy:** The information in this report that relates to processing, metallurgy and metallurgical testwork 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 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 the Qualified Person as defined in the CIM Guidelines and National Instrument 43-101 and as a Competent Person under JORC Code 2012. Mr Brock consents to the inclusion in this report of the contained technical information in the form and context as it appears.

**Pre-Feasibility Study:** The technical and scientific information contained in this document related to Kharmagtai PFS was reviewed by Julien Lawrence, MEngSc (PM), FAusIMM, B Eng Mining (Hons). Mr Lawrence is not an employee of the Company but is employed as a contract consultant. Mr Lawrence is a Fellow of the Australasian Institute of Mining and Metallurgy. He has sufficient experience the style of mineralisation and type of deposit, and to the activities undertaken, 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 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 announcements 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 announcements.

**“As we advance Kharmagtai towards production, Xanadu remains committed to responsible and sustainable mining practices.”**

– Colin Moorhead,  
Executive Chairman

# RESULTS OF OPERATIONS

## Selected Annual Information

	Year ended 31 Dec 2024 \$'000	Year ended 31 Dec 2023 \$'000	Year ended 31 Dec 2022 \$'000	Year ended 31 Dec 2021 \$'000
<b>Gross Exploration and Studies Expenditure incurred in period</b>				
• Kharmagtai <sup>a</sup>	17,277	28,564	3,093	8,721
• Red Mountain <sup>b</sup>	1,461	220	963	2,890 <sup>b</sup>
• St Tolgoi	511			
<b>Exploration expenditures capitalised<sup>a</sup></b>		220	4,056	9,367
<b>Impairment of deferred exploration expenditure</b>	-	-	-	4,637 <sup>c</sup>
<b>Corporate general and admin<sup>d</sup></b>	3,874	4,666	4,483	3,577
<b>Share-based payments</b>	1,491	1,523	397	815
<b>Depreciation and amortisation</b>	75	64	69	55
<b>Loss after income tax attributable to owners of XAM</b>	6,976	7,578	4,565	9,305
<b>Basic loss per share (cents per share)</b>	0.40	0.47	0.33	0.77
<b>Diluted loss per share (cents per share)</b>	0.40	0.47	0.33	0.77
<b>Deferred exploration expenditures</b>	1,972	7,193	6,975	50,328
<b>Total assets</b>	71,319	66,114	50,376	54,632
<b>Total liabilities</b>	1,464	1,845	467	494
<b>Net assets</b>	69,855	64,269	49,909	54,138
<b>Kharmagtai drilling (metres)</b>	9,741	76,208	-	33,516
<b>Red Mountain drilling (metres)<sup>e</sup></b>	4,946	-	-	6,987

a. Kharmagtai operations are no longer consolidated in the Annual Financial Statements of Xanadu Mining, commencing 10 March 2023 due to the commencement of the Joint Venture. The disclosures for Kharmagtai operations are included to highlight the group's project activities where Xanadu Mines has a significant interest.

b. Red Mountain exploration was primarily funded by JOGMEC Joint Exploration Agreement in 2020 and 2021 and not capitalised.

c. The 2021 impairment of \$4,637,000 was booked at Red Mountain following the exit of Japan Oil Gas and Metals National Corporation (JOGMEC) from a Joint Exploration Agreement.

d. The corporate general and admin expenses disclosed represent gross expenses incurred by Xanadu, netted off by the recovery for the operator overhead (general and admin costs which Xanadu are eligible to recover) of the Khuiten Joint Venture.

e. Excludes horizontal trenching metres.

The Company is in the exploration stage and does not generate operating revenue.

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

Share-based payments are measured by reference to the fair value at the date at which they are granted. The fair value of the options is determined by an independent written valuation. Share-based payments expense is amortised over the vesting period. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

### Selected quarterly information

	Quarter ended 31 Dec 2024 \$'000	Quarter ended 30 Sep 2024 \$'000	Quarter ended 30 Jun 2024 \$'000	Quarter ended 31 Mar 2024 \$'000
<b>Gross Exploration and Studies Expenditure incurred in period</b>				
• Kharmagtai	7,476	2,709	4,209	2,883
• Red Mountain	118	97	929	317
• St Tolgoi	330	181	-	-
<b>Exploration expenditures capitalised</b>	448	278	929	317
<b>Impairment of deferred exploration expenditure</b>	-	-	-	-
<b>Corporate general and administration</b>	639	1,175	912	1,148
<b>Share-based payments</b>	543	489	79	380
<b>Depreciation and amortisation</b>	17	19	18	21
<b>Loss after income tax attributable to owners of XAM</b>	3,398	564	2,139	875
<b>Basic loss per share (cents per share)</b>	0.19	0.03	0.12	0.05
<b>Diluted loss per share (cents per share)</b>	0.19	0.03	0.12	0.05
<b>Kharmagtai drilling (metres)</b>	-	-	601	2,383
<b>Red Mountain drilling (metres)<sup>b</sup></b>	-	-	3,726	1,120
<b>Sant Tolgoi Drilling Metres</b>	-	-	-	-



	Quarter ended 31 Dec 2023 \$'000	Quarter ended 30 Sep 2023 \$'000	Quarter ended 30 Jun 2023 \$'000	Quarter ended 31 Mar 2023 \$'000
<b>Gross Exploration and Studies Expenditure incurred in period</b>				
• <b>Kharmagtai<sup>a</sup></b>	7,839	10,515	8,630	1,850
• <b>Red Mountain</b>	69	90	32	29
<b>Exploration expenditures capitalised</b>	69	90	32	29
<b>Impairment of deferred exploration expenditure</b>	-	-	-	-
<b>Corporate general and administration<sup>b</sup></b>	1,293	395	1,711	1,267
<b>Share-based payments<sup>c</sup></b>	1,057	-	466	-
<b>Depreciation and amortisation</b>	19	17	17	15
<b>Loss after income tax attributable to owners of XAM</b>	2,326	1,645	2,327	1,280
<b>Basic loss per share (cents per share)</b>	0.14	0.10	0.14	0.08
<b>Diluted loss per share (cents per share)</b>	0.14	0.10	0.14	0.08
<b>Kharmagtai drilling (metres)</b>	12,677	29,388	28,032	6,111
<b>Red Mountain drilling (metres)</b>	-	-	-	-

a. Kharmagtai operations are no longer consolidated in the Annual Financial Statements of Xanadu Mining, commencing 10 March 2023. The disclosures for Kharmagtai operations are included to highlight the group's project activities where Xanadu Mines is the Operator.

b. The corporate general and admin expenses disclosed represent gross expenses incurred by Xanadu, netted off by the recovery for the operator overhead (general and admin costs which Xanadu are eligible to recover) of the Khuiten Joint Venture.

c. Share-based payments expense for the period were calculated ½ yearly on review

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# CORPORATE

## Strategic Partnership with Zijin Mining Group Co., Ltd

During the September Quarter, Xanadu provided an update on the ownership of the Kharmagtai Copper-Gold Project<sup>14</sup>, noting that operatorship transition to Zijin Mining Group Co (Zijin) commenced on 10 September 2024 per the Joint Venture Shareholders Agreement, and that planning and funding discussions underway for the next stage of development. The General Manager and Chair of Khuiten Metals JV Board are now Zijin's nominees and responsible to lead planning for the Bankable Feasibility Study (BFS).

## Sant Tolgoi Earn-In

Under the binding term sheet with STSM LLC, Xanadu has the right to earn up to 80% of interest in two exploration licenses XV-17774 (Oyut) and XV-21887 (Sant Tolgoi), located in the Zavkhan Province of Western Mongolia. These two licenses make up the Sant Tolgoi project. Xanadu has spent approximately 30% of the US\$1 million required to complete its first stage to 51% of the project and has until 24 December 2026 to spend the balance of the minimum exploration spend to meet this condition.

## Equity Placements Completed

In March 2024, Xanadu completed a placement to Zijin of 15 million shares at a price of \$0.055 per share<sup>15</sup>. This formed part of a placement was originally announced in November 2023, with Zijin participation subject to shareholder approval in February 2024.<sup>16, 17</sup>

Xanadu announced a placement in November 2024 of approximately 136 million fully paid ordinary shares in Xanadu at an issue price of \$0.055 each to raise A\$7.5 million (before costs).<sup>18</sup> The placement provided funding for the Company's Red Mountain Copper-Gold Project and Sant Tolgoi Nickel-Copper Project, also for new project acquisition and exploration, funding for Q1 CY2025 of the Khuiten JV prior to feasibility study commencement and working capital.

The November 2024 placement included 26.5 million shares to Zijin, Xanadu's largest shareholder, via its wholly owned subsidiary Jinping (Singapore) Mining Pte Ltd to maintain its pro-rata holding in Xanadu. The Zijin placement<sup>19</sup> received Xanadu shareholder approval under ASX Listing Rule 10.11 at the Xanadu Extraordinary General Meeting on 20 December 2024 and was completed in early January 2025.<sup>20</sup>

## Capital Management

The Company had \$6.1 million cash on hand at 31 December 2024 (31 December 2023: \$7.3 million).

Xanadu will require additional funding in 2025 for its share of the Kharmagtai BFS. In January 2025, Xanadu described its near-term outlook, including progress to fund the Khuiten Metals JV, which may include a transaction with Zijin or a third party, direct funding through debt, equity or offtake, or execution of one of two put options with Zijin.<sup>21</sup>

14. ASX/TSX Announcement 2 October 2024 - Kharmagtai Project Update

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

16. ASX/TSX Announcement 20 November 2023 - \$4.3 million Placement

17. ASX/TSX Announcement 6 Feb 2024 - Results of Extraordinary General Meeting

18. ASX/TSX Announcement 5 November 2024 - \$5.5 million Placement

19. ASX/TSX Announcement 14 November 2024 - Funding Expanded to \$7.5 million

20. ASX/TSX Announcement 8 January 2025 - Completion of Placement to Zijin Mining

21. ASX/TSX Announcement 21 January 2025 - Xanadu's Near-Term Outlook

Xanadu retained Bacchus Capital as its Strategic Funding Adviser<sup>22</sup> to evaluate direct funding options and retained Jefferies as its M&A and Defence Adviser. Xanadu is simultaneously progressing each of these pathways forward.

The two put options, in accordance with the JV Shareholder Agreement with Zijin, can be exercised within 6 months following completion of the PFS in mid-October 2024 and at Xanadu's discretion. These put options require shareholder approval, and accordingly a Notice of Meeting was published in March 2025 for an Extraordinary General Meeting (EGM) to be held in April 2025.<sup>23</sup>

Under the put options, Xanadu may a) sell its 50% share of the Khuiten Metals JV to Zijin for US\$50 million or b) sell half of its share of the Khuiten Metals JV (25%) to Zijin for US\$25 million plus a loan carry for Xanadu's share of costs for the remaining -19.1% holding. The latter would be repaid by 90% of Xanadu share of cash following commercial production at Kharmagtai.

### Sustainability

Xanadu's fourth Sustainability Report was published in May 2024, demonstrating our commitment to ESG and our goal to be a leader in sustainable exploration.<sup>24</sup> This sets the stage for further evolution in Xanadu's sustainability framework, as we evolve into the development of Kharmagtai.

### 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. Please refer to Note 21 of the Financial Report to the Consolidated Financial Statements for a detailed discussion of Financial Instruments and Risk Management.

### Subsequent Matters

On 8 January 2025, the Company completed the placement of 26,515,543 fully paid ordinary shares to Jinping (Singapore) Mining Pte Ltd, a wholly owned indirect subsidiary of Zijin Mining Group Co. Ltd (Zijin), at an issue price of A\$0.55 per share.

On the 12 March 2025, the Company has published a notice of meeting for an Extraordinary General Meeting (EGM) to be held on 11 April 2025 to get an approval for the sale of half of its interest in the Khuiten Metals via exercise of the existing put option. This decision is subject to shareholder vote, and the EGM is scheduled for 11 April 2025. Based on the outcome of this vote, the company will be entitled to receive US\$25 million cash (approx. AU\$40 million), and would be received in May 2025.<sup>26</sup>

Other than previously described, no matter or circumstance has arisen since 31 December 2024 that significantly affects, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

22. ASX/TSX Announcement 18 April 2024 - Bacchus Capital Engaged as Strategic and Project Funding Advisor

23. ASX/TSX Announcement 12 March 2025 - Notice of Extraordinary General Meeting

24. ASX/TSX Announcement 21 May 2024 - Sustainability Report 2023

25. ASX/TSX Announcement 8 January 2025 - Completion of Placement to Zijin Mining

26. ASX/TSX Announcement 12 March 2025 Notice of an Extraordinary General Meeting/ Proxy Form

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**FINANCIAL  
STATEMENTS**

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**Xanadu Mines Ltd**  
**Directors' report**  
**31 December 2024**

XANADU MINES

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 year ended 31 December 2024.

**Directors**

The following individuals were directors of Xanadu Mines Ltd during the whole of the financial period 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 Khuiten JV;
- (b) the Red Mountain copper-gold project; and
- (c) the Sant Tolgoi copper-nickel project.

**Dividends**

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

**Review of operations**

The loss for the Group after providing for income tax amounted to \$6,976,000 (31 December 2023: \$7,578,000).

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**

On 22 January 2024 Xanadu signed a binding term sheet with STSM LLC (STSM) which grants the right to earn up to 80% interest in two exploration licences XV-17774 (Oyut) and XV-21887 (Sant Tolgoi) located in the Zavkhan Province of Western Mongolia. The contract was signed on 23 July 2024 and the conditions precedent were met on 9 December 2024 for the commencement of the 2-year exploration window to commence. These two licenses make up the Sant Tolgoi Project, which is considered highly prospective for discovery of new magmatic intrusion-related Copper-Nickel systems. As part of this term sheet, Xanadu may elect to proceed to stage 1 once the minimum commitment has been met and can earn a 51% interest in the Project by spending USD\$1,000,000 on exploration over a period of twenty-four months, and the option can be exercised within 24 months from commencement date. Further, the company has a right to acquire up to 80% of the project by spending US\$10M on exploration and evaluation expenses after this stage.

On 10 September 2024, the company commenced the transition of operatorship for its 50% joint venture (JV), Khuiten Metals Pte Ltd, with Zijin Mining Group Co. This transition was part of the original JV shareholders agreement. As part of this transition, the General Manager and Chairperson of Khuiten are now Zijin's nominees. The newly appointed General Manager is focused on developing the Feasibility Study plan and budget. There was no change in control. The JV Board still maintains 50% representation from both Xanadu and Zijin appointed directors.

