QUARTERLY ACTIVITIES REPORT

ACTIVITIES FOR THE QUARTER ENDING 30 JUNE 2016

HIGHLIGHTS

Broad spaced RC drilling at Kharmagtai yields encouraging results

- Regional RC drilling identifies multiple significant anomalies under shallow cover;
- Copper-gold mineralisation identified in numerous targets tested over a five kilometre strike of the Kharmagtai intrusive complex;
- Reconnaissance exploration, field mapping, and infill geochemical sampling are ongoing; and
- Copper and gold recoveries at greater than 90% within tourmaline breccia mineralisation from preliminary metallurgical test work.

Drilling confirms significant high-grade oxide gold discovery at Oyut Ulaan

- Diamond drilling confirms high-grade oxide gold mineralisation extends below surface trenches to a depth of at least 25m;
- High grade gold mineralisation hosted in multiple stacked epithermal vein arrays with coarse visible gold;
- The full extent of the discovery is still unknown with mineralisation remaining open along strike and down dip;
- Exploration continues to identify new zones of gold mineralisation which have not yet been tested with drilling; and
- An exploration program is being planned to demonstrate the full potential of the project.

Strong financial position following successful A$12.2 million placement

- Xanadu completes placement to raise A$12.2 million at a placement price of 20 cents per share;
- Strong support from existing institutional and sophisticated investors, including the introduction of well-regarded institutional investors to the register;
- Major shareholders participate in placement, continuing their support of the Company;
- Xanadu funded to continue exploration at its flagship Kharmagtai copper-gold project and new gold discovery at Oyut Ulaan; and
- Cash and cash receivables of A$13.1 million.

ASX XAM

ABN 92 114 249 026

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Executive Chairman

Ganbayar Lkhagvasuren
Executive Director

Hannah Badenach
Non-Executive Director

Darryl Clark
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Xanadu Mines Ltd (**ASX: XAM – "Xanadu"**) is pleased to provide shareholders with an update of exploration results from a strong second quarter. Exploration activities continued to focus on the company's South Gobi copper projects at Kharmagtai and Oyut Ulaan (Figure 1) by exploring for a new high-grade gold-rich porphyry centre under cover at the Kharmagtai project and confirming new high-grade oxide gold mineralisation at the Oyut Ulaan project.

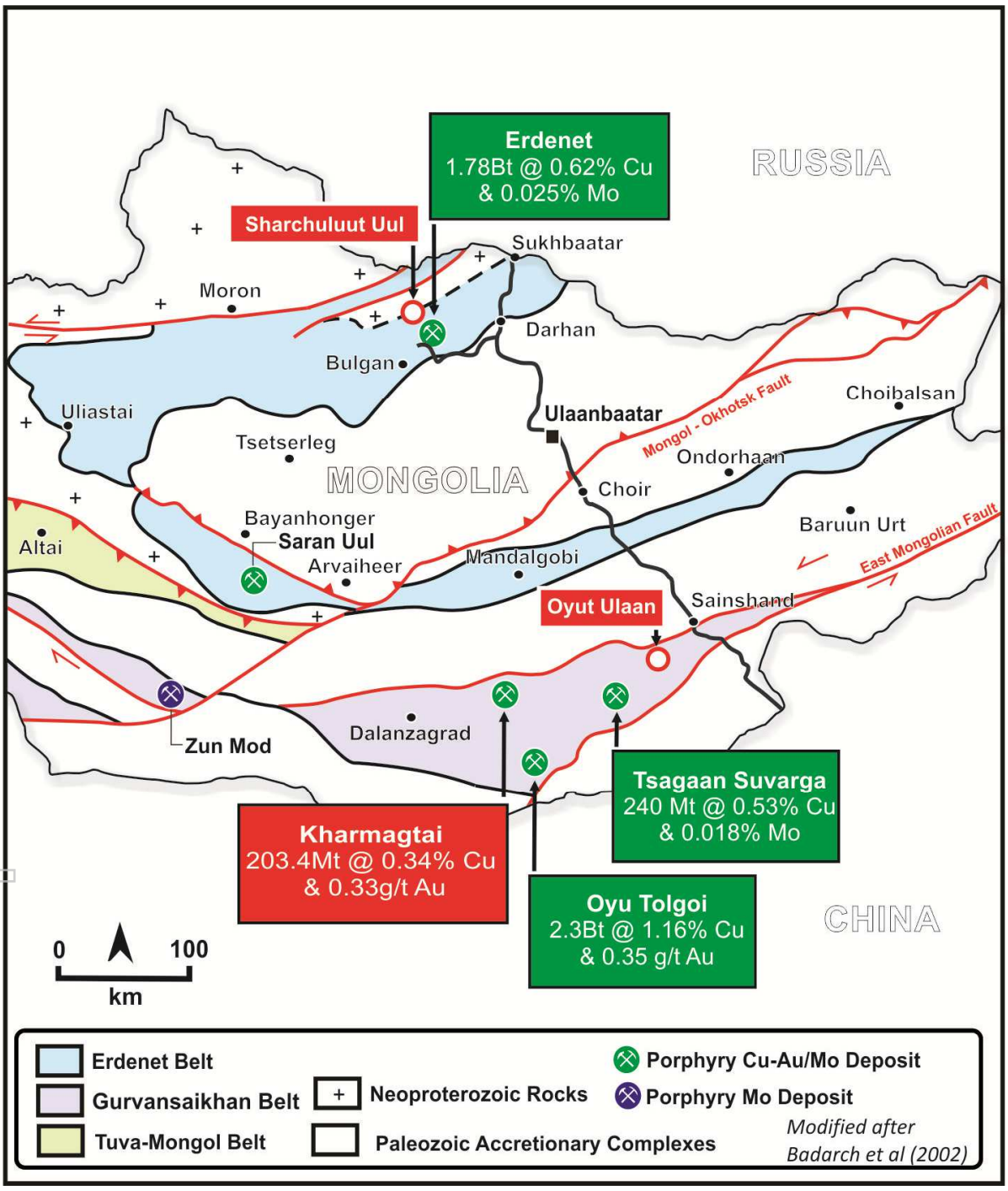

Figure 1: Location of Xanadu's copper projects, with Kharmagtai and Oyut Ulaan within Mongolia's South Gobi Copper Belt (Gurvansaikhan Belt).

Broad spaced RC drilling at Kharmagtai yields encouraging results

The Kharmagtai copper-gold project is located within the South Gobi porphyry copper province of Mongolia, approximately 420km south-southwest of Ulaanbaatar (Figure 1), and is one of the most advanced porphyry copper-gold projects in Asia.

During the quarter, a broad spaced 18-hole reconnaissance RC drilling program was completed at Kharmagtai with the aim of testing a series of high priority porphyry targets from amongst the more than 40 targets defined by geology, geochemistry and geophysics (Tables 1 and 2).

Drilling tested a combination of targets which includes high level gold-rich porphyry mineralisation and deeper tourmaline breccia mineralisation within the highly prospective 25km² area of interest (Figure 2) which has yielded consistently encouraging results since the project was acquired.

The RC drilling completed in the quarter confirmed the existence of porphyry and tourmaline breccia related copper-gold mineralisation and alteration in at least 11 targets tested over a five kilometre strike of the Kharmagtai Intrusive Complex (Figure 2). A number of other narrow zones of epithermal gold mineralisation were also intersected in other RC holes but the limited drilling completed to date has not yet identified an obvious source for the high-grade gold mineralisation.

The RC drilling provided important geological information relating to the primary structure and favourably geology. Copper and gold mineralisation in excess of 0.2% CuEq was identified in 11 of the 18 holes drilled, which is a very successful first pass test. Favourable host lithology and porphyry style alteration were encountered in nearly all drill holes. This alteration and lithological data is being combined with the extensive geological, geochemical and geophysical datasets at Kharmagtai to vector toward additional porphyry centres. Follow-up drilling is now being planned to test the dip and strike extensions of intersected mineralisation. This drilling will initially focus on the targets at Pigeon, Duck, Zesen Uul and Tsagaan Sudal. At Pigeon, fault location and geochemical data obtained from two clusters of the recent RC drilling, surface mapping and geophysical interpretations vector towards the C6 target (Figure 3) where coincident IP chargeability a strong magnetic gradient and a gravity anomaly are interpreted to represent a buried porphyry centre. At Duck, lithological and alteration information has been combined with gravity, IP chargeability and magnetics data to validate the D1 and TS1 targets which are indicative of a porphyry stockwork system similar to that at Tsagaan Sudal. At Zesen Uul, a new structural interpretation has highlighted an area of IP chargeability associated with a gravity high which defines the ZU1 target, indicative of a high-grade porphyry stockwork system (Figure 3).

This first pass drilling program covered a large area of the buried Kharmagtai Intrusive Complex with very few holes, and every single hole intersected significant intervals of porphyry and/or tourmaline breccia related alteration with variable mineralisation. These new drilling results provide significant advances in our understanding of the Kharmagtai project and continues to indicate potential for a large-scale mineralised breccia system along-side the established Mineral Resource and is transforming the Company's view of the growth potential of Kharmagtai.

Subsequent diamond and RC drilling is being planned to follow-up on significant results from this drilling program and to test some of the epithermal gold mineralisation previously intersected in RC drilling to enable a more comprehensive look at the nature of the mineralisation in drill core and to test the validity of gold sampling methods.

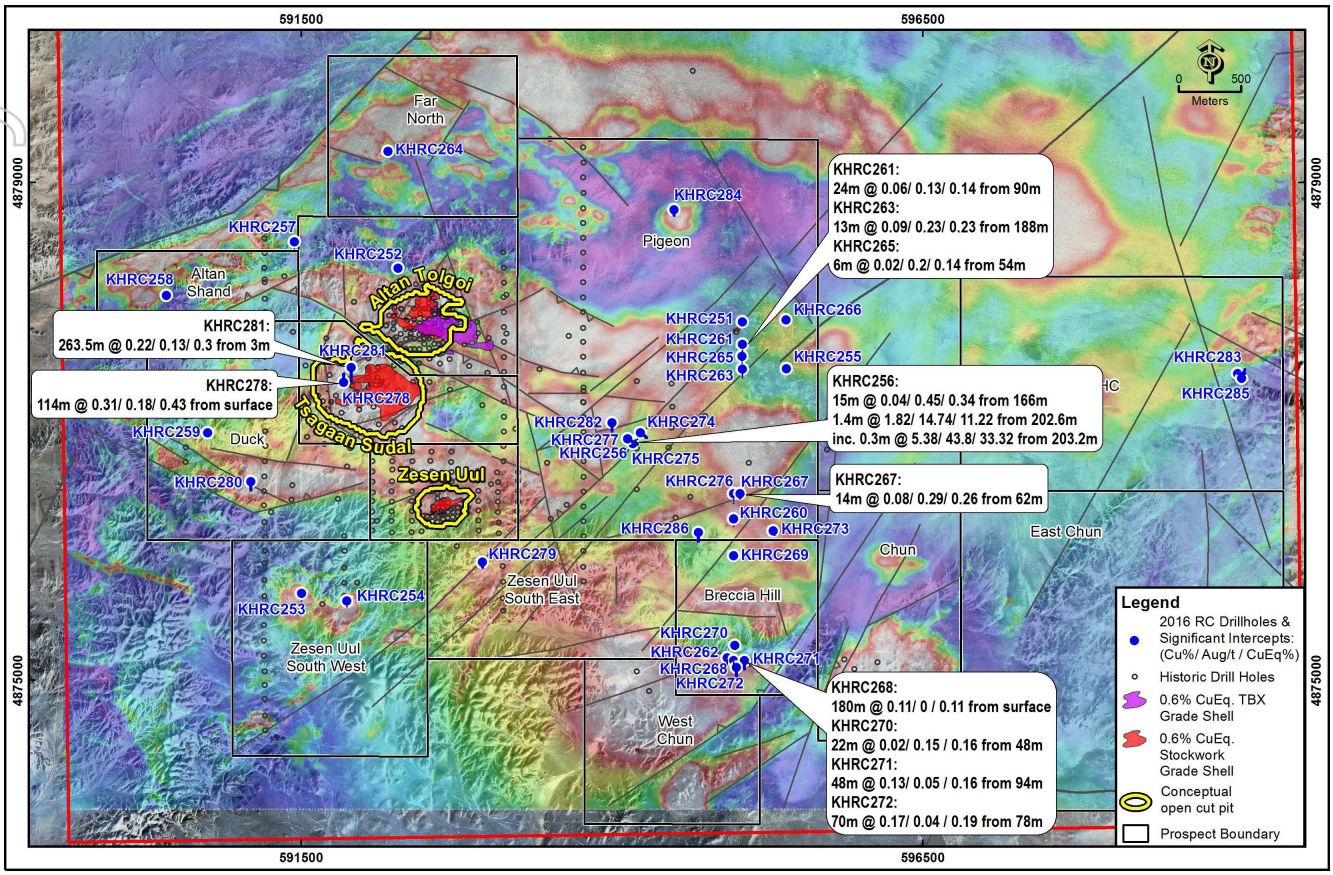

Figure 2: Kharmagtai porphyry copper-gold district showing Altan Tolgoi, Tsagaan Sudal and Zesen Uul deposits. At a district scale our investigation shows that the emplacement of the known porphyry and tourmaline breccia mineralisation lies on the intersection of NNE-trending arc-parallel faults and WNW-trending transverse (reverse) faults.

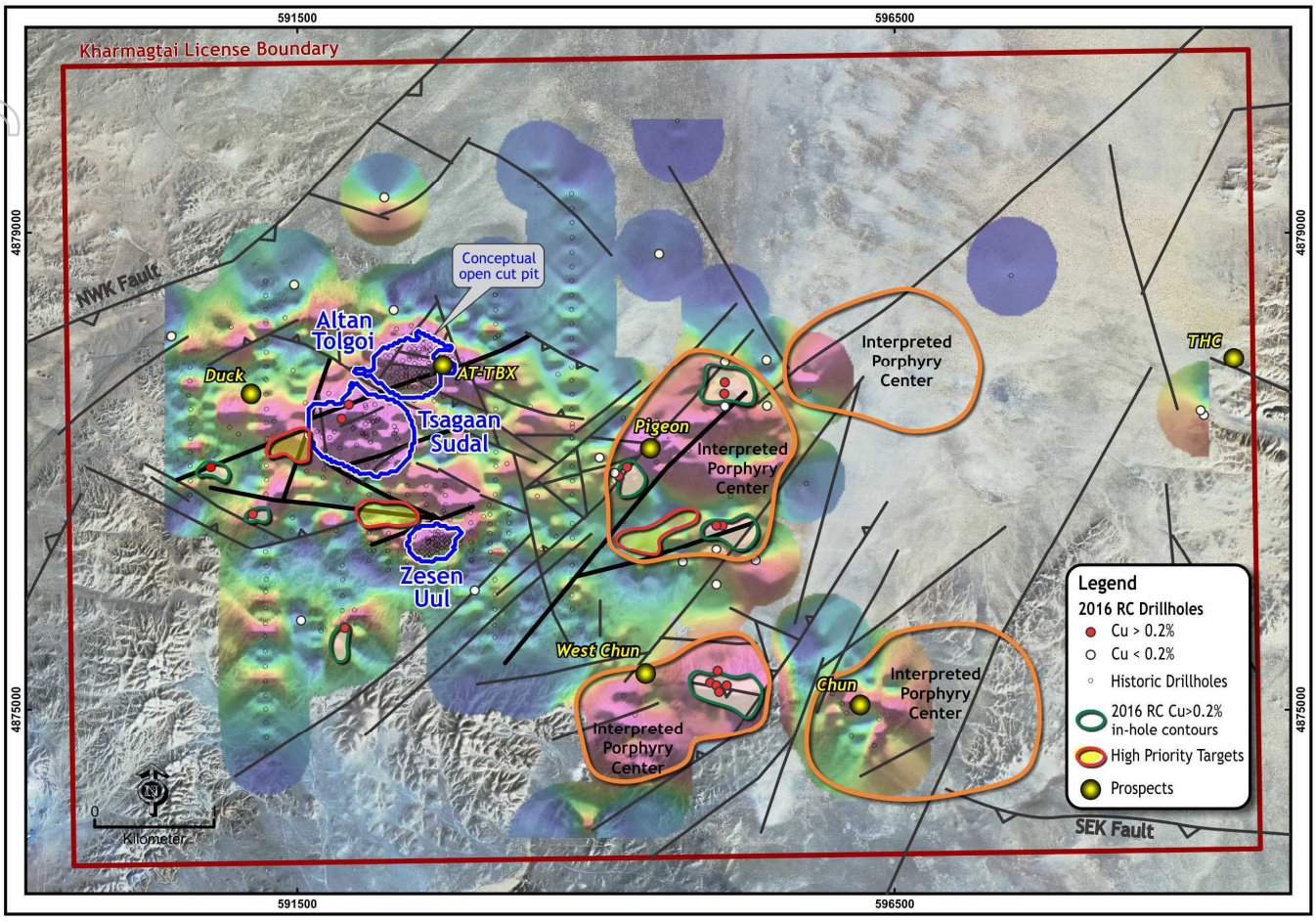

Figure 3: Kharmagtai porphyry copper-gold district showing current deposits, summarised results from 2016 drilling and high priority drill targets. Plan showing drill hole geochemistry projected to surface over satellite imagery. Priority follow-up targets to be tested with follow-up drilling in next quarter are shown. Additional drilling is planned to test three of the four interpreted porphyry centres shown.

Exceptional metallurgical recoveries within tourmaline breccia mineralisation

During the quarter, the Company received results from preliminary metallurgical test work on high grade core from tourmaline breccia mineralisation that confirms exceptional recoveries of copper and gold, at least equivalent to those for other operating projects. The extent of mineralisation within the large tourmaline breccia system adjoining current resources is potentially of massive scale and this test work was a prudent measure taken to significantly reduce metallurgical recovery as a risk factor as the project advances. The metallurgical test work carried out at CORE labs in Brisbane, Australia was aimed at producing a float concentrate of copper and gold from the tourmaline breccia mineralisation. The test work was combined with an optical mineralogy study to allow understanding of the sulphide species.

The mineralogical study confirmed a very simple ore mineral association of pyrite and chalcopyrite in varying proportions and flotation product grades indicate that copper presents almost exclusively as chalcopyrite.

The floatation results displayed recoveries of greater than 90% for all metals including copper, gold and silver. Gold recovery was very high, in parallel to copper, indicating that gold was associated with chalcopyrite with only minor association with pyrite. For this ratio of gold grade to copper grade, it is expected that gold payment in the final concentrate would be 90-92%, high for such a project. Silver recoveries were also very high, following copper and achieving 90% recovery.

Drilling confirms significant high-grade oxide gold discovery at Oyut Ulaan

The Oyut Ulaan copper-gold project is strategically located within the South Gobi Copper Belt (which hosts the world class Oyu Tolgoi copper-gold project) and 260km east of Xanadu's flagship Kharmagtai copper-gold project (Figure 1). This large and underexplored porphyry district (covering approximately 40km²) and consists of multiple co-genetic porphyry copper-gold centres, mineralised tourmaline breccia pipes copper-gold/base metal magnetite skarns and epithermal gold veins, which occur within the central part of Mining Licence 17129A (Oyut Ulaan; Figure 1). Previous exploration at Oyut Ulaan delivered good results from several different prospects with a spectrum of mineralisation styles, any combination of which could possibly transform Oyut Ulaan into a significant mining camp.

Consistently good exploration results at Oyut Ulaan, particularly over the past three months have considerably elevated its status to a highly attractive project.

Recent exploration has discovered at least four areas of shallow high-grade oxide gold mineralisation that occur within a prospective area of mineralisation that is 4.5km long and 300m wide (Stockwork Zone, Bavuu Zone, Diorite Zone and Hulan Zone; Figures 4 to 6). Gold mineralisation is hosted by hematitic-quartz veins with coarse visible gold, which occur as multiple stacked arrays. The veins are typically narrow but very high-grade with gold assays ranging from 1 g/t to >30 g/t gold over widths of 50cm-1.5m, making them potentially amendable to open pit mining.

The Company has undertaken a program of broad spaced reconnaissance diamond drilling. The objective of this first pass diamond drilling program was to test the continuity and thickness of gold mineralisation immediately below previously reported surface trenching (see Xanadu's ASX announcements – 18 April 2016, 28 April 2016 and 9 June 2016).

The small program of nineteen (19) shallow diamond holes tested four areas of gold mineralisation identified by trenching. Drill hole details are shown in Table 2 and significant assay results in Table 3.

Diamond drilling has delivered exceptional gold results including:

- OUDDH040 intersected 6.0m grading 21.57 g/t Au from surface;
- OUDDH035 intersected 6.3m grading 6.67 g/t Au from 15m;
- OUDDH043 intersected 9.5m grading 21.06 g/t Au from surface, including 3m grading 47 g/t Au from 2m; and
- OUDDH044 intersected 6m grading 15.43 g/t Au from surface.

Detailed surface exploration continues to identify zones of potentially significant outcropping gold mineralisation. A cost effective trenching program continues to test a combination of targets with new results delivering exceptional results and confirming extensions to previously identified zones (Figure 5) and the discovery of several new zones of shallow continuous sub cropping high-grade gold

mineralisation. Results from this new zone at Diorite include some of the broadest zones of gold mineralisation encounter to date and include:

- 32m grading 3.75 g/t Au intersected in OUCS010D;
- 18m grading 1.53 g/t Au intersected in OUCS010C; and
- 6m grading 4.53 g/t Au intersected in OUCS010G.

Trench details are shown in Table 5 and significant assay results in Table 6.

Preliminary soil results from this survey are extremely encouraging, highlighting a broad, semicontinuous zone of anomalous gold (+0.1g/t Au) over a six kilometre trend, peaking at 2.38g/t Au. This survey has not only identified additional targets between the known gold occurrences but is open in all directions with high gold values at the margins of the survey. This survey is currently being expanded to identify the full extent of the mineralised zone (Figure 9).