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

**Matters subsequent to the end of the financial year**

On the 12 March 2025, the Company has published a notice of meeting for an Extraordinary General Meeting (EGM) to be held on 11 April 2025 to get an approval for the sale of half of its interest in the Khuiten Metals via exercise of the existing put option. This decision is subject to shareholder vote, and the EGM is scheduled for 11 April 2025. Based on the outcome of this vote, the company will be entitled to receive US\$25 million cash (approx. AU\$40 million), and would be received in May 2025.

On 8 January 2025, the Company completed the placement of 26,515,543 fully paid ordinary shares to Jinping (Singapore) Mining Pte Ltd, a wholly owned indirect subsidiary of Zijin Mining Group Co. Ltd (Zijin), at an issue price of A\$0.55 per share.

There is no matter or circumstance that has arisen since 31 December 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 year.

#### **Likely developments and expected results of operations**

Information on likely developments in the operations of the Company and the expected results of operations have been included in the MD&A. Xanadu intends to continue to invest and explore the projects described in this MD&A.

#### **Off balance sheet arrangements**

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

#### **Environmental regulation**

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

#### **Information on directors**

Name:

**Colin Moorhead**

Title:

Executive Chairman and Managing Director

Qualifications:

B.Sc (Hons) FAusIMM (CP) GAICD

Experience and expertise:

Mr. Moorhead is an experienced industry executive with a demonstrated track record of over three decades building value in mining companies through innovation, discovery, project development and safe, efficient operations. Mr Moorhead has extensive experience in development and financing significant mining projects internationally. He also has experience with global mining operations as well as experience in successful mergers and acquisitions.

A geologist by training, Mr Moorhead is known for strong leadership, strategy and execution that saw him rise through the ranks from a graduate with BHP in 1987 to an executive level manager responsible for global exploration and resource development at Newcrest Mining from 2008 to 2015, a period of significant growth for the company. Mr Moorhead has significant relevant experience as CEO of emerging Indonesian listed producer PT Merdeka Copper Gold Tbk from 2016 to 2018, where he built and led the team that constructed and commissioned the highly successful Tujuh Bukit Gold Mine.

Mr Moorhead is a Fellow, Chartered Professional and a Past President of AUSIMM, a graduate of AICD and Harvard Business School Advanced Management Program (AMP).

Other current directorships:

Aeris Resources (ASX: AIS)  
Ramelius Resources Limited (ASX: RMS)  
VHM Limited (ASX: VHM)

Former directorships (last 3 years):

Sihayo Gold Limited (delisted from ASX 14 August 2024)  
Coda Minerals Limited (ASX: COD) (resigned 30 April 2024)

Special responsibilities:

Member of the Audit and Risk Committee, Member of the Nomination and Remuneration Committee and Chair of the Safety, Health and Environment Committee

Interests in shares:

22,920,000

Interests in options:

14,520,000

Name: **Ganbayar Lkhagvasuren**  
Title: Executive Director  
Qualifications: M.IBL  
Experience and expertise: Mr Lkhagvasuren is a co-founder of Xanadu and has been a Director since 2006. He is the minority shareholder in Mongol Metals LLC and brings a vital Mongolian perspective to the Board of Directors.  
Other current directorships: None  
Former directorships (last 3 years): None  
Special responsibilities: Member of the Safety, Health and Environment Committee  
Interests in shares: 28,694,329  
Interests in options: 15,534,000

Name: **Michele Muscillo**  
Title: Independent Non-Executive Director  
Qualifications: LL.B  
Experience and expertise: Mr Muscillo is a Partner with HopgoodGanim Lawyers in Brisbane. He has practised exclusively in corporate law for the duration of his legal career and has extensive experience in mergers and acquisitions and capital markets transactions, including the negotiation of significant commercial contracts and agreements. Mr Muscillo has significant experience as a Non-Executive Director of resources companies, including taking junior exploration companies through the full life cycle from listing to major discovery to sale. His key areas of practice include Corporate Advisory and Governance, Mergers and Acquisitions, Capital Markets and Resources and Energy.

Other current directorships: Aeris Resources Limited (ASX:AIS)  
Former directorships (last 3 years): Mako Gold Limited (ASX:MKG) ( removed from ASX 6 February 2025 following compulsory acquisition)  
Special responsibilities: Chair of the Nomination and Remuneration Committee and Member of the Audit and Risk Committee  
Interests in shares: 9,059,981  
Interests in options: 4,260,000

Name: **Tony Pearson**  
Title: Non-Executive Director  
Qualifications: B.Com, MAICD  
Experience and expertise: Mr Pearson is an experienced international natural resources executive and company director. He is a Trustee of the Royal Botanical Gardens & Domain Trust and a Non-Executive Director of Communicare Inc., Possability Group Limited, Bloomfield Group (Big Ben Holdings P/L), and the Foundation and Friends of the Botanic Gardens (NSW). He was formerly a Commissioner at the Independent Planning Commission, and previously a group executive at TSX/HKEx listed South Gobi Resources, based in Hong Kong, where he was responsible for the company's corporate and strategic initiatives.

Mr Pearson also has over 15 years commercial and investment banking experience, covering the Asia Pacific natural resources industry, most recently as a Managing Director at HSBC.

Other current directorships: None  
Former directorships (last 3 years): Peak Resources Limited (ASX: PEK)  
Cellnet Group Limited (ASK: CLT)  
QEM Limited (ASX: QEM)  
Special responsibilities: Chair of the Audit and Risk Committee and Member of the Nomination and Remuneration Committee  
Interests in shares: 3,600,555  
Interests in options: 9,300,000

**Name:** **Shaoyang Shen**  
**Title:** Non-Executive Director  
**Qualifications:** Degree in Economy (Xiamen University), MBA (National University of Singapore), Master of Management & Professional Accounting (University of Toronto)  
**Experience and expertise:** Mr Shaoyang Shen is the Deputy President for Corporate Development & Overseas Operations of Zijin Mining Group. He has more than a dozen years of operations management and investment (M&A) experience in the mining industry. Prior to joining Zijin in 2014, he held senior executive positions with Silvercorp Metals Inc., including as COO of the company and Vice President for China Operations. He also served as a board member of Pretium Resources Inc. from 2015 to 2018, and as a Managing Director of Barrick New Niugini Limited from 2015 to 2019.  
**Other current directorships:** Zijin Mining Co. Ltd Group  
**Former directorships (last 3 years):** Nil  
**Interests in shares:** Nil  
**Interests in options:** Nil

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

**Company secretary**

**William Hundy**, B.Comm. LLB (UNSW), B.Sc (USYD), FGIA, FGC

Mr Hundy was appointed Company Secretary of Xanadu in January 2023. He is a lawyer and admitted as a solicitor of the Supreme Court of NSW. He has extensive background in corporate law, company secretarial practice, corporate governance, communications, compliance, risk management and insurance.

Previously, Mr Hundy served as Company Secretary of ASX listed companies Origin Energy Limited, Email Limited, Placer Pacific Limited, Kidston Gold Mines Limited and Oil Company of Australia Limited.

Mr Hundy is a Fellow of the Governance Institute of Australia, the Chartered Governance Institute and the Australian Institute of Company Directors.

**Meetings of directors**

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the period ended 31 December 2024, and the number of meetings attended by each director were:

	Full Board		Audit & Risk Committee		Nomination & Remuneration Committee		Safety, Health and Environment Committee	
	Attended	Held	Attended	Held	Attended	Held	Attended	Held
Colin Moorhead	11	11	5	5	3	3	1	1
Ganbayar Lkhagvasuren	10	11	-	-	-	-	1	1
Michele Muscillo	11	11	5	5	3	3	1	1
Tony Pearson	11	11	5	5	3	3	-	-
Shaoyang Shen	2	11	-	-	-	-	-	-

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

As at the date of this report the Company has a Safety, Health and Environment Committee, an Audit and Risk Committee and a Nomination and Remuneration Committee. Further details are set out in the Corporate Governance Statement on the Company's website at [www.xanadumines.com/site/about/corporate-governance](http://www.xanadumines.com/site/about/corporate-governance)

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### Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

### **Principles used to determine the nature and amount of remuneration**

Xanadu is a Mongolian-focused exploration company. Our strategy is to explore and develop our South Gobi porphyry copper and gold projects and other Mongolian focused leases into mineable deposits and build long-term value for shareholders by becoming the next internationally competitive mid-tier copper and gold company in Asia.

The Company's remuneration philosophy is to ensure that the level and composition of remuneration is competitive, reasonable and appropriate to attract, retain and motivate the directors and employees with the skills required to deliver on the Company's strategy. Our philosophy recognises the importance of people and a team approach.

Important attributes that impact on Xanadu's success are:

- exploration and safety excellence, dedication and persistence;
- understanding of Mongolia and a strong national team;
- ability to communicate exploration success in the public markets to attract capital and increase shareholder value; and
- adherence to good corporate governance principles.

When considering remuneration matters, the Nomination and Remuneration Committee reviews and recommends to the Board on matters of remuneration policy, specific recommendations in relation to senior management and all matters concerning equity plans and awards.

### **Executive Remuneration**

There are up to three categories of remuneration employed to reward employees depending on their role and responsibility within Xanadu:

- (1) Total Fixed Remuneration;
- (2) Short Term Incentive; and
- (3) Long Term Incentive.

The remuneration mix consists of fixed and variable or "at-risk" pay and of short and longer-term rewards.

#### *Total Fixed Remuneration ('TFR')*

TFR comprises base salary, any relevant allowances and statutory contributions that the Company is legally required to make in the local jurisdiction. TFR is set with reference to market data and will reflect the scope of the role and the size and activities of the Company.

TFR is reviewed annually as part of the performance appraisals undertaken in the fourth quarter of the calendar year (prior to finalisation of the following year's budget).

Within Mongolia, the term net and gross TFR is used. Net TFR is fixed remuneration net of all taxes including Personal Income Tax and Social Insurance Tax and the Company is responsible for paying these taxes. Gross TFR includes personal income tax but excludes employer social insurance tax. Within Australia, the term TFR is inclusive of personal income tax but excludes payroll tax.

*Variable or At-Risk Incentive Remuneration*

It is the Board's policy to deliver at-risk incentive remuneration to employees as both a Short-Term Incentive ('STI') and a Long-Term Incentive ('LTI'). The payment of STIs and LTIs are linked to achievement of agreed performance measures and establishes a variable remuneration arrangement that links short- and long-term performance with short- and longer-term rewards. Any equity awarded will be governed by the Xanadu Equity Incentive Plan ('Plan'), and if awarded to a Director, the award will be subject to shareholder approval.

The Plan was initially approved by shareholders at the 2020 Annual General Meeting, reapproved at the 23 December 2020 Extraordinary General Meeting and permits the granting of a number of styles of awards including Options and Share Rights to employees. The issue of securities under the Plan is subject to the Xanadu *Securities Trading Policy*. Shares issued may be acquired on-market, transferred or issued from the capital of the Company.

*Short Term Incentive ('STI')*

Xanadu has established the STI to achieve the following objectives:

- focus employees on the achievements of annual key safety, financial and business targets that the Board believes will lead to sustained and improved business performance; and
- reward and recognise superior performance, if achieved.

The incentive offered under the STI will vary depending upon individual performance against key performance indicators ('KPIs') and any discretion employed by the Board. KPIs for Chief Executive Officer ('CEO') and CEO's direct reports are approved by the Board upon recommendation from the Nomination and Remuneration Committee. KPIs for all other employees are approved by the CEO. Depending on the individual's position, KPIs will include a range of metrics including health and safety, exploration results, corporate governance, financial stewardship, risk management, business development and leadership. Payment of STIs can be cash or shares which is also at the discretion of the Board.

*Long Term Incentive ('LTI')*

The Board believes that an appropriately designed LTI is an important component of the Group's remuneration arrangements. The LTI is a key tool to allow the Group to attract and retain talented directors, executive and managers and ensure the interests of LTI participants are aligned with those of shareholders in creating long-term shareholder value.

The Board's policy is to design equity style awards as LTIs. The vesting of an LTI award is dependent on the achievement of longer-term objectives, including share price growth over a three-year performance period.

The current LTI program was approved by Shareholders at the Annual General Meeting ('AGM') on 30 July 2020 with additional vesting conditions approved by shareholders during the 23 December 2020 Extraordinary General Meeting ('EGM').

The LTI Program has 2 schemes, one scheme for Directors the Director Share Option Plan and one scheme for employees, the Employee Share Option Plan.

*Total Reward Mix - Executives*

As a guide, the proportion of remuneration attributable to each component of the Xanadu remuneration philosophy is dependent on the level of seniority of the employee. The target total reward mix on average is as follows:

	<b>Total fixed remuneration %</b>	<b>STI % of TFR</b>	<b>LTI * % of TFR</b>
CEO	100	50	-
CEO's Direct Reports	100	30	-

\* Xanadu's Executive LTI program does not vest on an annual basis. Please refer to the section titled Terms and Conditions for Director and KMP Options in this Remuneration Report.

The STI and LTI percentages of TFR are the target payable and the overall mix may vary depending on individual circumstances, legacy contracts and other benefits associated with expatriate allowances. The value of equity-based awards is determined at the time of grant using industry standard valuation techniques.

### **Non-Executive Remuneration**

The aggregate cash remuneration for Non-Executive Directors will not exceed the maximum approved amount of \$350,000. The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable by shareholders. Non-Executive Directors may also participate in the Plan if participation is approved by shareholders.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers fees paid and securities issued to Non-Executive Directors of comparable companies when undertaking the annual review as well as the time commitment of directors in discharging duties at Board, Committee work, and additional assistance provided to the Company. Currently, the Non-Executive Director base fee is \$60,000 per annum and a Committee Chairman receives \$10,000 per annum per committee.

Non-Executive Directors are encouraged by the Board to hold shares purchased on market in accordance with the Xanadu Securities Trading Policy. The Board considers that by holding shares in the Company, the Non-Executive Directors are aligning themselves with the best interests of the shareholders.

### **Details of remuneration**

#### *Amounts of remuneration*

Details of the remuneration of key management personnel of the Group are set out in the following tables.

The key management personnel of the Group consisted of the following directors of Xanadu Mines Ltd:

- Colin Moorhead
- Ganbayar Lkhagvasuren
- Michele Muscillo
- Tony Pearson
- Shaoyang Shen\*

And the following persons:

- Munkhsaikhan Dambiinyam (Chief Operating Officer)
- Spencer Cole (Chief Financial Officer)
- Andrew Stewart (Vice President of Geology)
- Mat Brown (Chief Geologist)\*\*

\* Shaoyang Shen was appointed to the Board to represent Zijin Mining Co on 10<sup>th</sup> March 2023. He receives remuneration from Zijin and is not entitled to any remuneration from Xanadu.

\*\* Whilst Mat Brown continues to consult across the Group's portfolio of exploration assets, Mat Brown is primarily a consultant of Khuiten Metals, which has been deconsolidated during the 2023 financial year. Therefore, whilst Mat Brown remains focused on the Kharmagtai development and his role has not changed, he is no longer a KMP of Xanadu Mines Limited and therefore does not form part of the KMP Remuneration Report for 2023 from 10 March 2023 (date of deconsolidation).

31 Dec 2024	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	
	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Michele Muscillo	70,000	-	-	-	-	207,416	277,416
Tony Pearson	62,922	-	-	7,078	-	116,151	186,151
Shaoyang Shen *	-	-	-	-	-	-	-
<i>Executive Directors:</i>							
Colin Moorhead	321,336	88,900	-	28,665	-	308,088	746,989
Ganbayar Lkhagvasuren	401,333	63,848	-	-	-	260,102	725,283
<i>Other Key Management Personnel:</i>							
Munkhsaikhan Dambiinyam	272,603	66,686	-	-	-	171,299	510,588
Spencer Cole	323,334	81,840	-	28,665	-	204,856	638,695
Andrew Stewart	336,335	49,166	-	28,665	-	223,293	637,459
	<b>1,787,863</b>	<b>350,440</b>	<b>-</b>	<b>93,073</b>	<b>-</b>	<b>1,491,205</b>	<b>3,722,581</b>

31 Dec 2023	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	
	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Michele Muscillo	70,000	-	-	-	-	94,467	164,467
Tony Pearson	63,206	-	-	6,794	-	106,929	176,929
Shaoyang Shen *	-	-	-	-	-	-	-
<i>Executive Directors:</i>							
Colin Moorhead	219,997	83,600	-	-	-	301,499	605,096
Ganbayar Lkhagvasuren	403,613	90,631	-	-	-	278,832	773,076
<i>Other Key Management Personnel:</i>							
Munkhsaikhan Dambiinyam	274,152	65,049	-	-	-	199,099	538,300
Spencer Cole	325,653	84,427	-	26,347	-	242,131	678,558
Andrew Stewart	338,653	79,004	-	26,348	-	289,215	733,220
Mat Brown**	56,000	-	-	-	-	-	56,000
	<b>1,751,274</b>	<b>402,711</b>	<b>-</b>	<b>59,489</b>	<b>-</b>	<b>1,512,172</b>	<b>3,725,646</b>

\* Shaoyang Shen was appointed to the Board to represent Zijin Mining Co on 10<sup>th</sup> March 2023. He receives remuneration from Zijin and is not entitled to any remuneration from Xanadu.

\*\* Whilst Mat Brown continues to consult across the Group's portfolio of exploration assets, Mat Brown is primarily a consultant of Khuiten Metals, which has been deconsolidated during the 2023 financial year. Therefore, whilst Mat Brown remains focused on the Kharmagtai development and his role has not changed, he is no longer a KMP of Xanadu Mines Limited and therefore does not form part of the KMP Remuneration Report for 2023 from 10 March 2023 (date of deconsolidation).

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	31 Dec 2024	31 Dec 2023	31 Dec 2024	31 Dec 2023	31 Dec 2024	31 Dec 2023
<i>Non-Executive Directors:</i>						
Michele Muscillo	25%	43%	-	-	75%	57%
Tony Pearson	38%	40%	-	-	62%	60%
Shaoyang Shen	-	-	-	-	-	-
<i>Executive Directors:</i>						
Colin Moorhead	47%	36%	12%	14%	41%	50%
Ganbayar Lkhagvasuren	55%	52%	9%	12%	36%	36%
<i>Other Key Management Personnel:</i>						
Munkhsaikhan Dambiinyam	53%	51%	13%	12%	34%	37%
Spencer Cole	55%	52%	13%	12%	32%	36%
Andrew Stewart	57%	50%	8%	11%	35%	39%

#### Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name: Colin Moorhead  
Title: Executive Chairman and Managing Director  
Details: Mr Moorhead's fixed remuneration is an annual salary package of A\$350,000 including compulsory taxes and social insurance applicable. His annual package increased in January 2024 from A\$220,000 to A\$350,000 (inclusive of superannuation) in line with the variation of contract in conjunction with an increase in hours. In the event of Mr Moorhead's employment being terminated other than in the case of misconduct, Mr Moorhead must give a minimum of 6 months' notice prior to termination, and the Company must give 9 months' notice prior to termination. The Company may, at its discretion, provide Mr Moorhead with payment of fixed remuneration in whole or in part in lieu of notice. For the avoidance of doubt, the Company's right to make such a payment does not give Mr Moorhead any right to receive such a payment.

Name: Ganbayar Lkhagvasuren  
Title: Executive Director  
Details: Mr Lkhagvasuren's fixed remuneration is an annual salary package of US\$265,000 including compulsory taxes and social insurance applicable as an employee in Mongolia. In the event of Mr Lkhagvasuren's employment being terminated other than in the case of misconduct, Mr Lkhagvasuren must give a minimum of 6 months' notice prior to termination, and the Company must give 9 months' notice prior to termination. The Company may, at its discretion, provide Mr Lkhagvasuren with payment of fixed remuneration in whole or in part in lieu of notice. For the avoidance of doubt, the Company's right to make such a payment does not give Mr Lkhagvasuren any right to receive such a payment.

Name: Munkhsaikhan Dambiinyam  
Title: Chief Operating Officer  
Details: Mr Dambiinyam's fixed remuneration is an annual salary package of US\$180,000 including compulsory taxes and social insurance applicable as an employee in Mongolia. His annual package was increased to this amount from US\$167,000 in March 2023. In the event of termination of Mr Dambiinyam's employment other than in the case of misconduct, Mr Dambiinyam must give a minimum of 6 months' notice prior to termination, and the Company must give 6 months' notice prior to termination. The Company may, at its discretion, provide Mr Dambiinyam with payment of fixed remuneration in whole or in part in lieu of notice. For the avoidance of doubt, the Company's right to make such a payment does not give Mr Dambiinyam any right to receive such a payment.

Name: Spencer Cole  
Title: Chief Financial Officer and Chief Development Officer  
Details: Mr Cole's fixed remuneration is an annual salary package of A\$352,000 including superannuation and any applicable taxes withheld. In the event of termination of Mr Cole's employment other than in the case of misconduct, the executive must give a minimum of 6 months' notice prior to termination, and the Company must give 6 months' notice prior to termination. The Company may, at its discretion, provide Mr Cole with payment of fixed remuneration in whole or in part in lieu of notice. For the avoidance of doubt, the Company's right to make such a payment does not give Mr Cole any right to receive such a payment.

Name: Andrew Stewart  
Title: Vice President of Exploration  
Details: Dr Stewart's fixed remuneration is an annual salary package of A\$365,000 including superannuation and any applicable taxes withheld. In the event of termination of Dr Stewart's employment other than in the case of misconduct, the executive must give a minimum of 6 months' notice prior to termination, and the Company must give 6 months' notice prior to termination. The Company may, at its discretion, provide Dr Stewart with payment of fixed remuneration in whole or in part in lieu of notice. For the avoidance of doubt, the Company's right to make such a payment does not give Dr Stewart any right to receive such a payment.

Name: Mat Brown  
Title: Chief Geologist  
Details: Mr Brown's remuneration is based on a daily contract rate of A\$1,500, excluding GST, paid exclusively for days worked. In the event of termination of Mr Brown's contract other than in the case of misconduct, the executive must give 30 days' notice prior to termination, and the Company must give 30 days' notice prior to termination. Mr Brown is eligible to participate in incentive plans at the discretion of the Board.

Whilst Mat Brown is a KMP to the Xanadu Group and continues to consult across the Group's portfolio of exploration, during the 2024 financial year Mat was focused on the Kharmagtai development which is reported under the Khuiten Metals Joint Venture. Therefore, he does not form part of the KMP Remuneration Report for 2024.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

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**Share-based compensation**

*Issue of shares*

Details of shares issued to directors and other key management personnel as part of compensation during the year ended 31 December 2024 are set out below.

Name	Date	Shares	Issue Price	\$
Michele Muscillo	16 Dec 2024	5,040,000	\$0.00	-
Tony Pearson	6 Dec 2024	1,040,000	\$0.00	-
Colin Moorhead	17 Dec 2024	14,080,000	\$0.00	-
Ganbayar Lkhagvasuren	16 Dec 2024	12,136,000	\$0.00	-
Munkhsaikhan Dambiinyam	16 Dec 2024	7,200,000	\$0.00	-
Spencer Cole	16 Dec 2024	9,864,000	\$0.00	-
Andrew Stewart	16 Dec 2024	10,216,000	\$0.00	-
<b>TOTAL</b>		<b>59,576,000</b>		

These shares were issued on the exercise of options.

*Options*

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Name *	Number of options granted **	Grant date	Vesting date and exercisable date	Expiry date	Fair value per option at grant date
<b>Non-Executive Director Options</b>					
Michele Muscillo	3,150,000	07 Feb 2023	30 May 2024	28 Feb 2029	\$0.025
Michele Muscillo	3,150,000	07 Feb 2023	10 Sep 2024	28 Feb 2029	\$0.023
Michele Muscillo	3,000,000	23 May 2024	31 May 2026	23 May 2030	\$0.070
Tony Pearson	3,150,000	07 Feb 2023	30 May 2024	28 Feb 2029	\$0.025
Tony Pearson	3,150,000	07 Feb 2023	10 Sep 2024	28 Feb 2029	\$0.023
Tony Pearson	3,000,000	23 May 2024	31 May 2026	23 May 2030	\$0.070
<b>Executive Director Options</b>					
Colin Moorhead	17,600,000	07 Feb 2023	10 Sep 2024	28 Feb 2029	\$0.023
Colin Moorhead	6,000,000	20 Sep 2022	30 Sep 2024	21 Jan 2031	\$0.022
Colin Moorhead	5,000,000	23 May 2024	31 May 2026	23 May 2030	\$0.070
Ganbayar Lkhagvasuren***	500,000	21 Jan 2021	30 June 2025	21 Jan 2027	\$0.036
Ganbayar Lkhagvasuren***	1,000,000	21 Jan 2021	30 June 2025	21 Jan 2027	\$0.036
Ganbayar Lkhagvasuren***	1,500,000	21 Jan 2021	30 June 2025	21 Jan 2027	\$0.036
Ganbayar Lkhagvasuren***	1,500,000	21 Jan 2021	30 June 2025	21 Jan 2027	\$0.036
Ganbayar Lkhagvasuren***	4,000,000	21 Jan 2021	30 June 2025	21 Jan 2027	\$0.036
Ganbayar Lkhagvasuren	15,170,000	07 Feb 2023	10 Sep 2024	28 Feb 2029	\$0.023
Ganbayar Lkhagvasuren	4,000,000	23 May 2024	31 May 2026	23 May 2030	\$0.070
<b>Management Options</b>					
Munkhsaikhan Dambiinyam***	500,000	21 Jan 2021	30 June 2025	21 Jan 2027	\$0.036
Munkhsaikhan Dambiinyam***	1,000,000	21 Jan 2021	30 June 2025	21 Jan 2027	\$0.036
Munkhsaikhan Dambiinyam***	1,500,000	21 Jan 2021	30 June 2025	21 Jan 2027	\$0.036
Munkhsaikhan Dambiinyam***	1,500,000	21 Jan 2021	30 June 2025	21 Jan 2027	\$0.036
Munkhsaikhan Dambiinyam***	4,000,000	21 Jan 2021	30 June 2025	21 Jan 2027	\$0.036
Munkhsaikhan Dambiinyam	9,000,000	07 Feb 2023	10 Sep 2024	28 Feb 2029	\$0.022
Munkhsaikhan Dambiinyam	4,000,000	23 May 2024	31 May 2027	23 May 2030	\$0.070
Andrew Stewart***	750,000	21 Jan 2021	30 June 2025	21 Jan 2027	\$0.036
Andrew Stewart***	1,500,000	21 Jan 2021	30 June 2025	21 Jan 2027	\$0.036
Andrew Stewart***	2,250,000	21 Jan 2021	30 June 2025	21 Jan 2027	\$0.036
Andrew Stewart***	2,250,000	21 Jan 2021	30 June 2025	21 Jan 2027	\$0.036
Andrew Stewart***	6,000,000	21 Jan 2021	30 June 2025	21 Jan 2027	\$0.036
Andrew Stewart***	12,770,000	07 Feb 2023	10 Sep 2024	28 Feb 2029	\$0.022
Andrew Stewart	4,000,000	23 May 2024	31 May 2027	23 May 2030	\$0.070
Spencer Cole***	500,000	21 Jan 2021	30 June 2025	21 Jan 2027	\$0.036
Spencer Cole***	1,000,000	21 Jan 2021	30 June 2025	21 Jan 2027	\$0.036
Spencer Cole***	1,500,000	21 Jan 2021	30 June 2025	21 Jan 2027	\$0.036
Spencer Cole***	1,500,000	21 Jan 2021	30 June 2025	21 Jan 2027	\$0.036
Spencer Cole***	4,000,000	21 Jan 2021	30 June 2025	21 Jan 2027	\$0.036
Spencer Cole	12,330,000	07 Feb 2023	10 Sep 2024	28 Feb 2029	\$0.022
Spencer Cole	4,000,000	23 May 2024	31 May 2027	23 May 2030	\$0.070

\* Colin Moorhead options were granted to Invia Custodian Pty Limited [CF & AC Moorhead S/F A/C], a nominated beneficiary

Michele Muscillo options were granted to Mrs Carmel Muscillo, a nominated beneficiary

Tony Pearson options were granted to Ciao! Punto Pty Ltd ATF Ciao! Punto Family Trust, a nominated beneficiary

Andrew Stewart options were granted to a L Stewart Family Pty Ltd ATF Stewart Family Trust, a nominated beneficiary

Spencer Cole options were granted to Sierra Pacific Consulting Pty Ltd ATF Sierra Pacific Trust, a nominated beneficiary

\*\* All options have a zero exercise price.