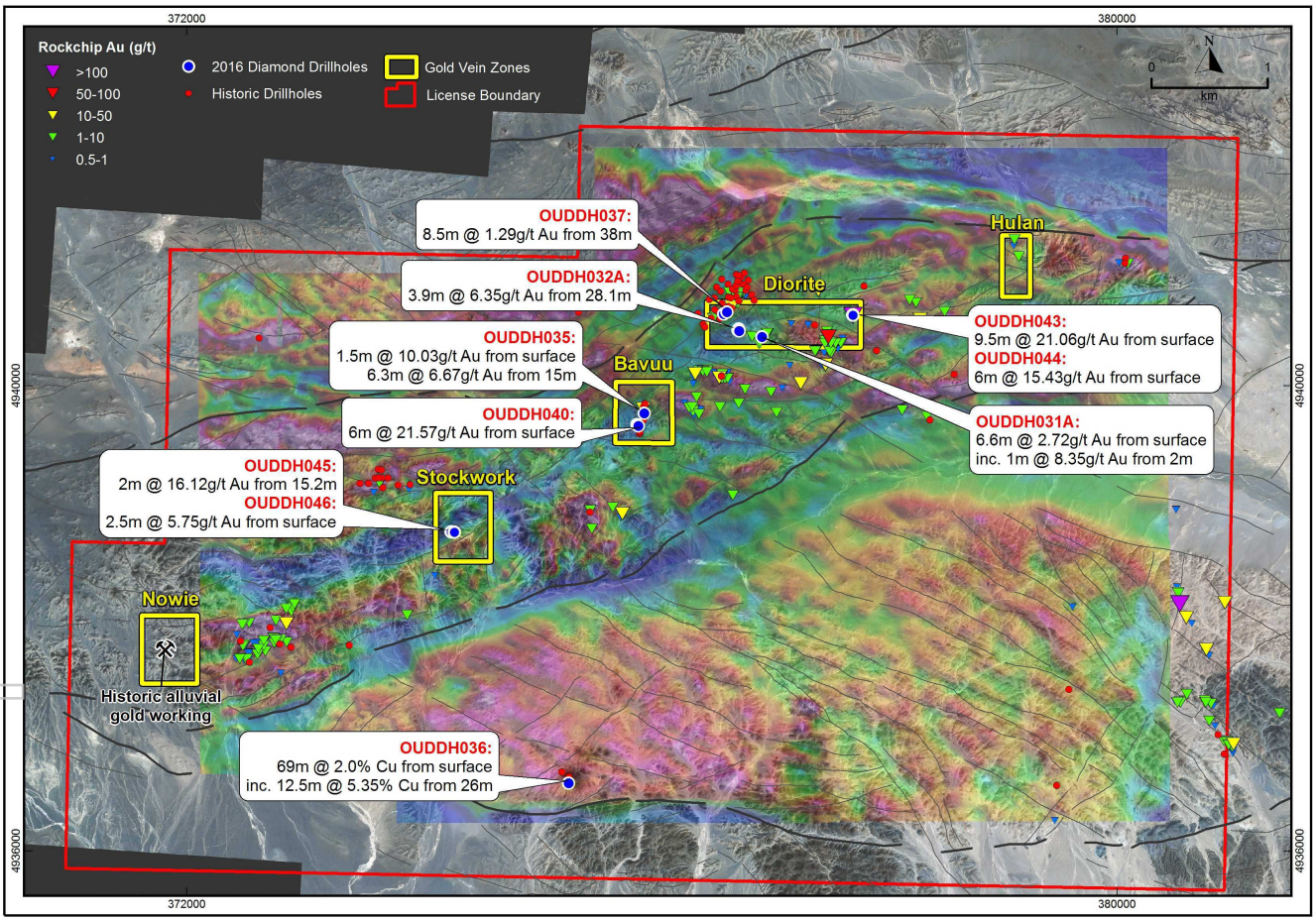

Figure 4: Oyut Ulaan porphyry copper-gold district showing main prospects. Plan map showing new diamond drill hole locations and significant assay results.

Exploration at the Oyut Ulaan continues to identify zones of potentially significant outcropping gold mineralisation. The Company continues its program of systematic exploration activities in the field with a focus on extensions around the current zones of mineralisation where an infill soil program is underway across the controlling structures. Results will be released on completion of the program.

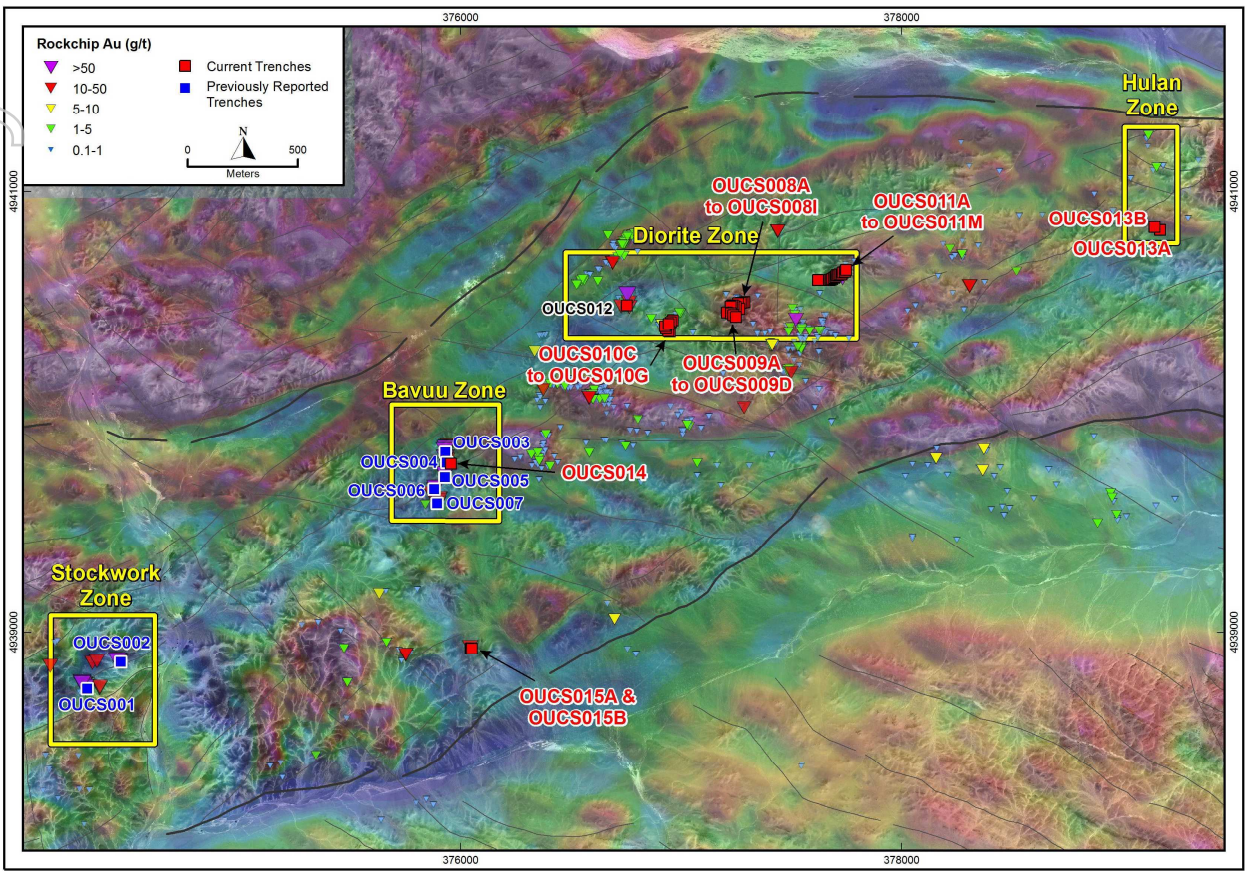

Figure 5: Ground magnetic map of the Oyut Ulaan showing gold-rich vein zones, Stockwork and Bavuu Zone and newly discovered Diorite and Hulan Zone.

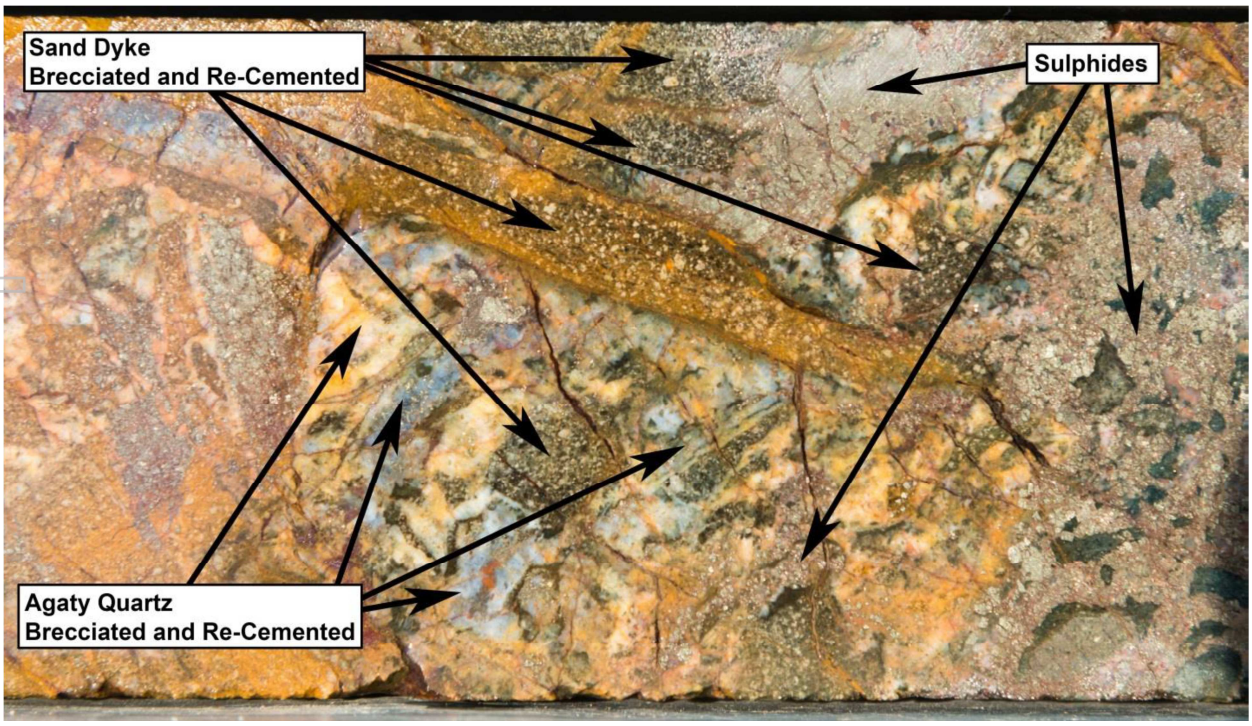

Figure 6: Vein infill textures from drill hole OUDDH-035 at 17.2 m, 1 m of 1.51 g/t Au from 16.3 m.

Figure 7: Epithermal Vein Infill Textures from Drill Hole OUDDH-032.

Figure 8: Vuggy hematite-quartz veins with visual coarse gold grains in drill hole OUDDH043.