\*\*\* Based on reassessment, management determined the new vesting date of these options is 30 June 2025

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Options granted carry no dividend or voting rights.

The Xanadu Long Term Incentive ('LTI') plan was approved by Shareholders during the 30 July 2020 Annual General Meeting, with additional vesting conditions approved by shareholders during the 23 December 2020 Extraordinary General Meeting and re-approved at the Extraordinary General Meeting held on 7 February 2023. The Company issued the options under this LTI plan during 2024.

Full conditions of this LTI plan are contained within the Notice of Meeting for the December 2020 EGM which is available on the Xanadu website and via ASX.

**Terms and Conditions for Director and KMP Options** (All options have zero exercise price)

Tranche	Vesting conditions	Vesting period (years)	Grant date	Vesting date	Expiry date	Number of options granted	Option value \$	Fair value per option at grant date \$
<b>Non-Executive Director options</b>								
F	Retention on employment <sup>(1)</sup>	3.3	17/06/21	30/09/24	30/06/25	1,140,000	41,040	0.036
Feb 23	The satisfaction of one of: Performance criteria <sup>(10)</sup> , Retention on employment <sup>(11)</sup> Share price hurdle <sup>(12)</sup>	1.3	07/02/23	30/05/24	28/02/29	6,300,000	157,500	0.025
Feb 23	The satisfaction of one of: Performance criteria <sup>(10)</sup> , Retention on employment <sup>(11)</sup> Share price hurdle <sup>(12)</sup>	1.7	07/02/23	10/09/24	28/02/29	6,300,000	144,900	0.023
May 24	Performance criteria <sup>(14)</sup>	2.0	23/05/24	31/05/26	23/05/30	6,000,000	420,000	0.070
Total Non-Executive Director options						<b>19,740,000</b>	<b>763,440</b>	
<b>Executive Director and Management options</b>								
A	Performance criteria <sup>(2)</sup> Share price hurdle <sup>(6)</sup> Retention on employment <sup>(8)</sup> Change of control event <sup>(9)</sup>	3.7	21/01/21	30/06/25	21/01/27	2,250,000	81,000	0.036
B	Performance criteria <sup>(3)</sup> Share price hurdle <sup>(6)</sup> Retention on employment <sup>(8)</sup> Change of control event <sup>(9)</sup>	3.7	21/01/21	30/06/25	21/01/27	4,500,000	162,000	0.036
C	Performance criteria <sup>(4)</sup> Share price hurdle <sup>(6)</sup> Retention on employment <sup>(8)</sup> Change of control event <sup>(9)</sup>	3.7	21/01/21	30/06/25	21/01/27	6,750,000	243,000	0.036
D	Performance criteria <sup>(5)</sup> Share price hurdle <sup>(6)</sup> Retention on employment <sup>(8)</sup> Change of control event <sup>(9)</sup>	3.7	21/01/21	30/06/25	21/01/27	6,750,000	243,000	0.036
E	Performance criteria <sup>(7)</sup> Share price hurdle <sup>(7)</sup> Retention on employment <sup>(8)</sup> Change of control event <sup>(9)</sup>	3.7	21/01/21	30/06/25	21/01/27	18,000,000	648,000	0.036
Sep 22	The satisfaction of one of: Performance criteria <sup>(10)</sup> , Retention on employment <sup>(11)</sup> Share price hurdle <sup>(12)</sup>	2.0	20/09/22	30/09/2024	21/01/31	6,000,000	117,420	0.020
Feb 23	The satisfaction of one of: Performance criteria <sup>(10)</sup> , Retention on employment <sup>(11)</sup> Share price hurdle <sup>(12)</sup>	1.6	07/02/23	10/09/24	28/02/29	32,770,000	735,710	0.023
Feb 23	The satisfaction of one of: Performance criteria <sup>(10)</sup> , Retention on employment <sup>(11)</sup> Share price hurdle <sup>(12)</sup>	1.6	07/02/23	10/09/24	28/02/29	34,100,000	784,300	0.023
May 24	Performance criteria <sup>(13)</sup> Performance criteria <sup>(14)</sup>	2.0	23/05/24	31/05/26	23/05/30	9,000,000	630,000	0.070
May 24	Performance criteria <sup>(13)</sup> Performance criteria <sup>(14)</sup>	2.0	23/05/24	31/05/27	23/05/30	12,000,000	840,000	0.070
Total Executive Director and Management options						<b>132,120,000</b>	<b>4,484,430</b>	

- (1) All Non-Executive Director ('NED') options have a term of 18 months after vesting. If a NED leaves the Board the options will vest on a pro-rata basis.
- (2) Approval by Government of Mongolia to progress exploration at Yellow Mountain, or replacement by the Company of Yellow Mountain with new prospective ground in the portfolio.
- (3) Discovery at Red Mountain of a pre-JORC >60Mt @0.6% CuEq, confirmed as a highly prospective discovery by an Independent Competent Person review.
- (4) Define a JORC compliant Mineral Resource Estimate >1000Mt @ 0.5% CuEq at Kharmagtai with an accompanying Independent Competent Person sign-off.
- (5) Where there is publicly announced any proposal in relation to the Company which the Board reasonably believes may lead to a Shareholder Liquidity Event taking the form of:
  - Kharmagtai sale as an asset with >1Bt JORC Mineral Resource Estimate;
  - Xanadu company sale (or JV at least 30%) at >5% premium to market;
  - Kharmagtai JV, funding at least 50% through to PFS.
- (6) The volume weighted average market price of the Company's shares calculated over 10 consecutive days on which sales in the shares of the Company were recorded (10-day VWAP) after the date on which the Performance Criteria for this Tranche of Executive Options is satisfied has been at least \$0.18 per share.
- (7) The 10-day VWAP after the date on which the Performance Criteria for this Tranche of Executive Options is satisfied has been at least \$0.28 per share.
- (8) Remains in continuous employment for two years from 30 July 2020 to 30 July 2022.
- (9) A change of control event is defined as a publicly announced proposal under which the Company enters into a scheme of arrangement, commencement of a bid period, or a person or group has sufficient shares in the Company to replace all or a majority of Directors. Under a change of control event, all shares will immediately vest.
- (10) Delivery of a satisfactory pre-feasibility study for the Kharmagtai Copper – Gold Project which supports a JORC Code, 2012 compliant Ore Reserve or NI 43-101 compliant Mineral Reserve with:
  - a life of mine of at least 20 years (using economic input parameters consistent with the Scoping Study conducted by the Company dated 6 April 2022 and the NI43-101 Preliminary Economic Assessment Technical Report prepared by the Company dated 20 June 2022);
  - an internal rate of return of at least 20%; and
  - a payback period of less than 6 years
- (11) Remaining continuously employed or engaged with the Company (or any related body corporate) for a period of:
  - in the case of the Executive Director Options - three years commencing from the date of the offer letter issued to the Director for the Executive Director Options; or
  - in the case of the Non-Executive Director Options – 18 months continuous service (first tranche of 50% of the Non-Executive Director Options) and three years continuous service (second tranche of 50% of the Non-Executive Director Options) from the date of the offer letter issued to the Director for the Non-Executive Director Options
- (12) The 5-day VWAP of the Company's shares is higher than the share price as determined by the VWAP of issued securities of the Company calculated over 10 consecutive days on which sales in the shares of the Company were recorded commencing on 1 December 2022 (\$0.027 per share)
- (13) An expansion of the Company's non-Kharmagtai portfolio to at least 4 projects in Mongolia and the surrounding region, which projects must be judged by the Board, supported by independent third-party advice, to have strong potential for a material new discovery
- (14) The achievement of a significant discovery at one of the non-Kharmagtai projects aligned to Xanadu Tollgate 3 Discovery, defined as 3x economic drill intercepts, leading to an ASX published exploration target capable of production >=100koz per annum gold equivalent,

#### *Performance rights*

Other than the zero exercise price options outlined above, the Company has not granted any performance rights over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 31 December 2024.

**Additional information**

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

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

	2020	2021	2022	2023	2024
Share price at financial year end (\$)	0.038	0.029	0.030	0.059	0.049
Basic loss per share (cents per share)	(0.33)	(0.77)	(0.33)	(0.47)	(0.43)
Diluted loss per share (cents per share)	(0.33)	(0.77)	(0.33)	(0.47)	(0.43)

**Additional disclosures relating to key management personnel**

*Shareholding*

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Exercise of Options	Purchase/ disposal on Open Market	Balance at the end of the year
ORDINARY SHARES	1 Jan 2024				31 Dec 2024
Colin Moorhead	8,840,000	-	14,080,000	-	22,920,000
Andrew Stewart	4,931,292	-	10,216,000	-	15,147,292
Ganbayar Lkhagvasuren	16,558,329	-	12,136,000	-	28,694,329
Michele Muscillo	4,019,981	-	5,040,000	-	9,059,981
Tony Pearson	2,460,555	-	1,140,000	-	3,600,555
Munkhsaikhan Dambiinyam	1,478,578	-	7,200,000	-	8,678,578
Spencer Cole	375,000	-	9,864,000	-	10,239,000
Mat Brown	1,053,199	-	-	-	1,053,199
	<b>39,716,934</b>	<b>-</b>	<b>59,676,000</b>	<b>-</b>	<b>99,392,934</b>

*Option holding*

The number of options over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
OPTIONS OVER ORDINARY SHARES	1 Jan 2024				31 Dec 2024
Colin Moorhead	23,600,000	5,000,000	(14,080,000)	-	14,520,000
Andrew Stewart	25,520,000	4,000,000	(10,216,000)	-	19,304,000
Ganbayar Lkhagvasuren	23,670,000	4,000,000	(12,136,000)	-	15,534,000
Michelle Muscillo	6,300,000	3,000,000	(5,040,000)	-	4,260,000
Tony Pearson	7,440,000	3,000,000	(1,140,000)	-	9,300,000
Munkhsaikhan Dambiinyam	17,500,000	4,000,000	(7,200,000)	-	14,300,000
Spencer Cole	20,830,000	4,000,000	(9,864,000)	-	14,966,000
	<b>124,860,000</b>	<b>27,000,000</b>	<b>(59,676,000)</b>	<b>-</b>	<b>92,184,000</b>

***This concludes the remuneration report, which has been audited.***

**Shares under option**

Unissued ordinary shares of Xanadu Mines Ltd under option at the date of this report are as follows:

<b>Grant date</b>	<b>Expiry date</b>	<b>Exercise price</b>	<b>Number under option</b>
21 January 2021	21 January 2027	\$0.000	3,834,000
07 February 2023	28 February 2029	\$0.000	61,350,000
23 May 2024	23 May 2030	\$0.000	27,000,000
			<b>92,184,000</b>

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

**Shares under share rights**

There were no unissued ordinary shares of Xanadu Mines Ltd under share rights outstanding at the date of this report.

**Shares issued on the exercise of options**

There were no fully paid ordinary shares issued on the exercise of options of Xanadu Mines Ltd during the year ended 31 December 2024 and up to the date of this report.

**Indemnity and insurance of officers**

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid an insurance premium in respect of a contract to insure the Directors and Executives of the Company (as named in the Remuneration Report) against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

**Indemnity and insurance of auditor**

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

**Proceedings on behalf of the Company**

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

**Non-audit services**

There were no non-audit services provided during the financial year by the auditor.

**Officers of the Company who are former partners of Ernst & Young**

There are no officers of the Company who are former partners of Ernst & Young.

**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.

**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.

**Auditor**

Ernst & Young continues in office in accordance with section 327 of the Corporations Act 2001.

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**Xanadu Mines Ltd**  
**Directors' report**  
**31 December 2024**

XANADU MINES

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



---

Colin Moorhead  
Chairman

31 March 2025

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### Auditor's independence declaration to the directors of Xanadu Mines Limited

As lead auditor for the audit of the financial report of Xanadu Mines Limited for the financial year ended 31 December 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 audit;
- No contraventions of any applicable code of professional conduct in relation to the audit; and
- No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

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

  
Ernst & Young

  
Siobhan Hughes  
Partner  
31 March 2025

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**Xanadu Mines Ltd**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 31 December 2024**

XANADU MINES

	Note	Consolidated 31 Dec 2024 \$'000	31 Dec 2023 \$'000
<b>Other income</b>			
Other income	5	2,836	3,013
Gain on deconsolidation of subsidiary	6	-	1,155
<b>Expenses</b>			
Other expenses	7	(6,297)	(7,670)
Share-based payments expense	32	(1,491)	(1,523)
Depreciation and amortisation expense		(75)	(64)
Loss on disposal of assets		(59)	-
Deferred exploration and evaluation costs written off		(57)	-
Finance costs		(30)	(77)
Share of loss of a joint venture	11	(1,803)	(2,412)
<b>Loss before income tax expense</b>		(6,976)	(7,578)
Income tax expense	8	-	-
<b>Loss after income tax expense for the year attributable to the owners of Xanadu Mines Ltd</b>	19	(6,976)	(7,578)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		263	(329)
Foreign currency translation reclassified to profit or loss		-	12,508
Share of other comprehensive gain/(loss) of a joint venture		4,198	(18)
Other comprehensive income for the year, net of tax		4,461	12,161
<b>Total comprehensive income for the year attributable to the owners of Xanadu Mines Ltd</b>		<u>(2,515)</u>	<u>4,583</u>

		Cents	Cents
Basic earnings per share	31	(0.40)	(0.47)
Diluted earnings per share	31	(0.40)	(0.47)

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

**Xanadu Mines Ltd**  
**Consolidated statement of financial position**  
**As at 31 December 2024**

XANADU MINES

		Consolidated	
	Note	31 Dec 2024 \$'000	31 Dec 2023 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	6,162	7,324
Other receivables	10	182	506
Total current assets		<u>6,344</u>	<u>7,830</u>
<b>Non-current assets</b>			
Investments accounted for using the equity method	11	54,958	50,608
Deposit		254	-
Property, plant and equipment	12	151	212
Right-of-use assets	13	339	271
Deferred exploration and evaluation expenditure	14	9,273	7,193
Total non-current assets		<u>64,975</u>	<u>58,284</u>
<b>Total assets</b>		<b><u>71,319</u></b>	<b><u>66,114</u></b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	15	989	1,481
Employee benefits		194	107
Lease liabilities	16	80	61
Total current liabilities		<u>1,263</u>	<u>1,649</u>
<b>Non-current liabilities</b>			
Employee benefits		30	62
Lease liabilities	16	171	134
Total non-current liabilities		<u>201</u>	<u>196</u>
<b>Total liabilities</b>		<u>1,464</u>	<u>1,845</u>
<b>Net assets</b>		<b><u>69,855</u></b>	<b><u>64,269</u></b>
<b>Equity</b>			
Issued capital	17	169,693	163,083
Reserves	18	11,286	5,334
Accumulated losses	19	(111,124)	(104,148)
<b>Total equity</b>		<b><u>69,855</u></b>	<b><u>64,269</u></b>