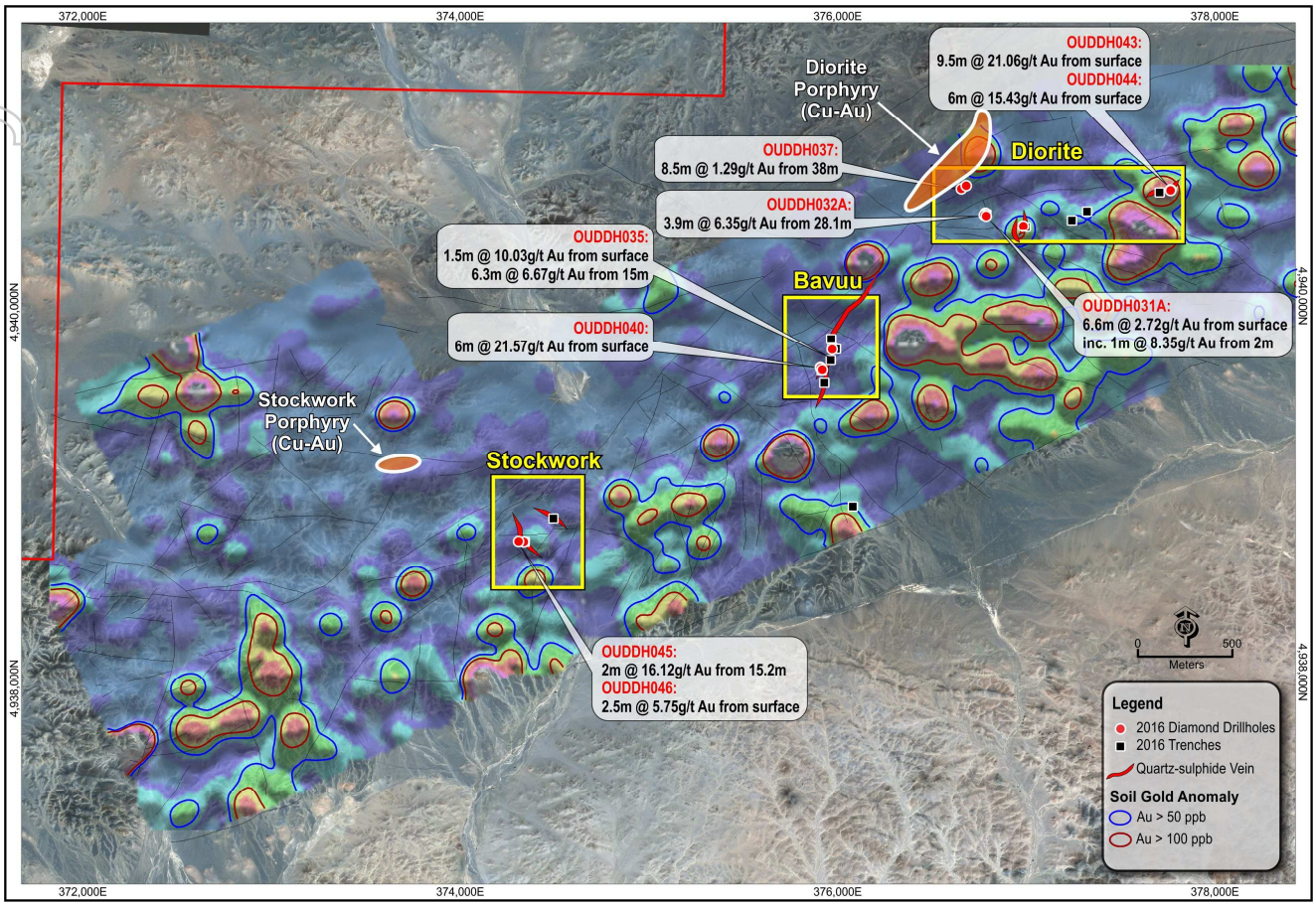

Figure 9: Oyut Ulaan soil survey showing main prospects and new anomalies.

Given the bonanza grades and significant strike, this style of mineralisation is considered to be a very attractive target. An exploration program is currently focused on understanding shallow high-grade gold mineralisation to demonstrate the full potential of the project and target a shallow oxide gold resource. This program will include metallurgical test work on a bulk sample to test gravity gold recovery which could be as high as 80% given observations made in the field. If such gravity recoveries are confirmed, the attractiveness of the project will be significantly enhanced.

The results of this first part of the exploration are extremely encouraging and indicate Oyut Ulaan is developing into one of the most prospective districts in the South Gobi with a series of copper-gold and gold prospects at different stages of exploration. Recent exploration drilling has also intersected porphyry copper mineralisation within two quartz-chalcopyrite stockwork zones at the Diorite Hill and Stockwork Hill Prospects which are approximately three kilometres apart (Figure 4). Xanadu will continue its systematic, low cost exploration at Oyut Ulaan with further reconnaissance exploration, field mapping, and trenching ongoing.

With multiple near surface oxide gold occurrences at the Oyut Ulaan project, these initial positive results enhance the potential for a simple, low-cost early stage mining operation to generate meaningful cash flow that can be used to enhance the Company's exploration of its highly prospective areas at Oyut Ulaan and Kharmagtai.

Tourmaline breccia mineralisation at Oyut Ulaan

Exploration at the Oyut Ulaan copper-gold project continues to identify potentially significant porphyry and tourmaline breccia hosted copper and copper-gold mineralisation.

Diamond drill hole OUDDH036 intersects high grade copper mineralisation hosted in a broad zone of porphyry related tourmaline breccia mineralisation (Figure 4). This represents the highest grade copper mineralisation discovered to date within the Oyut Ulaan project. The hole tested the depth extension of surface copper oxide mineralisation and intersected strongly altered granodiorite breccia cemented by tourmaline-chalcopyrite-chalcocite. The hole intersected 69m @ 2.0% Cu from surface, including 12.5m grading 5.35% Cu from 26m.

The new hole at the Breccia Pipe prospect reaffirms our belief in the potential for this mineral system to host a large scale high-grade copper-gold deposit. Follow-up drilling beneath the zone of copper mineralisation is required to test whether the breccia transitions downwards into high-grade stockwork and/or replacement-style porphyry mineralisation.

XANADU COMPLETES PLACEMENT TO RAISE A$12.2 MILLION

During the quarter Xanadu completed a placement to raise A$12.17 million at a placement price of 20 cents per share. The placement shares was issued pursuant to Xanadu's 15% placement capacity in accordance with ASX Listing Rule 7.1. Major shareholders participated in the placement, continuing their support of the Company. Two new well-regarded institutional investors were also introduced to the register.

The funds raised from the placement, together with existing cash reserves, will allow the Company to continue to add value to the Kharmagtai copper-gold project and the new gold discovery at the Oyut Ulaan project.

In addition, Xanadu has agreed with Noble Resources International Pte. Ltd that the remaining US$1.5 million available under the Finance Facility, (first announced on 3 February 2014 as part of the Kharmagtai acquisition arrangement), will not be drawn. The balance of US$2.7 million remains due in July 2017.

Discussions continue with numerous strategic investors. Continued exploration success at Kharmagtai over the past year indicates it is one of the most promising copper-gold projects globally, and recent discovery of the tourmaline breccia mineralisation ranks it as one of the highest grade porphyry discoveries in the last 12 months. Xanadu is funded to progress exploration but we keep a healthy dialogue open with potential strategic partners as an option for future collaboration.

Share Capital

As at 30 June 2016, the Company had 511,218,639 fully paid shares, 2,916,667 performance rights and 35,000,000 options issued pursuant to the restructure of the Oyut Ulaan acquisition terms.

Financial position

As at 30 June 2016, the Company's cash and cash receivables was A$13.1 million.

For further information please visit www.xanadumines.com or contact:

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COMPETENT PERSON STATEMENT

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, which is incorporated in the database that was provided to Mining Associates for undertaking a resource estimate. Dr Stewart, who is an employee of Xanadu and is a Member of the Australasian Institute of Geoscientists, has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as the "Competent Person" as defined in the 2012 Edition of the "Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves". Dr Stewart consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

COPPER EQUIVALENT CALCULATIONS

The copper equivalent (CuEq) calculation represents the total metal value for each metal, multiplied by the conversion factor, summed and expressed in equivalent copper percentage. Grades have not been adjusted for metallurgical or refining recoveries and the copper equivalent grades are of an exploration nature only and intended for summarising grade. The copper equivalent calculation is intended as an indicative value only. The following copper equivalent conversion factors and long term price assumptions have been adopted: Copper Equivalent Formula (CuEq) = Cu% + (Au (ppm) x 0.6378). Based on a copper price of $2.60/lb and a gold price of $1300/oz.

Table 1: Kharmagtai drill hole details from second quarter.

Hole ID	Prospect	East	North	RL	Azimuth (°)	Inc (°)	Depth (m)
KHRC269	Breccia Hill	594952	4875952	1272	180	-70	47.0
KHRC270	Breccia Hill	594990	4875280	1275	180	-70	72.0
KHRC271	Breccia Hill	595067	4875158	1279	180	-70	197.3
KHRC272	Breccia Hill	595002	4875105	1282	180	-70	205.0
KHRC273	Pigeon	595307	4876203	1263	180	-70	96.0
KHRC274	SharZam	594230	4876990	1200	130	-70	185.0
KHRC275	SharZam	594168	4876903	1263	135	-75	120.0
KHRC276	Pigeon	595032	4876503	1263	180	-70	108.0
KHRC277	SharZam	594127	4876941	1272	120	-70	261.0
KHRC278	Tsagan Sudal	591853	4877417	1301	360	-70	200.0
KHRC279	SharZam	592957	4875950	1300	180	-65	100.0
KHRC280	Kitchen	591096	4876596	1294	180	-70	200.0
KHRC281	Tsagan Sudal	591901	4877513	1291	180	-65	266.5
KHRC282	SharZam	594000	4877070	1273	180	-70	200.0
KHRC283	THC	599032	4877466	1274	90	-60	120.0
KHRC284	Pigeon	594500	4878780	1280	180	-70	127.0
KHRC285	THC	599065	4877427	1281	20	-60	150.0
KHRC286	Pigeon	594697	4876189	1276	180	-70	206.7

Table 2: Kharmagtai significant drill results from second quarter.