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



**Xanadu Mines Ltd**  
**Consolidated statement of changes in equity**  
**For the year ended 31 December 2024**

XANADU MINES

<b>31 December 2023</b>	<b>Issued capital</b>	<b>Foreign currency translation reserve</b>	<b>Share-based payments reserves</b>	<b>Transactions with owners reserve</b>	<b>Accumulated losses</b>	<b>Non-controlling interest</b>	<b>Total equity</b>
<b>Consolidated</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
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 year	-	-	-	-	(7,578)	-	(7,578)
Other comprehensive income for the year, net of tax	-	12,242	-	-	-	(81)	12,161
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>12,242</b>	<b>-</b>	<b>-</b>	<b>(7,578)</b>	<b>(81)</b>	<b>4,583</b>
Contributions of equity, net of transaction costs (note 17)	11,412	-	-	-	-	-	11,412
Share-based payments expensed (note 32)	-	-	1,523	-	-	-	1,523
Loss of control in a subsidiary	-	-	-	-	-	(3,158)	(3,158)
<b>Balance at 31 December 2023</b>	<b>163,083</b>	<b>(6,588)</b>	<b>12,459</b>	<b>(537)</b>	<b>(104,148)</b>	<b>-</b>	<b>64,269</b>

<b>31 December 2024</b>	<b>Issued capital</b>	<b>Foreign currency translation reserve</b>	<b>Share-based payments reserves</b>	<b>Transactions with owners reserve</b>	<b>Accumulated losses</b>	<b>Non-controlling interest</b>	<b>Total equity</b>
<b>Consolidated</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Balance at 1 January 2024	163,083	(6,588)	12,459	(537)	(104,148)	-	64,269
Loss after income tax expense for the year	-	-	-	-	(6,976)	-	(6,976)
Other comprehensive income for the year, net of tax	-	4,461	-	-	-	-	4,461
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>4,461</b>	<b>-</b>	<b>-</b>	<b>(6,976)</b>	<b>-</b>	<b>(2,515)</b>
Contributions of equity, net of transaction costs (note 17)	6,610	-	-	-	-	-	6,610
Share-based payments expensed (note 32)	-	-	1,491	-	-	-	1,491
<b>Balance at 31 December 2024</b>	<b>169,693</b>	<b>(2,127)</b>	<b>13,950</b>	<b>(537)</b>	<b>(111,124)</b>	<b>-</b>	<b>69,855</b>

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

**Xanadu Mines Ltd**  
**Consolidated statement of cash flows**  
**For the year ended 31 December 2024**

XANADU MINES

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 Dec 2024</b>	<b>31 Dec 2023</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(6,299)	(6,672)
Receipts from joint venture		2,714	3,004
Interest received		122	9
Interest and other finance costs paid		(30)	(77)
Net cash used in operating activities	30	(3,493)	(3,736)
<b>Cash flows from investing activities</b>			
Payments for investments - Khuiten Metals JV	11	(1,955)	-
Payments pursuant to St Tolgoi Farm-in Agreement		(254)	-
Payments for property, plant and equipment	12	(2)	(66)
Payments for exploration and evaluation expenditure	14	(1,972)	(220)
Net cash used in investing activities		(4,183)	(286)
<b>Cash flows from financing activities</b>			
Net proceeds from issue of shares		6,610	11,412
Repayment of lease liabilities	16	(96)	(127)
Net cash from financing activities		6,514	11,285
Net increase/(decrease) in cash and cash equivalents		(1,162)	7,263
Cash and cash equivalents at the beginning of the financial year		7,324	61
Cash and cash equivalents at the end of the financial year	9	6,162	7,324

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

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**Xanadu Mines Ltd**  
**Notes to the consolidated financial statements**  
**31 December 2024**

XANADU MINES

**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 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 Tughrik ('MNT').

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 27 March 2025.

**Note 2. Material accounting policy information**

The accounting policies that are material to the Group are set out below. The accounting policies adopted are consistent with those of the previous financial year, 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, namely amendments to *AASB 101 Presentation of Financial Statements*.

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

At the date of authorisation of these consolidated financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the AASB. None of these Standards or amendments to existing Standards have been adopted early by the Group and no Interpretations have been issued that are applicable and need to be taken into consideration by the Group at either reporting date. Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's consolidated financial statements.

**Going concern**

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

The Group has incurred a net loss after tax of \$6,976,000 (31 Dec 2023: \$7,578,000) and net cash outflows from operations of \$3,493,000 (31 Dec 2023: \$3,736,000) for the year ended 31 December 2024. At 31 December 2024, cash and cash equivalents were \$6,162,000 (31 Dec 2023: \$7,324,000). The Group is in the exploration stage and does not generate operating cash inflows, consequently 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 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 was paid by Zijin directly into the Kharmagtai project joint venture ("Khuiten") and is to be used to fund this project through to completion of the pre-feasibility stage and decision to mine.

By September 2024, the full US\$35m has been spent by Khuiten to complete a pre-feasibility study. Xanadu is now at a critical decision making point in terms of whether the Company stays in the Kharmagtai project (via Khuiten) or sells down/out. The next step is a bankable feasibility study which will require significant additional capital.

**Note 2. Material accounting policy information (continued)**

Currently, Xanadu is actively investigating various funding options to secure its portion of the financial requirements for the Kharmagtai project. However, since the specific funding arrangements have not yet been finalised, Xanadu's assessment has been carried out based on the current state of affairs and, could change depending on the decisions made regarding funding of the Khuiten investment.

During the financial year, Xanadu successfully completed a series of capital raisings, totalling \$6,610,000 net of capital raising costs (year ended 31 December 2023: \$11,769,000).

In the Director's opinion, at the date of signing these financial statements, the going concern basis of preparation remains appropriate. Whilst the Group has cash on hand at 31 December 2024, given the Group is an exploration company, and by definition does not generate revenue, the 12 month cash flow prepared by management reflects this, and a material uncertainty exists that may cast significant doubt on the on the Group's ability to maintain a positive cash position over the coming 12 months. The company will need to fund ongoing corporate operating and administrative costs, and at the Group's election exploration at the Red Mountain project and Sant Tolgoi project in order to continue as a going concern.

The Directors 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 in varying market conditions;
- raising capital in debt markets based on the results of the Kharmagtai PFS outcomes if Xanadu does not sell all its interest in Khuiten;
- exercise of the put option present (refer note 29) whereby Xanadu can divest 50% or 100% of its interest in Khuiten in exchange for US\$25m or US\$50m respectively, and
- deferral of discretionary corporate operating and administrative costs and exploration expenditures; and

Accordingly, the Directors have reasonable grounds to believe at the date of signing these financial statements 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 statements.

**Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

*Historical cost convention*

The financial statements have been prepared under the historical cost convention, except for certain classes of property, plant and equipment.

*Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

**Parent entity information**

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 27.

**Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Xanadu Mines Ltd ('Company' or 'parent entity') as at 31 December 2024 and the results of all subsidiaries for the year then ended. Xanadu Mines Ltd and its subsidiaries together are referred to in these financial statements as the 'Group'.

**Note 2. Material accounting policy information (continued)**

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

**Operating segments**

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

**Foreign currency translation**

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 Tughrik ('MNT').

*Foreign currency transactions*

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

*Foreign operations*

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

**Revenue recognition**

*Interest income*

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

*Other income*

Other income is recognised when it is received or when the right to receive payment is established.

**Income tax**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

**Note 2. Material accounting policy information (continued)**

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

**Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no right at the end of the reporting period to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

**Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**Joint ventures**

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Income earned from joint venture entities reduce the carrying amount of the investment.

**Property, plant and equipment**

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

**Note 2. Material accounting policy information (continued)**

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment	2-10 years
Motor vehicles	10 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Property, plant and equipment is subject to impairment or adjusted for any remeasurement of value.

**Right-of-use assets**

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

**Deferred exploration and evaluation assets**

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

Costs carried forward in respect of an area of interest that is abandoned are written off in the year in which the decision to abandon is made. Costs on productive areas are amortised over the life of the area of interest to which such costs relate on the production output basis.

**Impairment of deferred exploration and evaluation assets**

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has significant uncertainty regarding its value, the uncertain recoverability is impaired in the year in which the decision is made.

**Impairment of non-financial assets**

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

**Note 2. Material accounting policy information (continued)**

**Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

**Lease liabilities**

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

**Finance costs**

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

**Employee benefits**

*Short-term employee benefits*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

*Other long-term employee benefits*

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

*Share-based payments*

Equity-settled and cash-settled share-based compensation benefits are 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).

Equity-settled transactions are awards of shares, or options over shares, that are 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). Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Monte Carlo or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.



**Note 2. Material accounting policy information (continued)**

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

**Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

**Issued capital**

Ordinary shares are classified as equity.

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

**Earnings per share**

*Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of Xanadu Mines Ltd, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

*Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**Goods and Services Tax ('GST') and other similar taxes**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

**Note 2. Material accounting policy information (continued)**

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

**Financial Instruments - initial recognition and subsequent measurement**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price as disclosed in section d) Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows whilst financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

*Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- ▶ Financial assets at amortised cost (debt instruments)
- ▶ Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- ▶ Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- ▶ Financial assets at fair value through profit or loss

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

**Note 2. Material accounting policy information (continued)**

This category includes derivative instruments which the Group had not irrevocably elected to classify at fair value through OCI.

*Subsequent measurement of financial assets*

For purposes of subsequent measurement, financial assets are classified in four categories:

- ▶ Financial assets at amortised cost (debt instruments)
- ▶ Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- ▶ Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- ▶ Financial assets at fair value through profit or loss

*Financial assets at fair value through profit or loss (FVTPL)*

Financial assets held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at FVTPL. Further, irrespective of the business model used, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

**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.

**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 considers its investment accounted for using equity method whether there is objective evidence that this is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment in joint venture and its carrying value, and then recognises the loss within 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

**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 principal activity of the Company is exploration for copper and gold in Mongolia. 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 14 '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	
	31 Dec 2024	31 Dec 2023
	\$'000	\$'000
Interest income from term deposit	122	9
Operator overhead recovery from the joint venture	2,373	2,716
Rental recovery from the joint venture	341	288
Other income	<u>2,836</u>	<u>3,013</u>

Operator overhead income pertains to the allocated costs incurred and charged by Xanadu to the joint venture for its services for the joint venture.

**Note 6. Gain on deconsolidation of subsidiary**

In FY22, the Group entered into a series of agreements with Zijin Mining Group Co., Ltd (Zijin) to issue new shares to Zijin to bring its interest in the share capital in Khuiten Metals Pte Ltd ("Khuiten Metals") which owns the Group's Kharmagtai Project up to 50%.

In February 2023 all regulatory approvals were obtained, and 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. This transaction resulted in loss of control over Khuiten Metals. The remaining 50% interest in Khuiten Metals was accounted for as an equity accounted investment and Khuiten Metals was deconsolidated in March 2023 which resulted to the following net gain on disposal:

	Consolidated	
	31 Dec 2024	31 Dec 2023
	\$'000	\$'000
Gain on deconsolidation of subsidiary	<u>-</u>	<u>1,155</u>

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**Note 6. Gain on deconsolidation of subsidiary (continued)**

**Reconciliation of gain on deconsolidation:**

	Consolidated	
	31 Dec 2024	31 Dec 2023
	\$'000	\$'000
Fair value of consideration received	-	53,038
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)
	-	1,155

**Note 7. Other expenses**

	Consolidated	
	31 Dec 2024	31 Dec 2023
	\$'000	\$'000
Administration expenses	2,218	2,533
Wages and management fees	2,982	3,032
Consulting fees	1,097	2,105
Other expenses	6,297	7,670

**Note 8. Income tax expense**

	Consolidated	
	31 Dec 2024	31 Dec 2023
	\$'000	\$'000
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(6,976)	(7,578)
Tax at the statutory tax rate of 25%	(1,744)	(1,895)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	373	381
Capitalised expenses (s40-880)	251	256
Accrued expenses	-	182
Non-assessable income	-	(289)
Sundry items	(71)	4
Sub-total	(1,191)	(1,361)
Current year tax losses not recognised	1,150	1,562
Adjustment recognised for prior periods	213	(105)
Difference in overseas tax rates - Singapore at 17% (2022: 17%)	1	12
s40-880 Capital Deduction	(187)	(138)
Annual Leave - Net Movement	14	30
Income tax expense	-	-

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**Note 8. Income tax expense (continued)**

As at 31 December 2024, Xanadu Mines Ltd has carried forward tax losses of \$40,295,286 (31 December 2023: \$35,111,000) and carried forward capital losses of \$12,859,000 (31 December 2023: \$12,859,000). These losses are potentially able to be utilised against future taxable income and future capital gains respectively.

These losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

A deferred tax asset has not been recognised because it is not probable that future taxable income will be available in the foreseeable future to use against such losses.

Xanadu Mines Ltd is not part of an Australian tax-consolidated group. Current and deferred tax amounts (if any) are measured as a stand-alone taxpayer. There are no tax funding arrangements or tax sharing agreements in place.

**Note 9. Cash and cash equivalents**

	<b>Consolidated</b>	
	<b>31 Dec 2024</b>	<b>31 Dec 2023</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current assets</i>		
Cash at bank	6,162	7,324

Cash at bank, invested in term deposits, earns interest at floating rates based on daily bank deposit rates.

**Note 10. Other receivables**

	<b>Consolidated</b>	
	<b>31 Dec 2024</b>	<b>31 Dec 2023</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current assets</i>		
Security deposits & other receivables	47	54
GST recoverable	84	75
Prepayments	33	55
Deposits for incorporation of Mongolian companies	-	313
Interest receivable	18	9
	<u>182</u>	<u>506</u>

Security Deposits relate to security and environmental deposits paid, refund of goods and services tax payments due and other current assets. 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 US\$100k each.