Hole ID	Prospect	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	CuEq (%)
KHRC269	Breccia Hill	26	28	2	0.04	0.1	0.10
KHRC270	Breccia Hill	0	8	8	0.11		0.11
and		16	20	4	0.13	0.02	0.13
and		48	60	12	0.16	0.01	0.16
and		64	70	6	0.18	0.05	0.20
KHRC271	Breccia Hill	3	24	21	0.14	0.04	0.17
and		46	60	14	0.12	0.02	0.13
and		68	74	6	0.11	0.02	0.12
and		76	78	2	0.05	6.46	4.17
and		94	142	48	0.13	0.05	0.16
and		150	162	12	0.13	0.03	0.14
and		166	170	4	0.11		0.11
and		172	180	8	0.2	0.02	0.21
and		182	186	4	0.13	0.02	0.13
and		188	192	4	0.16	0.06	0.20
KHRC272	Breccia Hill	8	16	8	0.11	0.03	0.13
and		24	32	8	0.09	0.05	0.13

Hole ID	Prospect	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	CuEq (%)
and		38	48	10	0.11	0.11	0.18
and		78	148	70	0.17	0.04	0.19
and		168	170	2	0.16	0.11	0.23
KHRC273	Pigeon	82	84	2	0.11	0.18	0.23
and		92	96	4	0.1	0.19	0.22
KHRC274	SharZam	32	34	2	0.03	0.12	0.11
and		46	48	2	0.04	0.82	0.57
and		56	58	2	0.21	0.93	0.80
and		64	66	2	0.03	0.21	0.16
and		68	70	2	0.02	0.14	0.11
and		88	90	2	0.02	0.39	0.27
and		101	102	1	0.17	1.58	1.18
and		103	104	1	0.03	0.3	0.22
and		126	130	4	0.05	0.1	0.12
and		134	138	4	0.12	0.07	0.17
and		152	154	2	0.04	0.1	0.10
and		156	158	2	0.13	0.27	0.31
and		166	168	2	0.01	0.18	0.13
KHRC275	SharZam	32	34	2	0.02	0.12	0.1
and		38	40	2		0.2	0.13
and		56	58	2		0.1	
and		60	62	2		0.1	
and		64	66	2		0.13	
and		72	78	6		0.13	
and		80	86	6		0.23	0.17
and		114	116	2	0.05	0.29	0.24
and		118	120	2	0.13	0.6	0.51
KHRC276	Pigeon	28	34	6	0.02	0.14	
and		38	40	2		0.1	
and		44	46	2		0.1	
and		52	54	2	0.11	0.17	0.22
and		88	90	2	0.04	0.1	0.10
and		92	94	2	0.03	0.11	0.10
and		104	106	2	0.08	0.29	0.34
KHRC277	SharZam	152	154	2	0.13	0.02	0.15
and		160	162	2	0.18	0.05	0.21
and		162	168	6	0.01	0.16	0.11
and		170	180	10	0.07	0.17	0.18
and		186	188	2	0.11	0.11	0.14
and		192	194	2	0.04	0.21	0.18
and		196	198	2	0.04	0.19	0.16

Hole ID	Prospect	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)	CuEq (%)
and		208	210	2	0.02	0.17	0.12
and		214	216	2	0.09	0.1	0.15
and		250	252	2	0.11	0.08	0.16
and		254	256	2	0.06	0.24	0.21
KHRC278	Tsagaan Sudal	0	114	114	0.31	0.18	0.43
including		0	8	8	0.53	0.14	0.63
including		48	66	18	0.4	0.23	0.56
KHRC279	SharZam	16	24	8		0.19	0.13
and		48	50	2		0.16	0.11
and		88	90	2		0.12	0.09
KHRC280	Kitchen	78	80	2	0.12	0.09	0.18
and		138	140	2		0.39	0.27
and		144	146	2		0.15	0.11
KHRC281	Tsagaan Sudal	3	266.5	263.5	0.22	0.13	0.3
including		64	66	2	0.49	0.31	0.69
including		84	86	2	0.37	0.23	0.51
including		142	150	8	0.43	0.31	0.64
including		192	194	2	0.42	0.29	0.6
including		202	204	2	0.45	0.3	0.64
including		220	224	4	0.37	0.31	0.57
including		258	262	4	0.47	0.15	0.57
KHRC282	SharZam	20	22	2	0.03	0.19	0.15
and		50	52	2	0.05	0.12	0.12
and		56	60	4	0.03	0.25	0.19
and		66	68	2	0.01	0.1	0.07
and		88	90	2	0.12	0.24	0.28
and		109	111	2	0.09	0.1	0.16
KHRC283	THC	102	104	2	0.13		0.13
KHRC284	Pigeon	No significant assays					
KHRC285	THC	22	26	4	0.05	0.14	0.14
and		98	100	2	0.32	0.2	0.45
KHRC286	Pigeon	74	76	2	0.11	0.06	0.15

Table 3: Oyut Ulaan drill hole details from second quarter.

Hole ID	Prospect	East	North	RL	Azimuth (°)	Inc (°)	Depth (m)
OUDDH031	Diorite	376951	4940420	1079	125	-45	21
OUDDH032	Diorite	376749	4940487	1080	230	-72.5	44.7
OUDDH033	Diorite	376744	4940478	1081	36	-70	54.5
OUDDH034	Diorite	376754	4940472	1082	355	-70	41.5

Hole ID	Prospect	East	North	RL	Azimuth (°)	Inc (°)	Depth (m)
OUDDH035	Bavuu	375938	4939763	1090	0	-90	51.5
OUDDH036	Breccia pipe	375285	4936581	1079	20	-78	166.5
OUDDH037	Diorite	376623	4940617	1080	300	-65	48.5
OUDDH038	Diorite	376648	4940633	1080	305	-62	180.5
OUDDH039	Bavuu	375876	4939666	1083	140	-80	23.9
OUDDH040	Bavuu	375885	4939653	1082	320	-55	43
OUDDH041	Diorite	376601	4940084	1085	30	-40	17.5
OUDDH042	Diorite	376601	4940083	1085	30	-70	15.5
OUDDH043	Diorite	377729	4940614	1068	175	-64	37
OUDDH044	Diorite	377731	4940608	1068	350	-40	21.5
OUDDH045	Stockwork	374275	4938744	1071	52	-40	48.5
OUDDH046	Stockwork	374303	4938742	1070	20	-45	30.5

Table 4: Oyut Ulaan significant drill results from second quarter.

Hole ID	Prospect	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (%)
OUDDH031	Diorite	0	6.6	6.6	2.72	0.32
including		2	3	1	8.35	0.28
OUDDH032	Diorite	5.5	6	0.5	0.17	
and		8	10	2	0.36	
and		14	16	2	0.56	
and		24	26	2	0.11	
OUDDH033	Diorite	16	18	2	0.37	0.04
OUDDH034	Diorite	12	14	2	0.31	
and		22	24	2	0.1	
OUDDH035	Bavuu	0	1.5	1.5	10.03	0.41
including		0.5	1	0.5	21	0.41
and		13	21.3	8.3	5.73	0.1
including		15	16.3	1.3	11.78	0.02
including		20.8	21.3	0.5	20.8	0.09
OUDDH036	Breccia Pipe	0	69	69	0.04	2.09
including		26	38.5	12.5	0.02	5.35
including		57	59.1	2.1	0.03	5.24
OUDDH037	Diorite	0	2	2	0.25	0.07
and		6	10	4	0.38	0.1
and		16	20	4	0.12	0.18
and		22	26	4		0.14
and		38	46.5	8.5	1.29	0.65
OUDDH038	Diorite	1.3	12	10.7	0.12	0.17
and		24	26	2	0.1	0.14
and		48	50	2	0.1	0.27

Hole ID	Prospect	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (%)
and		58	60	2	0.12	0.08
OUDDH039	Bavuu	0	2.5	2.5	3.87	
OUDDH040	Bavuu	0	6	6	21.57	
OUDDH041	Diorite	0	4	4	0.94	1.17
OUDDH042	Diorite	0	1.7	1.7	0.16	0.16
and		10	12	2	0.13	0.34
OUDDH043	Diorite	0	9.5	9.5	21.06	0.16
including		2	5	3	47.23	0.1
OUDDH044	Diorite	0	6	6	15.43	0.22
including		0	1.1	1.1	38.8	0.18
including		3.3	4.5	1.2	21.34	0.24
OUDDH045	Stockwork	15.2	17.2	2	16.12	0.09
including		16.2	16.7	0.5	32.65	0.08
OUDDH046	Stockwork	0	2.5	2.5	5.75	0.2
including		0	0.5	0.5	15.04	0.15

Table 5: Oyut Ulaan trench details from second quarter.

Trench ID	Prospect	Start East	Start North	RL	Azimuth (^{0})	Length (m)
OUCS008A	Diorite	377288	4940497	1089	326	24
OUCS008B	Diorite	377280	4940496	1082	322	34
OUCS008C	Diorite	377271	4940494	1085	327	38
OUCS008D	Diorite	377260	4940492	1082	330	26
OUCS008E	Diorite	377264	4940466	1086	333	72
OUCS008F	Diorite	377249	4940475	1084	333	30
OUCS008G	Diorite	377240	4940482	1077	332	18
OUCS008H	Diorite	377232	4940481	1082	332	12
OUCS008I	Diorite	377225	4940477	1079	332	16
OUCS009A	Diorite	377208	4940450	1086	16	14
OUCS009B	Diorite	377228	4940446	1088	324	10
OUCS009C	Diorite	377238	4940438	1089	36	18
OUCS009D	Diorite	377248	4940430	1089	25	12
OUCS010A	Diorite	376963	4940414	1072	295	22
OUCS010B	Diorite	376954	4940405	1071	298	16
OUCS010C	Diorite	376947	4940358	1085	257	64
OUCS010D	Diorite	376942	4940366	1083	258	42
OUCS010E	Diorite	376933	4940377	1083	260	30
OUCS010F	Diorite	376928	4940388	1080	260	30
OUCS010G	Diorite	376944	4940397	1090	260	38
OUCS011A	Diorite	377672	4940598	1070	150	28
OUCS011B	Diorite	377679	4940600	1067	149.5	20

Trench ID	Prospect	Start East	Start North	RL	Azimuth (^{0})	Length (m)
OUCS011C	Diorite	377683	4940603	1071	148.5	26
OUCS011D	Diorite	377696	4940608	1071	150.5	26
OUCS011E	Diorite	377702	4940612	1072	149	26
OUCS011F	Diorite	377707	4940619	1073	147	36
OUCS011G	Diorite	377713	4940619	1071	146	30
OUCS011H	Diorite	377729	4940623	1073	145	32
OUCS011I	Diorite	377720	4940623	1069	150	28
OUCS011J	Diorite	377733	4940631	1072	151	20
OUCS011K	Diorite	377744	4940634	1069	151	16
OUCS011L	Diorite	377749	4940643	1066	153	14
OUCS011M	Diorite	377622	4940597	1077	160	20
OUCS012	Diorite	376754	4940482	1075	339	6
OUCS013A	Hulan	379175	4940825	1060	170	15
OUCS013B	Hulan	379147	4940838	1059	20	20
OUCS014	Bavuu	375957	4939765	1096	62	18
OUCS015A	Stockwork	376047	4938928	1085	335	16
OUCS015B	Bavuu	376051	4938926	1085	342	16

Table 6: Oyut Ulaan significant trench results from second quarter.

Trench ID	Prospect	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (%)	As (ppm)	Ag (g/t)	Pb (ppm)	Zn (ppm)	Mo (ppm)
OUCS008A	Diorite	12	12.5	0.5	0.43	0.04	139		16	27	16
OUCS008B	Diorite	11.5	12	0.5	0.7	0.03	118		21	31	18
OUCS008C	Diorite	20.5	22	0.5	0.8	0.03	66.6		5	20.66	
and		28.5	29	0.5	0.41	0.07	141.5			31	
OUCS008D	Diorite	2	3.5	1.5	0.11		35		21	53	
and		4	4.5	0.5	0.57		51			34	59
and		18.5	19.5	1	0.27	0.07	181.5		7	33	7
and		20	20.5	0.5	5.98	0.29	271		7	33	9
OUCS008E	Diorite	28	28.5	0.5	1.08		240		8	37	4
and		29.5	30	0.5	0.75	0.13	57		9	39	9
and		36	42.5	6.5	0.44		52.28		6.1	34.28	6.16
OUCS008F	Diorite	16.5	17	0.5	0.39		31		6	24	3
OUCS008G	Diorite	9.5	10	0.5	0.35		38		4	26	
OUCS008H	Diorite	4	7	3	0.12		24		3	34.5	7
and		7.5	8.5	1	0.64		56.5		2	30.5	4
OUCS008I	Diorite	2.5	3	0.5	0.62	0.12	191		14	61	9
and		14	14.5	0.5	0.71		84		4	24	
OUCS009A	Diorite	10	14	4	0.37	0.06	110.8	2	5	40.8	16.66
including		10.5	11	0.5	1.13	0.08	198		9	35	22
OUCS009B	Diorite	6	10	4	0.18	0.01	144.3		7	36	4.3

Trench ID	Prospect	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (%)	As (ppm)	Ag (g/t)	Pb (ppm)	Zn (ppm)	Mo (ppm)
OUCS009C	Diorite	6	8	2	0.36	0.12	189		9	87.66	3.5
OUCS009D	Diorite	0	2.5	2.5	0.36	0.15	92.25		5	50	3
and		8	12	4	0.3	1.85	28	5	13.5	48.5	
OUCS010A	Diorite	0	16	16	2.21	1	54.75	5.15	12.25	96.18	
including		7	7.5	0.5	20.7	0.2	125	6			39
OUCS010B	Diorite	2	16	14	4.65	0.29	348.5	5.72		70.75	
including		4	4.5	0.5	23.2	0.15	1204	3	4	22	
including		8	9	1	10.38	0.35	338	4.5		42.5	
OUCS010C	Diorite	16	34	18	1.53	0.21	459.8	2.62	4	104	5.7
including		20	24	4	3.73	0.11	650.25	2.25	2.5	91.5	6.6
and		40	46	6	0.78		58.3		18	165	
including		44	46	2	1.31		47		10	126	
OUCS010D	Diorite	2	34	32	3.75	0.41	476.6	7.15	10.86	148.75	11.1
including		4	6	2	22.02	2.58	292	5	15	212	8
including		19	26	7	10.97	0.2	889.5	3.8	11.75	143.8	12.4
OUCS010E	Diorite	0	10	10	0.4	0.38	1423	6	5.5	142.7	7
including		8	9	1	1.05	0.44	4627	5	12	155	8
and		14	30	16	1.41	0.2	205.14		3	93.75	6
including		26	30	4	4.59	0.33	358.5		3	107.5	
OUCS010F	Diorite	0	8	8	0.81	0.43	74.5	3.33	3	101.25	3
including		4	6	2	1.73	0.46	127	2	4	111	3
and		11	30	19	1.4	0.12	341.43	7.8	6	71.37	6.8
including		16	24	8	2.15	0.1	399.25	6.37	8	54.37	8.2
OUCS010G	Diorite	2	8	6	4.53	0.64	292.5	3.75	4.25	211.5	10
and		9	11	2	3.27	0.43	124	5	6	66	
and		21	38	17	0.37	0.28	40.94	2.88	3.4	70.64	3.53
OUCS0011A	Diorite	1	6	5	12.56	0.18	89.25	6	9.1	52	10
including		1.5	2	0.5	74.05	0.36	296	6	23	22	17
and		8.5	10.5	2	0.3	0.26	139.5		9.75	37.75	15
OUCS011B	Diorite	4.5	7	2.5	33.8	0.16	215.33	3	20.25	27.75	14.33
including		5.5	6	0.5	96.35		311	4	31	31	18
and		8	12	4	22.35	0.2	167		11.5	38	11
including		8.5	9	0.5	110	0.38	415		30	25	9
OUCS011C	Diorite	0	2	2	0.54	0.63	7		10	57	
and		12	13	1	0.23	0.21	38.5		7.5	46	12
and		13.5	16	2.5	0.27	0.14	114		6.25	44.25	29.33
OUCS011D	Diorite	6	8	2	0.8	0.38			5	50	
and		13.5	18	4.5	9.46	0.23	81		8.8	35.6	24
including		14	14.5	0.5	46.3	0.32	192		17	18	12
OUCS011E	Diorite	14.5	16.5	2	73.82	0.25	153.3	39	23.5	37.5	31
including		15	15.5	0.5	200.5	0.17	389	39	64	38	31

Trench ID	Prospect	From (m)	To (m)	Interval (m)	Au (g/t)	Cu (%)	As (ppm)	Ag (g/t)	Pb (ppm)	Zn (ppm)	Mo (ppm)
OUCS011F	Diorite	18	21	3	4.4	0.15	102.5		21.66	31.33	21.66
including		20	21	1	9.46	0.16	154		11	21	19
OUCS011G	Diorite	12	16	4	0.2		41		3	96	
and		20	22	2	16.08	0.2	120	3	11.66	33.25	38.3
including		20.5	21	0.5	45.6	0.18	258	3	17	25	64
and		24	26	2	0.12	0.05	52		5	42.3	13.33
OUCS011H	Diorite	12	24	12	42.37	0.27	132.84	17.75	21.61	55.61	15.16
including		16.5	17.5	1	178.5	0.33	460.5	29	88	119	3.5
OUCS011I	Diorite	1	2	1	0.99	0.06	164.5		12.5	11	30.5
and		5	7	2	59.73	0.23	218.25	5	20.75	24.5	14.5
including		6	7	1	84.96	0.16	291		23	24	14
and		12	13	1	1.09	0.29	90		8	42	5
OUCS011J	Diorite	7	16	9	7.92	0.51	147.4		20.6	34.3	36.88
including		8	8.5	0.5	41.08	0.19	248		19	12	29
OUCS011K	Diorite	2	4	2	0.66	0.03	60		6	48	6
and		7	14	7	9.87	0.34	93.83		11.8	31.8	32
including		7	8.5	1.5	19.63	0.66	165		17.3	29	32
OUCS011L	Diorite	2	4	2	0.11	0.11	28		6	50	2
and		6	7	1	0.3	0.07	197		10.5	19	30
and		10	12	2	0.97	0.06	25		3	31	5
OUCS011M	Diorite	8	14	6	5.06	0.15	294	6.28	12	77	23.25
including		10	11	1	10.12	0.15	393.5	10		46	38.5
OUCS0012	Diorite	0	1	1	1.41		77		10.5	707.5	
and		1.5	2	0.5	0.48		69		11	305	
and		3.5	4	0.5	0.15		55		9	210	
OUCS0013A	Hulan	8	10.5	2.5	1.09	0.39	176.8	34	105.2	58.8	10.4
OUCS0013B	Hulan	7.5	10	2.5	1.41	0.01	75		4.8	20	18.4
and		16	20	4	0.04	0.5	36	2	10.5	62.5	4
OUCS0014	Bavuu	6	7	1	5.81	0.2	974.5	5.5	52.5	151	16
OUCS0015A	Stockwork	8	12	4	1.49	0.11	70.33	5	6	92	113
including		8	8.5	0.5	4.07	0.26	196	5	7	100	113
OUCS0015B	Bavuu	7.5	8	0.5	4.8	0.19	36	17	7	168	17

Table 7: Tenements held as at 30 June 2016

Set out below is the relevant information in relation to Xanadu's mining tenements as required under ASX Listing Rule 5.3.3.

Tenement No.	Tenement Name	Location	Change in % Interest	% Interest as at 30 June
MV17387A1	Kharmagtai	Umnugovi Province	-	72%[1]
MV017129	Oyut Ulaan	Dornogovi Province	-	90%
13670x	Sharchuluut	Bulgan Province	-	100%

[1.] The Kharmagtai project has been funded through Xanadu's interest in Mongol Metals LLC by a combination of equity and shareholder advances converted to equity periodically. Xanadu's interest in Mongol Metals LLC is equivalent to approximately 79.8% as at 30 June 2016 (an effective 71.8% interest in the Kharmagtai project).

APPENDIX 1: KHARMAGTAI TABLE 1 (JORC 2012)

Set out below is Section 1 and Section 2 of Table 1 under the JORC Code, 2012 Edition for the Kharmagtai project. Data provided by Xanadu. This Table 1 updates the JORC Table 1 disclosure dated 30 June 2016.

1.1 JORC TABLE 1 - SECTION 1 - SAMPLING TECHNIQUES AND DATA

Criteria	JORC Code (Section 1) Explanation	Commentary
Sampling techniques	• Nature and quality of sampling and assaying. • Measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used. • Aspects of the determination of mineralisation that are Material to the Public Report.	• The resource estimate is based on drill samples only. • Representative 2 metre samples were taken from ½ NQ or HQ diamond core and chip channel samples from trenches. • Only assay result results from recognised, independent assay laboratories were used in Resource calculation after QAQC was verified.
Drilling techniques	• Drill type and details.	• DDH drilling has been the primary drilling method.
Drill sample recovery	• Method of recording and assessing core and chip sample recoveries and results assessed. • Measures taken to maximise sample recovery and ensure representative nature of the samples. • Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.	• DDH core recoveries have been very good, averaging between 97% and 99% for all of the deposits. In localised areas of faulting and/or fracturing the recoveries decrease; however this is a very small percentage of the overall mineralised zones. • Recovery measurements were collected during all DDH programs. The methodology used for measuring recovery is standard industry practice. • Analysis of recovery results vs. grade indicates no significant trends. Indicating bias of grades due to diminished recovery and / or wetness of samples.
Logging	• Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies. • Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography. • The total length and percentage of the relevant intersections logged.	• Drill and trench samples are logged for lithology, mineralisation and alteration and geotechnical aspects using a standardised logging system, including the recording of visually estimated volume percentages of major minerals. • Drill core was photographed after being logged by a geologist. • The entire interval drilled and trenched has been logged by a geologist.
Sub-sampling techniques and sample preparation	• If core, whether cut or sawn and whether quarter, half or all core taken. • If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry. • For all sample types, the nature, quality and appropriateness of the sample preparation technique. • Quality control procedures adopted for all	• DDH Core is cut in half with a diamond saw, following the line marked by the geologist. The rock saw is regularly flushed with fresh water. • Sample intervals are a constant 2m interval down-hole in length. • Trench chip channel samples taken close to the base of the trench wall (about 10cm above the floor). Samples are about 3kg.