**Note 11. Investments accounted for using the equity method**

	<b>Consolidated</b>	
	<b>31 Dec 2024</b>	<b>31 Dec 2023</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Non-current assets</i>		
Investment in Khuiten Joint Venture	54,958	50,608

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**Note 11. Investments accounted for using the equity method (continued)**

Movement of the Investment in Joint Venture:

	<b>Consolidated</b>	
	<b>31 Dec 2024</b>	<b>31 Dec 2023</b>
	<b>\$'000</b>	<b>\$'000</b>
Investment in joint venture – Opening Balance	50,608	53,038
Share of loss of joint venture	(1,803)	(2,412)
Share of joint venture's foreign currency translation gain / (loss)	4,198	(18)
Investment in JV	1,955	-
Investment in joint venture – Closing Balance	<u>54,958</u>	<u>50,608</u>

As disclosed in note 6, the Xanadu lost control of Khuiten Metals and 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 additional investment in the Joint Venture did not change the ownership interest of the JV, as the JV partner contributed the equal amount, to keep each parties interest in the JV at 50% each.

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:

<b>Summarised statement of financial position of Khuiten Metals:</b>	<b>31 Dec 2024</b>	<b>31 Dec 2023</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current assets</i>		
Cash	603	17,057
Trade and other receivables	32	28
Prepayments	45	131
	<u>680</u>	<u>17,216</u>
<i>Non-current assets</i>		
Property, plant and equipment	3,910	3,525
Capitalised Mining and Exploration Expense	95,140	70,830
	<u>99,050</u>	<u>74,355</u>
<i>Current Liabilities</i>		
Trade and other payables	(711)	(1,275)
Net assets	<u>99,019</u>	<u>90,296</u>

<b>Summarised statement of profit or loss and other comprehensive income of Khuiten for the year ended 31 December 2024:</b>	<b>31 Dec 2024</b>	<b>31 Dec 2023</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest income	212	848
Admin and other expenses	(1,072)	(2,163)
Consulting, Operator Overhead & Legal fees	(2,622)	(2,795)
Foreign currency losses	(57)	(714)
Income tax Expense	(68)	-
	<u>(3,607)</u>	<u>(4,824)</u>
Other comprehensive income	8,395	(37)
Total comprehensive income	<u>(4,788)</u>	<u>(4,861)</u>

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**Note 11. Investments accounted for using the equity method (continued)**

Xanadu's share of loss at 50% ownership interest	(1,803)	(2,412)
Xanadu's share of other comprehensive income at 50% ownership interest	4,198	(18)

The terms of the Joint Venture Shareholder's agreement also includes a Put Option, which has been granted to Xanadu. This option allows Xanadu to require Zijin to purchase either:

- i. All of Xanadu's shares in Khuiten Metals for US\$50 million; or
- ii. 50% of Xanadu's shares in Khuiten Metals for US\$25 million

This Put Option may be exercised by Xanadu at any time from 14 October 2024 (delivery date of the Pre-feasibility Study for Kharmagtai Project) until 14 April 2025. At 31 December 2024, the fair value of the option has been assessed to be \$nil (31 December 2023: \$nil). Refer to note 21 for details of the valuation methodology adopted.

**Note 12. Property, plant and equipment**

	<b>Consolidated</b>	
	<b>31 Dec 2024</b>	<b>31 Dec 2023</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Non-current assets</i>		
Plant and equipment - at cost	177	163
Less: Accumulated depreciation	(168)	(149)
	<u>9</u>	<u>14</u>
Motor vehicles - at cost	180	345
Less: Accumulated depreciation	(38)	(147)
	<u>142</u>	<u>198</u>
	<u>151</u>	<u>212</u>

*Reconciliations*

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

	<b>Plant &amp; Equipment</b>	<b>Motor Vehicles</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Consolidated</b>			
<b>Balance at 1 January 2023</b>	8	76	84
Additions	13	53	66
Exchange differences	-	(2)	(2)
Transfers	-	87	87
Depreciation expense	(6)	(17)	(23)
<b>Balance at 31 December 2023</b>	<b>15</b>	<b>197</b>	<b>212</b>
Additions	2	0	2
Exchange differences	-	33	33
Transfers	-	-	-
Depreciation expense	(7)	(30)	(37)
Loss on Disposal of Asset	-	(59)	(59)
<b>Balance at 31 December 2024</b>	<b>10</b>	<b>141</b>	<b>151</b>



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**Note 13. Right-of-use assets**

	Consolidated	
	31 Dec 2024	31 Dec 2023
	\$'000	\$'000
<i>Non-current assets</i>		
Motor vehicles - right-of-use	448	346
Less: Accumulated depreciation	(109)	(75)
	<b>339</b>	<b>271</b>

*Reconciliations*

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

Consolidated	Motor vehicles right-of-use
	\$'000
Balance at 1 January 2023	401
Exchange differences	(2)
Transfers in/(out)	(87)
Depreciation expense	(41)
<b>Balance at 31 December 2023</b>	<b>271</b>
Additions	119
Exchange differences	(14)
Transfers in/(out)	-
Depreciation expense	(37)
<b>Balance at 31 December 2024</b>	<b>339</b>

**Note 14. Deferred exploration and evaluation expenditure**

	Consolidated	
	31 Dec 2024	31 Dec 2023
	\$'000	\$'000
<i>Non-current assets</i>		
Deferred exploration and evaluation expenditure		
Red Mountain	14,772	12,710
Sant Tolgoi	511	-
Less: Accumulated impairment	(6,010)	(5,517)
	<b>9,273</b>	<b>7,193</b>

The accumulated impairment relates to deferred exploration expenditure assets at Red Mountain of \$6,010,000 (FY23 \$5,517,000). Note that impairments were booked in Mongolian currency and therefore will vary with exchange rate.

**Note 14. Deferred exploration and evaluation expenditure (continued)**

	Consolidated	
	31 Dec 2024	31 Dec 2023
	\$'000	\$'000
Opening Balance	7,193	6,975
Additions <sup>(i)</sup>	1,972	220
Exchange differences	108	(2)
Closing balance	<u>9,273</u>	<u>7,193</u>

	Consolidated	
	31 Dec 2024	31 Dec 2023
	\$'000	\$'000
(i) Additions made up of:		
Payments for exploration and evaluation at Red Mountain	1,461	220
Payments for exploration and evaluation at Sant Tolgoi	<u>511</u>	<u>-</u>
<b>Cashflow payments for exploration and evaluation - Total</b>	<u><b>1,972</b></u>	<u><b>220</b></u>

(i) Additions made up of:

Payments for exploration and evaluation at Red Mountain	1,461	220
Payments for exploration and evaluation at Sant Tolgoi	<u>511</u>	<u>-</u>
<b>Cashflow payments for exploration and evaluation - Total</b>	<u><b>1,972</b></u>	<u><b>220</b></u>

The Company held interests in three tenements during 2024:

- (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.

*Kharmagtai Copper-Gold Project*

As a result of the Joint Venture with Zijin Mining Co. in Khuiten, Xanadu no longer incorporate E&E costs in the consolidated financial statements. Any results to date within the Khuiten JV are instead accounted for via equity accounting.

*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.

*Sant Tolgoi copper-nickel project*

In July 2024, Xanadu entered into a farm-in agreement with STSM LLC ("STSM") where the latter grants Xanadu the right to earn the Phase 1 Farm-in interest of 51% in Oyut Prime Minerals, the Project Company that was incorporated to hold the tenements if Xanadu satisfies the farm-in amount of US\$1.0 million with the Farm-in period of 24 months from the commencement date.

Additionally, Xanadu has the opportunity to secure a further 29% interest in Phase 2 by incurring additional US\$10 million. Subsequently, a joint venture will be established based on the interests acquired in Phase 2, and both STSM and Xanadu will sign a Joint Venture Shareholders Agreement.

As at 31 December 2024, Xanadu incurred \$511k exploring the tenements under the farm-in agreement. This has been recorded as Exploration and Evaluation Assets in accordance with AASB 6 Exploration for and Evaluation of Mineral Resources. The right to receive the 51% and up to 80% interest in Oyut Prime Minerals upon fulfilling the farm-in obligations give rise to a derivative with \$nil value as at 31 December 2024.

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**Note 15. Trade and other payables**

	<b>Consolidated</b>	
	<b>31 Dec 2024</b>	<b>31 Dec 2023</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current liabilities</i>		
Trade and other payables	989	1,481

Refer to note 21 for further information on financial risk management objectives and policies.

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

**Note 16. Lease liabilities**

	<b>Consolidated</b>	
	<b>31 Dec 2024</b>	<b>31 Dec 2023</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current liabilities</i>		
Lease liability - motor vehicles	80	61
<i>Non-current liabilities</i>		
Lease liability - motor vehicles	171	134
	<b>251</b>	<b>195</b>

*Reconciliation*

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

Opening balance	195	323
Additions to Lease Borrowings	103	-
Repayment of lease liabilities	(96)	(127)
Exchange differences	49	(1)
<b>Closing balance</b>	<b>251</b>	<b>195</b>

Amounts of leases capitalised to deferred exploration expenditure include:

	<b>31 Dec 2024</b>	<b>31 Dec 2023</b>
	<b>\$'000</b>	<b>\$'000</b>
Office lease rental payments in respect of the office lease in Melbourne & Ulaanbaatar	134	72

Refer to note 21 for further information on financial risk management objectives and policies.

**Note 17. Issued capital**

	<b>Consolidated</b>			
	<b>31 Dec 2024</b>	<b>31 Dec 2023</b>	<b>31 Dec 2024</b>	<b>31 Dec 2023</b>
	<b>Shares</b>	<b>Shares</b>	<b>\$'000</b>	<b>\$'000</b>
Ordinary shares - fully paid (net of transaction costs)	1,885,682,013	1,700,820,681	169,693	163,083

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**Note 17. Issued capital (continued)**

*Movements in ordinary share capital*

Details	Date	Shares	Issue price	\$'000
<b>Balance</b>	1 January 2023	1,412,260,215		151,671
Fair value of options vested and exercised	9 January 2023	4,560,000	\$0.000	-
New equity placement	24 January 2023	41,887,844	\$0.027	1,140
Shares issued - phase 2 placement to Zijin	10 March 2023	179,116,132	\$0.040	7,164
New equity placement	24 November 2023	62,996,490	\$0.055	3,465
Share issue costs		-	\$0.000	(357)
<b>Balance</b>	<b>31 December 2023</b>	<b>1,700,820,681</b>		<b>163,083</b>
Shares issued – placement to Zijin	4 March 2024 <sup>#</sup>	15,185,328	\$0.055	835
Shares issued - placement	8 November 2024	100,000,004	\$0.055	5,500
Shares issued - placement	15 November 2024	10,000,000	\$0.055	550
Fair value of options vested and exercised	09 December 2024	1,140,000	\$0.000	-
Fair value of options vested and exercised	16 December 2024	44,456,000	\$0.000	-
Fair value of options vested and exercised	17 December 2024	14,080,000	\$0.000	-
Share issue costs		-		(275)
<b>Balance</b>	<b>31 December 2024</b>	<b>1,885,682,013</b>		<b>169,693</b>

*Movements in options*

Details	Date	Options
<b>Balance</b>	1 January 2023	46,950,000
Options exercised during the period	09 January 2023	(4,560,000)
Options granted during the period	21 January 2023	6,000,000
Options granted during the period	28 February 2023	79,470,000
Options expired during the period	31 October 2023	(3,000,000)
<b>Balance</b>	<b>31 December 2023</b>	<b>124,860,000</b>
Options granted during the period	23 May 2024	27,000,000
Options exercised during the period	09 December 2024	(1,140,000)
Options exercised during the period	16 December 2024	(44,456,000)
Options exercised during the period	17 December 2024	(14,080,000)
<b>Balance</b>	<b>31 December 2024</b>	<b>92,184,000</b>

*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 fully paid 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.

*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.

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**Note 17. Issued capital (continued)**

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 18. Reserves**

	<b>Consolidated</b>	
	<b>31 Dec 2024</b>	<b>31 Dec 2023</b>
	<b>\$'000</b>	<b>\$'000</b>
Foreign currency translation reserve	(2,127)	(6,588)
Share-based payments reserve	13,950	12,459
Transactions with owner's reserve	(537)	(537)
	<u>11,286</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 and it includes the share in the foreign currency translation reserve of the joint venture.

*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 and previous financial year are set out below:

	<b>Foreign currency translation reserve</b>	<b>Share-based payments reserve</b>	<b>Transactions with owner's reserve</b>	<b>Total</b>
<b>Consolidated</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Balance at 1 January 2023	(18,830)	10,936	(537)	(8,431)
Share-based payments	-	1,523	-	1,523
Foreign currency translation	12,242	-	-	12,242
Balance at 31 December 2023	(6,588)	12,459	(537)	5,334
Share-based payments	-	1,491	-	1,491
Foreign currency translation	4,461	-	-	4,461
Balance at 31 December 2024	<u>(2,127)</u>	<u>13,950</u>	<u>(537)</u>	<u>11,286</u>

**Note 19. Accumulated losses**

	Consolidated	
	31 Dec 2024	31 Dec 2023
	\$'000	\$'000
Accumulated losses at the beginning of the financial year	(104,148)	(96,570)
Loss after income tax expense for the year	(6,976)	(7,578)
Accumulated losses at the end of the financial year	<u>(111,124)</u>	<u>(104,148)</u>

**Note 20. Dividends**

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

**Note 21. Financial risk management objectives and policies**

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 Group's risk management objectives and policies. The Board has delegated to the Group'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 Group'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 Group is exposed to foreign exchange fluctuations with respect to Australian Dollars ('A\$'), US Dollars ('US\$'), Mongolian Tughrik ('MNT'), and Canadian Dollars ('C\$'). The Group's financial results are reported in A\$. Salaries for certain local employees in Mongolia may be paid in MNT. The Group'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 Group's financial position and results are impacted by the exchange rate fluctuations among A\$, US\$, MNT and C\$. Such fluctuations may materially affect the Group's financial position and results.

The Group's currency risk to US\$ and MNT foreign denominated financial assets and liabilities at the end of the reporting period, expressed in Australian Dollars, was as follows:

Consolidated	Assets		Liabilities	
	31 Dec 2024	31 Dec 2023	31 Dec 2024	31 Dec 2023
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents denominated in US\$	235	35	-	-
Cash and cash equivalents denominated in MNT	38	2	-	-
	<u>273</u>	<u>37</u>	<u>-</u>	<u>-</u>

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

**Note 21. Financial risk management objectives and policies (continued)**

*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 Group 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 Group, 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 Group 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 Group does not hold equity in any publicly listed companies.