Criteria	JORC Code (Section 1) Explanation	Commentary
	sub-sampling stages to maximiserepresentivity of samples. • Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling. • Whether sample sizes are appropriate to the grain size of the material being sampled.	• Trench Sample collected with a plastic sheet or tray. • Routine sample preparation and analyses of DDH samples were carried out by SGS Mongolia LLC (SGS Mongolia), who operates an independent sample preparation and analytical laboratory in Ulaanbaatar. • All samples were prepared to meet standard quality control procedures as follows: Crushed to 90% passing 3.54 mm, split to 1kg, pulverised to 90% - 95% passing 200 mesh (75 microns) and split to 150g. • Certified reference materials (CRMs), blanks and pulp duplicate were randomly inserted to manage the quality of data. • Sample sizes are well in excess of standard industry requirements.
Quality of assay data and laboratory tests	• The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total. • For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc. • Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.	• All samples were routinely assayed by SGS Mongolia for gold, copper, silver, lead, zinc, arsenic and molybdenum. • Au is determined using a 30g fire assay fusion, cupelled to obtain a bead, and digested with Aqua Regia, followed by an atomic absorption spectroscopy (AAS) finish, with a lower detection (LDL) of 0.01 ppm. • Cu, Ag, Pb, Zn, As and Mo were routinely determined using a three-acid-digestion of a 0.3g sub-sample followed by an AAS finish (AAS21R). Samples are digested with nitric, hydrochloric and perchloric acids to dryness before leaching with hydrochloric acid to dissolve soluble salts and made to 15ml volume with distilled water. The LDL for copper using this technique was 2ppm. Where copper is over-range (>1% Cu), it is analysed by a second analytical technique (AAS22S), which has a higher upper detection limit (UDL) of 5% copper. • Quality assurance was provided by introduction of known certified standards, blanks and duplicate samples on a routine basis. • Assay results outside the optimal range for methods were re-analysed by appropriate methods. • Ore Research Pty Ltd certified copper and gold standards have been implemented as a part of QAQC procedures, as well as coarse and pulp blanks, and certified matrix

Criteria	JORC Code (Section 1) Explanation	Commentary
		matched copper-gold standards. • QAQC monitoring is an active and ongoing processes on batch by batch basis by which unacceptable results are re-assayed as soon as practicable.
Verification of sampling and assaying	• The verification of significant intersections by either independent or alternative company personnel. • The use of twinned holes. • Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols. • Discuss any adjustment to assay data.	• All assay data QAQC is checked prior to loading into the Geobank data base. • The data is managed XAM geologists. • The data base and geological interpretation is collectively managed by XAM.
Location of data points	• Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation. • Specification of the grid system used. • Quality and adequacy of topographic control.	• Diamond drill holes and trenches have been surveyed with a differential global positioning system (DGPS) to within 10cm accuracy. • All diamond drill holes have been down hole surveyed to collect the azimuth and inclination at specific depths. Two principal types of survey method have been used over the duration of the drilling programs including Eastman Kodak and Flexit. • UTM WGS84 48N grid. • The DTM is based on 1m contours with an accuracy of ±0.01m.
Data spacing and distribution	• Data spacing for reporting of Exploration Results. • Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied. • Whether sample compositing has been applied.	• Drilling and trenching has been completed on nominal north-south sections, commencing at 120m spacing and then closing to 40m for resource estimation. • Vertical spacing of intercepts on the mineralised zones similarly commences at 100m spacing and then closing to 50m for resource estimation. • Drilling has predominantly occurred with angled holes approximately 70° to 60° inclination below the horizontal and either drilling to north or south, depending on the dip of the target mineralised zone. • Holes have been drilled to 1,000m vertical depth • The data spacing and distribution is sufficient to establish geological and grade continuity appropriate for the Mineral Resource estimation procedure and has been taken into account in 3D space when determining the classifications to be applied.
Orientation of data in relation to geological structure	• Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type. • If the relationship between the drilling orientation and the orientation of key	• Drilling and trenching has been predominantly completed on north-south section lines along the strike of the known mineralised zones and from either the north or the south depending on the dip. • Limited trenching has been completed

Criteria	JORC Code (Section 1) Explanation	Commentary
	mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.	along strike (subparallel) orientations to mineralisation - no conclusion regarding width and grade can be drawn from this data; • Vertical to South dipping ore bodies were predominantly drilled to the north. • Scissor drilling, (drilling from both north and south), as well as vertical drilling, has been used in key mineralised zones to achieve unbiased sampling of possible structures and mineralised zones.
Sample security	• The measures taken to ensure sample security.	• Samples are dispatched from site through via company employees and secure company vehicles to the Laboratories. • Samples are signed for at the Laboratory with confirmation of receipt emailed through. • Samples are then stored at the lab and returned to a locked storage site.
Audits or reviews	• The results of any audits or reviews of sampling techniques and data	• Internal audits of sampling techniques and data management on a regular basis, to ensure industry best practice is employed at all times. • External review and audit have been conducted by the following groups. • 2012 – AMC Consultants Pty Ltd. was engaged to conduct an Independent Technical Report which reviewed drilling and sampling procedures. It was concluded that sampling and data record was appropriate for use in resource estimation including that required by the NI 43-101 standards. • 2013 - Mining Associates Ltd. was engaged to conduct an Independent Technical Report to review drilling, sampling techniques, QAQC and previous resource estimates. Methods were found to conform to international best practice.

1.2 JORC TABLE 1 - SECTION 2 - REPORTING OF EXPLORATION RESULTS

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

Criteria	JORC Code (Section 2) Explanation	Commentary
Mineral tenement and land tenure status	• Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings. • The security of the tenure held at the time	• The Project comprises 1 Mining Licence (MV 17387A). • 100% owned by Oyut Ulaan LLC. • Xanadu and its joint venture partner, Mongol Metals can earn a 90% interest in the Kharmagtai porphyry copper-gold project. The remaining 10% is owned by Quincunx Ltd, which in turn is owned by an

Criteria	JORC Code (Section 2) Explanation	Commentary
	of reporting along with any known impediments to obtaining a licence to operate in the area.	incorporated joint venture between Kerry Holdings Ltd. and MCS Holding LLC. • The Mongolian Minerals Law (2006) and Mongolian Land Law (2002) govern exploration, mining and land use rights for the project.
Exploration done by other parties	• Acknowledgment and appraisal of exploration by other parties.	• Previous exploration was conducted by Quincunx Ltd, Ivanhoe Mines Ltd and Turquoise Hill Resources Ltd including extensive drilling, surface geochemistry, geophysics, mapping and mineral resource estimation to NI 43-101 standards.
Geology	• Deposit type, geological setting and style of mineralisation.	• The mineralisation is characterised as porphyry copper-gold type. • Porphyry copper-gold deposits are formed from magmatic hydrothermal fluids typically associated with felsic intrusive stocks that have deposited metals as sulphides both within the intrusive and the intruded host rocks. Quartz stockwork veining is typically associated with sulphides occurring both within the quartz veinlets and disseminated thought out the wall rock. Porphyry deposits are typically large tonnage deposits ranging from low to high grade and are generally mined by large scale open pit or underground bulk mining methods. The deposits at Kharmagtai are atypical in that they are associated with intermediate intrusions of diorite to quartz diorite composition, however the deposits are in terms of contained gold significant, and similar gold-rich porphyry deposits.
Drill hole Information	• A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes: – easting and northing of the drill hole collar. – elevation or RL Reduced Level – elevation above sea level in metres) of the drill hole collar . – dip and azimuth of the hole – down hole length and interception depth – hole length. • If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.	• Diamond drill holes are the principal source of geological and grade data for the Project. • See figures in main report.
Data Aggregation methods	• In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of	• A nominal cut-off of 0.1% Cu is used for identification of potentially significant intercepts for reporting purposes.

Criteria	JORC Code (Section 2) Explanation	Commentary
	high grades) and cut-off grades are usually Material and should be stated. • Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail. • The assumptions used for any reporting of metal equivalent values should be clearly stated.	• Most of the reported intercepts are shown in sufficient detail, including maxima and subintervals, to allow the reader to make an assessment of the balance of high and low grades in the intercept. • Informing Samples have been composited to two metre lengths honouring the geological domains and adjusted where necessary to ensure that no residual sample lengths have been excluded (best fit). • Metal equivalents used the following formula: CuEq = Cu% x(Aug/t x 0.6378 Formula is based on a $2.60/lb copper price and a $1,300/oz gold price. A gold recovery factor of 78.72% was used.
Relationship between mineralisation on widths and intercept lengths	• These relationships are particularly important in the reporting of Exploration Results. • If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported. • If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').	• Mineralised structures are variable in orientation, and therefore drill orientations have been adjusted from place to place in order to allow intersection angles as close as possible to true widths. • Exploration results have been reported as an interval with 'from' and 'to' stated in tables of significant economic intercepts. Tables clearly indicate that true widths will generally be narrower than those reported. • Limited trenching has been completed along strike (subparallel) orientations to mineralisation - no conclusion regarding width and grade can be drawn from this data; • Resource estimation, as reported later, was done in 3D space.
Diagrams	• Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.	• See figures in main report.
Balanced reporting	• Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.	• Resources have been reported at a range of cut-off grades, above a minimum suitable for open pit mining, and above a minimum suitable for underground mining.
Other substantive exploration data	• Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test	• Extensive work in this area has been done, and is reported separately.

Criteria	JORC Code (Section 2) Explanation	Commentary
	results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.	
Further work	• The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling). • Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.	• The mineralisation is open at depth and along strike. • Current estimates are restricted to those expected to be reasonable for open pit mining. Limited drilling below this depth (-300m rl) shows widths and grades potentially suitable for underground extraction. • Exploration on going.

1.3 JORC TABLE 1 – SECTION 3 ESTIMATION AND REPORTING OF MINERAL RESOURCES

(Criteria listed in section 1, and where relevant in section 2, also apply to this section.)

Criteria	JORC Code (Section 3) Explanation	Commentary
Database integrity	• Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes. • Data validation procedures used.	• The database is a Geobank data base system. • Data is logged directly into an Excel spread sheet logging system with drop down field lists. • Validation checks are written into the importing program ensures all data is of high quality. • Digital assay data is obtained from the Laboratory, QAQC checked and imported • Geobank exported to Access, and connected directly to the GemcomSurpac Software. • Data was validated prior to resource estimation by the reporting of basic statistics for each of the grade fields, including examination of maximum values, and visual checks of drill traces and grades on sections and plans.
Site visits	• Comment on any site visits undertaken by the Competent Person and the outcome of those visits. • If no site visits have been undertaken indicate why this is the case.	• Andrew Vigar of Mining Associates visited site from 24 and 25 October 2014. • The site visit included a field review of the exploration area, an inspection of core, sample cutting and logging procedures and discussions of geology and mineralisation with exploration geologists.
Geological interpretation	• Confidence in (or conversely, the uncertainty of the geological interpretation of the mineral deposit. • Nature of the data used and of any assumptions made. • The effect, if any, of alternative interpretations on Mineral Resource estimation.	• Mineralisation resulted in the formation of comprises quartz-chalcopyrite-pyrite-magnetite stockwork veins and minor breccias. • The principle ore minerals of economic interest are chalcopyrite, bornite and gold, which occur primarily as infill within these veins. Gold is intergrown with chalcopyrite

Criteria	JORC Code (Section 3) Explanation	Commentary
	• The use of geology in guiding and controlling Mineral Resource estimation. • The factors affecting continuity both of grade and geology.	and bornite. • The ore mineralised zones at Altan Tolgoi, Tsagaan Sudal and Zesen Uul are associated with a core of quartz veins that were intensely developed in and the quartz diorite intrusive stocks and/or dykes rocks. These vein arrays can be described as stockwork, but the veins have strong developed preferred orientations. • Sulphidemineralisation is zoned from a bornite-rich core that zone outwards to chalcopyrite-rich and then outer pyritic haloes, with gold closely associated with bornite. • Drilling indicates that the supergene profile has been oxidised to depths up to 60 metres below the surface. The oxide zone comprises fracture controlled copper and iron oxides; however there is no obvious depletion or enrichment of gold in the oxide zone.
Dimensions	• The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource.	• Altan Tolgoi comprises two main mineralised zones, northern and southern stockwork zones (AT-N and AT-S) which are approximately 100 metres apart and hosted in diorite and quartz diorite porphyries. The AT-S is at least 550 metres long, 600 metres deep and contains strong quartz-chalcopyrite-pyrite stockwork veining and associated high grade copper-gold mineralisation. The stockwork zone widens eastward from a 20 to 70 metres wide high-grade zone in the western and central sections to a 200 metres wide medium-grade zone in the eastern most sections. Mineralisation remains open at depth and along strike to the east. • The AT-N consists of a broad halo of quartz that is 250 metres long, 150 metres wide long and at least 350 metres deep. • TS consists of a broad halo of quartz veins that is 850 metres long, 550 metres wide long and at least 500 metres deep, and forms a pipe like geometry. • ZU forms a sub vertical body of stockwork approximately 350 × 100 metres by at least 200 metres and plunges to the southeast.
Estimation and modelling techniques	• The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points.	• The estimate Estimation Performed using Ordinary Kriging. • Variograms are reasonable along strike. • Minimum & Maximum Informing samples is 5 and 20 (1st pass), Second pass is 3 and 20.

Criteria	JORC Code (Section 3) Explanation	Commentary
	If a computer assisted estimation method was chosen include a description of computer software and parameters used. • The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data. • The assumptions made regarding recovery of by-products. • Estimation of deleterious elements or other non-grade variables of economic significance (eg sulphur for acid mine drainage characterisation). • In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed. • Any assumptions behind modelling of selective mining units. • Any assumptions about correlation between variables. • Description of how the geological interpretation was used to control the resource estimates. • Discussion of basis for using or not using grade cutting or capping. • The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available.	• Copper and Gold Interpreted separately on NS sections and estimated as separate domains. • Halo mineralisation defined as 0.12% Cu and 0.12g/t Au Grade. • The mineralised domains were manually digitised on cross sections defining mineralisation. Three dimensional grade shells (wireframes) for each of the metals to be estimated were created from the sectional interpretation. Construction of the grade shells took into account prominent lithological and structural features. For copper, grade shells were constructed for each deposit at a cut-off of 0.12% and 0.3% Cu. For gold, wireframes were constructed at a threshold of 0.12g/t and 0.3 g/t. These grade shells took into account known gross geological controls in addition to broadly adhering to the above mentioned thresholds. • Cut off grades applied are copper-equivalent (CuEq) cut off values of 0.3% for appropriate for a large bulk mining open pit and 0.5% for bulk block caving underground. • A set of plans and cross-sections that displayed colour-coded drill holes were plotted and inspected to ensure the proper assignment of domains to drill holes. • The faulting interpreted to have had considerable movement, for this reason, the fault surface were used to define two separate structural domains for grade estimation. • Six metre down-hole composites were chosen for statistical analysis and grade estimation of Cu and Au. Compositing was carried out downhole within the defined mineralisation halos. Composite files for individual domains were created by selecting those samples within domain wireframes, using a fix length and 50% minimum composite length. • A total of 4,428 measurements for specific gravity are recorded in the database, all of which were determined by the water immersion method. The average density of all samples is 2.74 t/m^3. In detail there are some differences in density between different rock types, but since the model does not include geological domains a single pass ID^2 interpolation was applied. • Primary grade interpolation for the two

Criteria	JORC Code (Section 3) Explanation	Commentary
		metals was by ordinary kriging of capped 6m composites. A two-pass search approach was used, whereby a cell failing to receive a grade estimate in a previous pass would be resubmitted in a subsequent and larger search pass. • The Mineral Resource estimate meets the requirements of JORC 2012 and has been reported considering geological characteristics, grade and quantity, prospects for eventual economic extraction and location and extents. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories using relevant copper-equivalent cut-off values; CuEq = Cu% x(Aug/t x 0.6378 Formula is based on a $2.60/lb copper price and a $1,300/oz gold price. A gold recovery factor of 78.72% was used.
Moisture	• Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content.	• All tonnages are reported on a dry basis.
Cut-off parameters	• The basis of the adopted cut-off grade(s) or quality parameters applied.	• Cut off grades applied are copper-equivalent (CuEq) cut off values of 0.3% for possible open pit and 0.5% for underground.
Mining factors or assumptions	• Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made.	• No mining factors have been applied to the in situ grade estimates for mining dilution or loss as a result of the grade control or mining process. • The deposit is amenable to large scale bulk mining. • The Mineral resource is reported above an optimised pit shell. (Lerch Grossman algorithm), mineralisation below the pit shell is reported at a higher cut-off to reflect the increased costs associated with block cave underground mining
Metallurgical factors or assumptions	• The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation	• No metallurgical factors have been applied to the in situ grade estimates.

Criteria	JORC Code (Section 3) Explanation	Commentary
	of the basis of the metallurgical assumptions made.	
Environmental factors or assumptions	• Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made.	• An environmental baseline study was completed in 2003 by Eco Trade Co. Ltd. of Mongolia in cooperation with Sustainability Pty Ltd of Australia. The baseline study report was produced to meet the requirements for screening under the Mongolian Environmental Impact Assessment (EIA) Procedures administered by the Mongolian Ministry for Nature and Environment (MNE).
Bulk density	• Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples. • The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vugs, porosity, etc), moisture and differences between rock and alteration zones within the deposit. • Discuss assumptions for bulk density estimates used in the evaluation process of the different materials.	• A total of 4,428 measurements for specific gravity are recorded in the database, all of which were determined by the water immersion method. • The average density of all samples is approximately 2.74 t/m^3. In detail there are some differences in density between different rock types, but since the model does not include geological domains a single estimation pass (ID^2) was applied to a density attribute. • There is no material impact on global tonnages, but it should be noted that density is a function of both lithology and alteration (where intense magnetite/sulphide is present).
Classification	• The basis for the classification of the Mineral Resources into varying confidence categories. • Whether appropriate account has been taken of all relevant factors (ie relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data). • Whether the result appropriately reflects the Competent Person's view of the deposit.	• The mineral resource classification protocols, for drilling and sampling, sample preparation and analysis, geological logging, database construction, interpolation, and estimation parameters are described in the Main Report have been used to classify the 2015 resource. • The Mineral Resource statement relates to global estimates of in situ tonnes and grade • The Mineral Resource estimate has been classified in accordance with the JORC Code, 2012 Edition using a qualitative approach. The classifications reflect the competent person's view of the Kharmagtai Copper Gold Project.
Audits or reviews	• The results of any audits or reviews of Mineral Resource estimates.	• XAM's internal review and audit of the Mineral Resource Estimate consisted of

Criteria	JORC Code (Section 3) Explanation	Commentary
		data analysis and geological interpretation of individual cross-sections, comparing drill-hole data with the resource estimate block model. • Good correlation of geological and grade boundaries were observed • 2013 - Mining Associates Ltd. was engaged to conduct an Independent Technical Report to review drilling, sampling techniques, QAQC and previous resource estimates. Methods were found to conform to international best practice.
Discussion of relative accuracy/ confidence	• Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate. • The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used. • These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.	• An approach to the resource classification was used which combined both confidence in geological continuity (domain wireframes) and statistical analysis. The level of accuracy and risk is therefore reflected in the allocation of the measured, indicated and inferred resource categories. • Resource categories were constrained by geological understanding, data density and quality, and estimation parameters. It is expected that further work will extend this considerably. • Resources estimates have been made on a global basis and relates to in situ grades. • Confidence in the Indicated resource is sufficient to allow application of Modifying Factors within a technical and economic study. The confidence in Inferred Mineral Resources is not sufficient to allow the results of the application of technical and economic parameters. • The deposits are not currently being mined. • There is surface evidence of historic artisanal workings. • No production data is available.

1.4 JORC TABLE 1 – SECTION 4 ESTIMATION AND REPORTING OF ORE RESERVES

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

Rule 5.5

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

XANADU MINES LIMITED

ABN

92 114 249 026

Quarter ended ("current quarter")

30 June 2016

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (6 months) $A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(913)	(1,472)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(682)	(1,206)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	11	18
1.5	Interest and other costs of finance paid	(98)	(202)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
	Net Operating Cash Flows	(1,682)	(2,862)
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	(1,522)	(4,129)
	Net investing cash flows	(1,522)	(4,129)
1.13	Total operating and investing cash flows (carried forward)	(3,204)	(6,991)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(3,204)	(6,991)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	11,266	11,266
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (share issue costs)	(542)	(542)
	Net financing cash flows	10,724	10,724
	Net increase (decrease) in cash held	7,520	3,733
1.20	Cash at beginning of quarter/year to date	4,712	8,639
1.21	Exchange rate adjustments to item 1.20	9	(131)
1.22	**Cash at end of quarter**	12,241	12,241

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

		Current quarter $A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	161
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Item 1.12 includes part payment of deferred consideration of $3,934K for the acquisition of the Kharmagtai project in FY2014 and payment of $150K for amendment to the shareholders' agreement of Vantage LLC.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities	$3,715 *(US$2,500)*	$3,715 *(US$2,500)*
3.2	Credit standby arrangements	-	-

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	1,947
4.2	Development	-
4.3	Production	-
4.4	Administration	546
	Total	**2,493**

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A'000	Previous quarter $A'000
5.1	Cash on hand and at bank	12,240	4,712
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	12,240	4,712

+ See chapter 19 for defined terms.

Changes in interests in mining tenements and petroleum tenements

		Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	N/A			
6.2	Interests in mining tenements and petroleum tenements acquired or increased	N/A			

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	**Preference +securities** *(description)*	N/A			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	**+Ordinary securities**	511,218,639	511,218,639		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	60,832,101 ordinary shares 1,364,000 ordinary shares 1,403,000 ordinary shares	60,832,101 ordinary shares 1,364,000 ordinary shares 1,403,000 ordinary shares	$0.20 Nil $0.125	$12,166,420.2 Nil $175,375
7.5	**+Convertible debt securities** (*description*)	N/A			

+ See chapter 19 for defined terms.

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options** *(description and conversion factor)*	*Options* 15,000,000 20,000,000 *Share Rights* 666,666 350,000 333,333 333,334 333,334 450,000 450,000		*Exercise price* Nil subject to share price and tenure hurdles Nil subject to share price and tenure hurdles Nil subject to individual KPIs	*Expiry date* 14/1/2019 14/1/2019 18/09/2016 1/6/2017 16/6/2017 18/9/2017 16/6/2018 1/2/2017 1/2/2018
7.8	Issued during quarter	N/A			
7.9	Exercised during quarter	2,333,333 (Share Rights)	2,333,333 (issued and quoted as ordinary shares as described in 7.4)	Nil. Share Rights were issued for nil financial consideration after share price and tenure hurdles were achieved.	N/A. Shares issued upon vesting of Share Rights are fully paid ordinary shares.
7.10	Expired during quarter	*Options* 3,000,000		N/A (Share price hurdle not met)	3
7.11	**Debentures** *(totals only)*	N/A			
7.12	**Unsecured notes** *(totals only)*	N/A			

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).

2 This statement does /~~does not~~* *(delete one)* give a true and fair view of the matters disclosed.

Sign here: ..... Date: 29 July 2016
Director

Print name: Andrew Stewart

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.