*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 Group 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 Group considers this risk to be immaterial.

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

As at the reporting date, Group had the following cash and cash equivalents outstanding:

	31 Dec 2024		31 Dec 2023	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
<b>Consolidated</b>				
Cash and cash equivalents	3.37%	6,162	1.30%	7,324
Net exposure to cash flow interest rate risk		<u>6,162</u>		<u>7,324</u>

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

	Basis points increase			Basis points decrease		
	Basis points change	Effect on profit before tax	Effect on equity	Basis points change	Effect on profit before tax	Effect on equity
<b>Consolidated</b>						
Net interest rate risk exposure 31 Dec 24	100	22	22	(100)	(22)	(22)
Net interest rate risk exposure 31 Dec 23	<u>100</u>	<u>20</u>	<u>20</u>	<u>(100)</u>	<u>(20)</u>	<u>(20)</u>

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

**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 Group consist primarily of cash and amounts receivable. Cash is maintained with financial institutions of reputable credit and may be redeemed upon demand.

The Group's maximum exposure to credit risk at the reporting date is the carrying value of its cash and cash equivalents of \$6,162,000 (31 December 2023: \$7,324,000).

**Note 21. Financial risk management objectives and policies (continued)**

**Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The primary source of funds available to the Group is from equity financing. The Group has in place a planning and budgeting process to help determine the funds required to support the Group's normal operating requirements on an ongoing basis, to support its exploration plans, and to ensure that it will have sufficient liquidity to meet its liabilities when due. To the extent the Group does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through equity or debt transactions. The Group does not have unlimited financial resources and there is no assurance that sufficient additional funding or financing will be available to the Group 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 Group's properties.

*Remaining contractual maturities*

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Consolidated - 31 Dec 2024	%	\$'000	\$'000	\$'000	\$'000	\$'000

**Non-derivatives**

*Non-interest bearing*

Trade & Other Payables	-	989	-	-	-	989
Total non-derivatives		989	-	-	-	989

*Interest-bearing - variable*

Lease liability	12.00%	80	171	-	-	251
Total non-derivatives		1,069	171	-	-	1,240

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Consolidated - 31 Dec 2023	%	\$'000	\$'000	\$'000	\$'000	\$'000

**Non-derivatives**

*Non-interest bearing*

Trade & other payables	-	1,481	-	-	-	1,481
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*Interest-bearing - variable*

Lease liability	12.00%	88	173	-	-	261
Total non-derivatives		1,569	173	-	-	1,742

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

**Other business risks**

*Political and legal risks*

The Group'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 Group'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 Group's assets will not be subject to nationalization, requisition, expropriation or confiscation, whether legitimate or not, by any authority or body.



**Note 21. Financial risk management objectives and policies (continued)**

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 Group has licenses covering the Kharmagtai project and the Red Mountain project. The Government of Mongolia could revoke either of these licenses if the Group fails to satisfy its obligations, including payment of royalties and taxes to the Government of Mongolia and the satisfaction of certain mining, environmental, health and safety requirements. A termination of the Group's mining licenses by the Government of Mongolia could materially and adversely affect the Group's reputation, business, prospects, financial conditions and results of operations. In addition, the Group would require additional licenses or permits to conduct the Group's mining or exploration operations in Mongolia. There can be no assurance that the Group will be able to obtain and maintain such licenses or permits on terms favourable to it, or at all, for the Group'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 Group'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 Group. 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 Group, the extent of which cannot be predicted, and which may well be beyond the capacity of the Group 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 Group's activities are subject to a number of operational risks and hazards, some of which are beyond its control. These risks and hazards include unexpected maintenance or technical problems, periodic interruptions due to inclement or hazardous weather conditions, natural disasters such as earthquakes, industrial accidents, power, water or fuel supply interruptions or the increase in the price of such supplies, critical equipment failure, malfunction and breakdowns of information management systems, fires, and unusual or unexpected variations in mineralization, geological or mining conditions.

*Contractual risk*

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

As in any contractual relationship, the ability for the Group to ultimately receive benefits from these contracts is dependent upon the relevant third party complying with its contractual obligations. Specifically, the Group'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 Group's original acquisition of the Kharmagtai project, the Group 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 Group's obligations to the extent they exist.

In respect of these agreements and obligations, it may be necessary for the Group 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 the Group that a legal remedy will ultimately be granted on appropriate terms.

**Note 21. Financial risk management objectives and policies (continued)**

**Fair Values**

The Group has assessed that the fair values of cash and cash equivalents, other receivables and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the put option in Note 11 is classified as a Level 3 financial instrument under the fair value hierarchy. The fair value of the put option is determined using a valuation technique that incorporates significant unobservable inputs.

Specifically, the fair value is estimated using a Discounted Cashflow ("DCF") model. The valuation requires the certain assumptions about the model inputs, including cash flows, discount rates, commodity prices and market conditions.

At 31 December 2024, the fair value of the option has been assessed to be \$nil (31 December 2023: \$nil) as the estimated fair value of the interest in Khuiten Metals being disposed of is in excess of the cash consideration which would be received (out of the money).

**Note 22. Key management personnel disclosures**

*Directors*

The following persons were directors of Xanadu Mines Ltd during the financial year:

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

*Other key management personnel*

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, during the financial year:

Munkhsaikhan Dambiinyam	Chief Operating Officer
Spencer Cole	Chief Financial Officer & Chief Development Officer
Andrew Stewart	Vice President of Geology

**Note 23. Remuneration of auditors**

	<b>Consolidated</b>	
	<b>31 Dec 2024</b>	<b>31 Dec 2023</b>
	<b>\$</b>	<b>\$</b>
<b>Amounts received or due and receivable by Ernst &amp; Young Australia</b>		
Audit and review of financial statements		
Audit and review of financial statements of Xanadu and its subsidiaries	84,840	78,092
Underlying audit procedures for Khuiten Metals and its subsidiaries <sup>#</sup>	<u>66,196</u>	<u>67,000</u>
Total services provided by Ernst & Young	151,036	145,092
<b>Amounts received or due and receivable by Ernst &amp; Young Singapore</b>		
Review of financial statements of Khuiten Metals and its subsidiaries <sup>#</sup>	<u>21,100</u>	<u>21,250</u>
<b>Total services provided by Ernst &amp; Young</b>	<b><u>172,136</u></b>	<b><u>166,342</u></b>

<sup>#</sup> Following the deconsolidation of Khuiten Metals from Xanadu Group in March 2023, the audit fees in relation to the audit of the financial statements of Khuiten Metals are now paid separately from Xanadu.

**Note 24. Contingent liabilities**

There are no material contingent liabilities relating to the Group.

**Note 25. Commitments**

	<b>Consolidated</b>	
	<b>31 Dec 2024</b>	<b>31 Dec 2023</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Lease commitments</i>		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	116	88
One to five years	214	173
Total commitment	330	261
Less: Future finance charges	(79)	(66)
Net commitment recognised as liabilities	<u>251</u>	<u>195</u>

The above commitments are in relation to vehicles lease liabilities.

**Exploration Licenses**

Commitments in relation to exploration licences contracted at the reporting date, including regulatory charges such as license fees and corporate administrations, but not recognised as liabilities within one year are \$0.04 million (31 December 2023: \$0.04 million).

**Commitment for Exploration – St Tolgoi**

As noted above, the Farm In agreement for St Tolgoi future JV requires Xanadu or its subsidiaries to spend US\$1M (approx. AUD\$1.6M) on approved exploration activities at St Tolgoi for the right to earn 51% of the Joint Venture. For the year ended 31 December 2024, approx. US\$320,000(AUD\$511,000) had already been spent in exploration, and the balance of US\$680,000 (approx. \$AUD1.1M) will need to be expended by 24 December 2026.

**Other exploration commitments**

As the future exploration activity is in most cases dependent upon reserves being found, it is not possible to set out the funds due to be contributed in more than one year's time.

**Note 26. Related party transactions**

*Parent entity*

Xanadu Mines Ltd is the parent entity.

*Subsidiaries*

Interests in subsidiaries are set out in note 28.

*Key management personnel*

Disclosures relating to key management personnel are set out in note 22 and the remuneration report included in the directors' report.

**Note 26. Related party transactions (continued)**

*Transactions with related parties*

The following transactions occurred with related parties:

	<b>Consolidated</b>	
	<b>31 Dec 2024</b>	<b>31 Dec 2023</b>
	<b>\$</b>	<b>\$</b>
Payment for goods and services:		
Office rent, paid to Ganbayar Lkhagvasuren <sup>(i)</sup>	74,017	72,175
Legal fees, paid to HopgoodGanim Lawyers <sup>(ii)</sup>	252,086	203,489
Melbourne office rent and operations support paid to Colin Moorhead and Associates <sup>(iii)</sup>	105,327	71,999
Receipts from Khuiten Joint venture to Xanadu for Operator Overheads <sup>(iv)</sup>	2,372,000	2,716,000
Receipts from Oyut Ulaan to Xanadu Exploration Mongolia LLC for hire of vehicles <sup>(v)</sup>	341,003	288,000
Zijin <sup>(vi)</sup>	-	-

- (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 up until 10 September 2024.
- (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.
- (vi) Zijin holds a 17.68% interest in Xanadu, have appointed a Director on the Xaandu Board, and therefore have significant influence. No related party transactions exist aside from the share issuance in Note 17

Please refer to note 22 for salaries and compensation paid to Company Directors.

*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 which in turns owns Oyut Ulaan LLC, the owner of the Kharmagtai tenement. Mongol Metals is 85% owned by Khuiten and 15% owned by Ganbayar Lkhagvasuren, an Executive Director of Xanadu. Mongol Metals owns 90% of Oyut Ulaan LLC and 10% is owned by QGX, an unrelated party.

Prior to the 10th of March 2023, all funding for Mongol Metals since December 2017 has been provided by an operating loan from Xanadu Mines. Since 10th of March 2023, all funding for Mongol Metals is provided by Khuiten strategic JV.

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**Note 27. Parent entity information**

Set out below is the supplementary information about the parent entity.

*Statement of profit or loss and other comprehensive income*

	Parent	
	31 Dec 2024	31 Dec 2023
	\$	\$
Loss after income tax	(7,068)	(7,578)
Total comprehensive income	4,197	(7,578)

*Statement of financial position*

	Parent	
	31 Dec 2024	31 Dec 2023
	\$	\$
Total current assets	6,031	7,721
Total non-current assets	76,695	73,716
Total assets	<b>81,727</b>	<b>81,437</b>
Total current liabilities	(1,123)	(1,574)
Total non-current liabilities	(30)	(62)
Total liabilities	<b>(1,153)</b>	<b>(1,636)</b>
Net Assets	<b>80,574</b>	<b>79,801</b>
Equity		
Issued capital	169,693	163,083
Foreign currency translation reserve	(10,744)	(6,588)
Share-based payments reserve	13,950	12,459
Transactions with owners reserve	(537)	(537)
Accumulated losses	(91,787)	(88,616)
Total equity	<b>80,574</b>	<b>79,801</b>

*Contingent liabilities*

The parent entity had no contingent liabilities as at 31 December 2024.

*Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment at as 31 December 2024.

*Material accounting policy information*

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity; and
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

**Xanadu Mines Ltd**  
**Notes to the consolidated financial statements**  
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**Note 28. Interests in subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2 to the financial statements:

Name Xanadu Mines Group	Principal place of business / Country of incorporation	Ownership interest	
		31 Dec 2024 %	31 Dec 2023 %
Xanadu Exploration Mongolia LLC	Mongolia	100.00%	100.00%
Xanadu Metals Mongolia LLC	Mongolia	100.00%	100.00%
Xanadu Copper Mongolia LLC	Mongolia	100.00%	100.00%
Xanadu Mines Singapore Pte Ltd	Singapore	100.00%	100.00%
Vantage LLC	Mongolia	100.00%	100.00%
Gobi Battery Metals Pte Ltd*	Singapore	100.00%	100.00%
Xanadu Battery Metals Pte Ltd*	Singapore	100.00%	100.00%
Sutai Critical Minerals LLC #	Mongolia	100.00%	-
Kharkhiraa Critical Minerals LLC #	Mongolia	100.00%	-

\* These subsidiaries were incorporated on 17 Nov 2023 in conjunction with the Xanadu Mines strategy to explore for new opportunities in Mongolia.

# These subsidiaries were incorporated on 12 March 2024 in conjunction with the Xanadu Mines strategy to explore for new opportunities in Mongolia

**Note 29. Events after the reporting period**

On the 12 March 2025, the Company has published a notice of meeting for an Extraordinary General Meeting (EGM) to be held on 11 April 2025 to get an approval for the sale of half of its interest in the Khuiten Metals via exercise of the existing put option. This decision is subject to shareholder vote, and the EGM is scheduled for 11 April 2025. Based on the outcome of this vote, the company will be entitled to receive US\$25 million cash (approx. AU\$40 million), and would be received in May 2025.

On 8 January 2025, the Company completed the placement of 26,515,543 fully paid ordinary shares to Jinping (Singapore) Mining Pte Ltd, a wholly owned indirect subsidiary of Zijin Mining Group Co. Ltd (Zijin), at an issue price of A\$0.55 per share.

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**Xanadu Mines Ltd**  
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**Note 30. Reconciliation of loss after income tax to net cash used in operating activities**

	Consolidated	
	31 Dec 2024	31 Dec 2023
	\$'000	\$'000
Loss after income tax expense for the year	(6,976)	(7,578)
Adjustments for:		
Depreciation and amortisation	74	64
Share-based payments	1,491	1,523
Loss of Disposal of Property, Plant & Equipment	59	-
Other non-cash transactions	169	(86)
Gain on disposal of subsidiary	-	(1,155)
Share of loss of Joint Venture	1,803	2,412
Change in operating assets and liabilities:		
Decrease/(Increase) in trade and other receivables	324	(454)
(Decrease)/increase in trade and other payables from operating activities	(492)	1,386
Increase in employee benefits	55	152
Net cash used in operating activities	<u>(3,493)</u>	<u>(3,736)</u>

**Note 31. Earnings per share**

	Consolidated	
	31 Dec 2024	31 Dec 2023
	\$'000	\$'000
Loss after income tax attributable to the owners of Xanadu Mines Ltd	<u>(6,976)</u>	<u>(7,578)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>1,731,517,428</u>	<u>1,607,483,119</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>1,731,517,428</u>	<u>1,607,483,119</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(0.40)	(0.47)
Diluted earnings per share	(0.40)	(0.47)

**Note 32. 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.

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

	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	31 Dec 2024		31 Dec 2023	
Outstanding at the beginning of the financial year	124,860,000	\$0.000	46,950,000	\$0.000
Granted	27,000,000	\$0.000	85,470,000	\$0.000
Exercised	(59,676,000)	\$0.000	(4,560,000)	\$0.000
Expired	-	\$0.000	(3,000,000)	\$0.000
Outstanding at the end of the financial year	<u>92,184,000</u>	<u>\$0.000</u>	<u>124,860,000</u>	<u>\$0.000</u>

**31 Dec 2024**

Grant date	Expiry date	Exercise Price	Balance at the start of the year	Granted	Exercised	Expired/forfeited/Other	Balance at the end of the year
17/06/2021	30/06/2025	\$0.000	1,140,000	-	(1,140,000)	-	-
21/01/2021	21/01/2027	\$0.000	38,250,000	-	(34,416,000)	-	3,834,000
22/09/2023	22/09/2029	\$0.000	6,000,000	-	(6,000,000)	-	-
07/02/2023	28/02/2029	\$0.000	32,770,000	-	(11,716,000)	-	21,054,000
07/02/2023	28/02/2029	\$0.000	34,100,000	-	(1,364,000)	-	32,736,000
07/02/2023	28/02/2029	\$0.000	12,600,000	-	(5,040,000)	-	7,560,000
23/05/2024	23/05/2030	\$0.000	-	27,000,000	-	-	27,000,000
			<u>124,860,000</u>	<u>27,000,000</u>	<u>(59,676,000)</u>	<u>-</u>	<u>92,184,000</u>

**31 Dec 2023**

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the year
21/01/2021	30/06/2024	\$0.000	3,420,000	-	(3,420,000)	-	-
17/06/2021	30/06/2024	\$0.000	1,140,000	-	(1,140,000)	-	-
17/06/2021	30/06/2025	\$0.000	1,140,000	-	-	-	1,140,000
21/01/2021	21/01/2027	\$0.000	38,250,000	-	-	-	38,250,000
05/10/2021	05/10/2023	\$0.000	3,000,000	-	-	(3,000,000)	-
22/09/2023	22/09/2029	\$0.000	-	6,000,000	-	-	6,000,000
07/02/2023	28/02/2029	\$0.000	-	32,770,000	-	-	32,770,000
07/02/2023	28/02/2029	\$0.000	-	34,100,000	-	-	34,100,000
07/02/2023	28/02/2029	\$0.000	-	12,600,000	-	-	12,600,000
			<u>46,950,000</u>	<u>85,470,000</u>	<u>(4,560,000)</u>	<u>(3,000,000)</u>	<u>124,860,000</u>

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



**Xanadu Mines Ltd**  
**Notes to the consolidated financial statements**  
**As at 31 December 2024**

XANADU MINES

**Note 32. Share-based payments (continued)**

Option	Class	Exercise price	Balance of options
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 2025 and expiring on 21 Jan 2027.	\$0.000	2,534,000
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 2025 and expiring on 21 Jan 2027	\$0.000	1,300,000
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	32,736,000
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 Sep 2024 and expiring on 28 Feb 2029	\$0.000	21,054,000
Unlisted Non-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 30 May 2024 or 10 September 2024 and expiring on 28 Feb 2029.	\$0.000	7,560,000
Unlisted Non-Executive Director Options, issued as part of share-based compensation for performance	Vesting in one tranche upon attainment of both of the following performance criteria; an expansion of the Company's non-Kharmagtai portfolio to at least 4 projects in Mongolia and the surrounding region, which projects must be judged by the Board, supported by independent third-party advice, to have strong potential for a material new discovery; and the achievement of a significant discovery at one of the non-Kharmagtai projects aligned to Xanadu Tollgate 3 Discovery, defined as 3x economic drill intercepts, leading to an ASX published exploration target capable of production >=100koz per annum gold equivalent	\$0.000	6,000,000
Unlisted Management Options, issued as part of share-based compensation for performance	Vesting in one tranche upon attainment of both of the following performance criteria; an expansion of the Company's non-Kharmagtai portfolio to at least 4 projects in Mongolia and the surrounding region, which projects must be judged by the Board, supported by independent third-party advice, to have strong potential for a material new discovery; and the achievement of a significant discovery at one of the non-Kharmagtai projects aligned to Xanadu Tollgate 3 Discovery, defined as 3x economic drill intercepts, leading to an ASX published exploration target capable of production >=100koz per annum gold equivalent	\$0.000	12,000,000
Unlisted Executive Director Options, issued as part of share-based compensation for performance	Vesting in one tranche upon attainment of both of the following performance criteria; an expansion of the Company's non-Kharmagtai portfolio to at least 4 projects in Mongolia and the surrounding region, which projects must be judged by the Board, supported by independent third-party advice, to have strong potential for a material new discovery; the achievement of a significant discovery at one of the non-Kharmagtai projects aligned to Xanadu Tollgate 3 Discovery, defined as 3x economic drill intercepts, leading to an ASX published exploration target capable of production >=100koz per annum gold equivalent	\$0.000	9,000,000
<b>TOTAL OPTIONS OUTSTANDING AT END OF FINANCIAL PERIOD</b>			<b>92,184,000</b>
		<b>Consolidated</b>	
		<b>31 Dec 2024</b>	<b>31 Dec 2023</b>
<b>Share based payment expense</b>		<b>\$'000</b>	<b>\$'000</b>
Amortisation of share-based payment options based on vesting conditions above		<u>(1,491)</u>	<u>(1,523)</u>

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**Xanadu Mines Ltd**  
**Consolidate entity disclosure statement**  
**As at 31 December 2024**

XANADU MINES

Entity name	Entity type	Place formed / Country of incorporation	Ownership interest %	Tax residency
Xanadu Mines Ltd	Body Corporate	Australia	100.00%	Australia
Xanadu Metals Mongolia LLC	Body Corporate	Mongolia	100.00%	Mongolia
Xanadu Copper Mongolia LLC	Body Corporate	Mongolia	100.00%	Mongolia
Xanadu Exploration Mongolia LLC	Body Corporate	Mongolia	100.00%	Mongolia
Xanadu Mines Singapore Pte Ltd	Body Corporate	Singapore	100.00%	Singapore
Vantage LLC	Body Corporate	Mongolia	100.00%	Mongolia
Gobi Battery Metals Pte Ltd	Body Corporate	Singapore	100.00%	Singapore
Sutai Critical Minerals LLC	Body Corporate	Mongolia	100.00%	Mongolia
Xanadu Battery Metals Pte Ltd	Body Corporate	Singapore	100.00%	Singapore
Kharkhiraa Critical Minerals LLC	Body Corporate	Mongolia	100.00%	Mongolia

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**Xanadu Mines Ltd**  
**Directors' declaration**  
**As at 31 December 2024**

XANADU MINES

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2024 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- the information disclosed in the attached consolidated entity disclosure statement required by section 295(3A) of the *Corporation Act* is true and correct.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



---

Colin Moorhead  
Chairman

31 March 2025



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

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Xanadu Mines Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2024, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2024 and of its consolidated financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

#### 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 or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the entity not continue as a going concern. Our opinion is not modified in respect of this matter.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide

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a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

#### Equity accounting for the investment in Khuiten Metals Pte Ltd

##### Why significant

As disclosed in Note 11, Xanadu has a 50% interest in Khuiten Metals Pte Ltd ("Khuiten Metals") at 31 December 2024 which has been accounted for as an equity accounted investment in accordance with the requirements of Australian Accounting Standards.

During the financial year, the Group recognised an equity accounted loss of \$1.8 million with respect to the Khuiten Metals investment and recorded a carrying value at 31 December 2024 of \$55.0 million, which represents 79% of the Group's net assets as disclosed in Note 11.

Due to the significance of the balance and the importance to the users of the financial statements, we considered this to be a key audit matter.

##### How our audit addressed the key audit matter

Our audit procedures included the following:

- Performed audit procedures on the underlying trial balance of Khuiten Metals for the year ended 31 December 2024, which included testing a sample of costs capitalised to the Kharmagtai exploration asset during the period in accordance with the requirements of the Australian Accounting Standards.
- Recalculated the 'loss from equity accounted investment' for the period with reference to the audited trial balance of Khuiten Metals and the Group's ownership percentage throughout the year.
- Assessed the operating costs recharged by the Group to the Khuiten Metals investment with reference to the terms of the joint venture agreement and Board approvals.
- Considered whether any indicators of impairment were present which included an assessment both at the Kharmagtai exploration asset level as well as for the Group's equity accounted investment in accordance with *AASB 6 Exploration for and Evaluation of Mineral Resources* and *AASB 128 Investments in Associates and Joint Ventures*, respectively.
- Assessed the adequacy and appropriateness of the disclosures included in the notes to the financial report.



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#### Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2024 annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of:

- ▶ The financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and
- ▶ The consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*; and

for such internal control as the directors determine is necessary to enable the preparation of:

- ▶ The financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- ▶ The consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the Group financial report. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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## Report on the audit of the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2024.

In our opinion, the Remuneration Report of Xanadu Mines Limited for the year ended 31 December 2024, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in black ink that reads 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Siobhan Hughes'.

Siobhan Hughes  
Partner  
Sydney  
31 March 2025

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## Shareholder Information

The shareholder information set out below was applicable as at 20 March 2025.

### Distribution of Equitable Securities

Analysis of number of equitable security holders by size of holding

Range	Ordinary Shares		Options over Ordinary Shares	
	Number of Holders	% of Shares Issued	Number of Holders	% of Shares Issued
1 - 1,000	78	-		
1,001 - 5,000	113	0.02		
5,001 - 10,000	243	0.11		
10,001 - 100,000	1003	2.24		
100,001 Over	701	97.63	7	100
<b>Total</b>	<b>2,138</b>	<b>100.00</b>	<b>7</b>	<b>100</b>
Holding less than a marketable parcel	338			

### Equity security holders

*Twenty largest quoted equity security holders*

The names of the twenty largest security holders of quoted equity securities are listed below:

Name	Ordinary Shares	
	Number Held	% of Total Shares Issued
JINPING (SINGAPORE) MINING PTE LTD	359,817,003	18.82
CITICORP NOMINEES PTY LTD	283,093,929	14.80
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT>	147,581,981	7.72
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	130,498,215	6.82
TREASURY SERVICES GROUP PTY LTD <NERO RESOURCE FUND A/C>	49,504,410	2.59
HARBIG NOMINEES PROPRIETARY LIMITED <THE HARBIG CUNNINGHAM A/C>	42,873,911	2.24
CANADIAN REGISTER CONTROLIC	34,840,622	1.82
MR MARTIN JAMES HICKLING+MRS JANE FRANCES HICKLING <M&J HICKLING SUPER A/C>	31,000,000	1.62
FAST LANE AUSTRALIA PTY LTD	30,000,000	1.57
MR GANBAYAR LKHAGVASUREN	28,694,329	1.50
CM SUPER FUND PTY LTD <CAROL MCCOLL SUPER FUND A/C>	25,000,000	1.31
A N SUPERANNUATION PTY LTD <ANNE NEATE SUPER FUND A/C>	21,836,645	1.14
INVIA CUSTODIAN PTY LIMITED <MR COLIN F MOORHEAD A/C>	20,920,000	1.09
LAWSTON PTY LTD	13,620,304	0.71
EMERALD STREET PTY LTD	13,500,000	0.71
SIERRA PACIFIC CONSULTING PTY LTD <SIERRA PACIFIC A/C>	10,239,000	0.54
A L STEWART FAMILY PTY LTD <STEWART FAMILY A/C>	10,216,000	0.53
MR WEI GUO FAN + MRS HONG JI	10,110,120	0.53
SWISS TRADING OVERSEAS CORP	10,000,000	0.52
ROJO NERO CAPITAL PTY LTD	9,656,000	0.50
	<b>1,283,002,469</b>	<b>67.10</b>

**Xanadu Mines Ltd**  
**Consolidated entity disclosure statement**  
**As at 31 December 2024**

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	Options over Ordinary Shares	
	Number Held	% of Options Issued
A L STEWART FAMILY PTY LTD <STEWART FAMILY A/C>	19,304,000	20.94
MR GANBAYAR LKHAGVASUREN	15,534,000	16.85
SIERRA PACIFIC CONSULTING PTY LTD <SIERRA PACIFIC A/C>	14,966,000	16.23
INVIA CUSTODIANS PTY LTD <MR COLIN MOORHEAD A/C>	14,520,000	15.75
MUNKHSAIKHAN DAMBIINYAM	14,300,000	15.51
TONY PEARSON	9,300,000	10.09
MRS CARMEL LISA MUSCILLO	4,260,000	4.62
	<b>92,184,000</b>	<b>100.00</b>

*Unquoted equity securities*

Security	Total Units
EMPLOYEE OPTIONS	18,820,000
EXEC DIR OPT EXP 21/01/2031	6,000,000
EXECUTIVE DIRECTOR OPTIONS	15,554,000
EXECUTIVE OPTIONS TRANCHE A	2,250,000
EXECUTIVE OPTIONS TRANCHE B	4,500,000
EXECUTIVE OPTIONS TRANCHE C	6,750,000
EXECUTIVE OPTIONS TRANCHE D	6,750,000
EXECUTIVE OPTIONS TRANCHE E	18,000,000
NON-EXE DIRECTOR OPTIONS	13,560,000
	<b>92,184,000</b>

**Substantial holders**

Name	Ordinary Shares Number Held	% of total shares issued
JINPING (SINGAPORE) MINING PTE LTD	359,817,003	18.82
CAAF	226,665,378	11.85

**Voting rights**

The voting rights attached to ordinary shares are set out below:

*Ordinary shares*

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.

*Options*

All quoted and unquoted options do not carry any voting rights.

**Xanadu Mines Ltd**  
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There are no other classes of equity securities.

There is no current on market buy-back

**Licenses and projects held by Xanadu**

Description	Tenement Name	Tenement Number	Interest owned %	Location
Kharmagtai	Kharmagtai	MV17387A	38.25%	Mongolia, Umnugobi province Tsogttsetsii soum
Red Mountain	Red Mountain	MV017129	100.00%	Mongolia, Dornogobi province, Saikhandulaan soum

**Interest in Licenses and projects held by Xanadu via Farm in Agreement**

Sant Tolgoi	Sant Tolgoi	XV-017774, XV-021887		Mongolia Zavchan Province
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