XANADU MINES



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Xanadu Mines Ltd Target's Statement Lodged Accept Bastion Mining Pte. Ltd. Takeover Offer

27 May 2025

Further to the joint announcement made on 19 May 2025 by **Xanadu Mines Ltd (ASX:XAM, TSX:XAM)** ACN 114 249 026 (**Xanadu** or the **Company**) and Bastion Mining Pte. Ltd. UEN 202512367N (Bastion) in relation to the off-market takeover offer by Bastion to acquire all the fully paid, ordinary shares in Xanadu (**Offer**), Xanadu announces that:

(a) it has been served today the with Bidder's Statement dated 27 May 2025 (**Bidder's Statement**) from Bastion in relation to the Offer, which has been lodged by Bastion today with the Australian Securities and Investments Commission (ASIC); and

(b) it has lodged its Target's Statement dated 27 May 2025 (**Target's Statement**) with ASIC today in response to the Offer.

Bastion has also today lodged its Bidder's Statement with ASX in accordance with item 5 of section 633(1) of the Corporations Act 2001 (Cth) (**Corporations Act**). In accordance with item 14 of section 633(1) of the Corporations Act 2001, a copy of the Target's Statement is **attached** to this announcement, together with a copy of the Independent Expert's Report dated 27 May 2025, which will both be provided to holders of Xanadu shares (**Xanadu Shareholders**) shortly. The Target's Statement has been sent to Bastion.

Both the Bidder's Statement and the Target's Statement are in the process of being contemporaneously dispatched to Xanadu Shareholders pursuant to items 6 and 12 of section 633(1) of the Corporations Act.

The Takeover Board Committee of Xanadu (**Takeover Board Committee**)[1] unanimously recommends that Xanadu Shareholders **ACCEPT** the offer, in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Offer is fair and reasonable.

An electronic copy of the Target's Statement and updates in relation to the Takeover Offer will be made available on Xanadu's website (**www.xanadumines.com**).

[1] The Takeover Board Committee comprises all Xanadu Directors as at the date of this announcement other than Ganbayar Lkhagvasuren and Zijin's representative, Shaoyang Shen.

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www.xanadumines.com

About Xanadu Mines

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 together with our 50-50 JV partner Zijin Mining Group.

For further information on Xanadu, please visit: **www.xanadumines.com** or contact:

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This Announcement was authorised for release by Xanadu's Takeover Board Committee.

Forward-Looking Statements

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

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

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

For further information please visit the Xanadu Mines' Website at **www.xanadumines.com.**

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Target's Statement

of Xanadu Mines Limited (ACN 114 249 026) issued in response to the off-market takeover bid made by Bastion Mining Pte Ltd (UEN 202512367N), a subsidiary of Boroo Pte Ltd (UEN 201827959R), to acquire all of your Shares in Xanadu Mines Limited

The Takeover Board Committee unanimously recommend that you

Accept

the

Offer

from Bastion Mining Pte Ltd (UEN 202512367N) to acquire all of your Xanadu Shares (in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Offer is fair and reasonable to Non-Associated Xanadu Shareholders)

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION

It should be read in its entirety, if you are in doubt about how to deal with this document, you should consult your legal, financial or other professional adviser immediately.

HopgoodGanim LAWYERS

Bennett Jones

Jefferies

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IMPORTANT NOTICES

Nature of this document

This Target's Statement is dated 27 May 2025 and is given under Part 6.5, Division 3 of the Corporations Act by Xanadu Mines Limited (ACN 114 249 026) (**Xanadu**) in response to the Bidder's Statement dated 27 May 2025 and the Offer dated 28 May 2025 by Bastion Mining Pte Ltd (UEN 202512367N) (**Bastion**), which is an entity controlled by Boroo Pte Ltd (UEN 201827959R) (**Boroo**), to acquire all of the Shares in Xanadu that it does not already own as at the date of this document.

A copy of this Target's Statement was lodged with ASIC and sent to the ASX and filed under Xanadu's profile on SEDAR+ on 27 May 2025. Neither ASIC, ASX or any Canadian securities regulatory authority, nor any of their officers take any responsibility for the content of this Target's Statement.

This Target's Statement and the Bidder's Statement contain important information. You should read both documents carefully and in their entirety.

Investment Decision

This Target's Statement does not take into account the individual investment objectives, financial situation and particular needs of each Shareholder. You may wish to seek independent financial and taxation advice before making a decision as to whether or not to accept the Offer for your Shares.

Shareholder Information

If you have any questions in relation to the Offer, please contact the Shareholder Information Line on 1300 850 505 (for callers within Australia) or on +61 3 9415 4000 (for callers outside Australia) from Monday to Friday between 8.30am to 5.00pm (AEST).

Announcements relating to the Offer can be obtained from Xanadu's website at https://www.xanadumines.com/asx-announcements/.

Interpretation

Capitalised terms used in this Target's Statement are defined in section 10 of this document.

Forward Looking Statements

This Target's Statement contains certain forward looking statements and statements of current intention. Such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which Xanadu is involved as well as general economic conditions and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and such deviations are both normal and to be expected. None of Xanadu, any of its officers, or any person named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement makes any representation or warranty (either express or implied) as to the accuracy or likelihood in any forward looking statement, and you should not place undue reliance on these statements.

Forward looking statements in this Target's Statement reflect views held only as at the Last Practicable Date.

Foreign Jurisdictions

The release, publication or distribution of this Target's Statement in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons who come into possession of it should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations. This Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with the laws and regulations outside Australia. The Target's Statement has not been prepared in accordance with Canadian securities laws. Xanadu is relying on an exemption from Canadian securities laws with respect to the Offer.

Maps and Diagrams

Any maps, diagrams, charts, graphs and tables contained in this Target's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in maps, diagrams, charts, graphs and tables is based on information available as at the Last Practicable Date.

Information about Bastion in this Target's Statement

Except where disclosed in this Target's Statement, the information about Bastion contained in this Target's Statement has been prepared by Xanadu using publicly available information including the Bidder's Statement, which has not been independently verified. Accordingly, except to the extent required by law, Xanadu does not assume responsibility for the accuracy or completeness of such information.

Privacy

Xanadu has collected your information from the register of Xanadu Shareholders for the purpose of providing you with this Target's Statement. The type of information Xanadu has about you includes your name, contact details and information on your shareholding (as applicable) in Xanadu. Without this information, Xanadu would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the name and address of Shareholders to be held in a public register. Your information may be disclosed on a confidential basis to external service providers (including the Xanadu Share Registry and print and mail service providers) and may be required to be disclosed to regulators such as ASIC.

If you would like details of information about you held by Xanadu, please contact the Xanadu Share Registry on 1300 850 505 (for callers within Australia) or on +61 3 9415 4000 (for callers outside Australia) from Monday to Friday between 8.30am to 5.00pm (AEST).

Rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Target's Statement are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Target's Statement.

Estimates and assumptions

Unless otherwise indicated, all references to estimates, assumptions and derivations of the

same in this Target's Statement are references to estimates, assumptions and derivations of the same by Xanadu. Estimates reflect, and are based on, views as at the Last Practicable Date, and actual facts or outcomes may materially differ from those estimates or assumptions.

Currencies and time

In this Target's Statement, references to "Australian dollars", "AUD", "$", "A$" or "cents" are to the lawful currency of Australia, references to US$ in this Target's Statement are to the lawful currency in the United States of America, and references to CAD in this Target's Statement are to the lawful currency in Canada.

Risk Factors

Shareholders should note that there are a number of risks attached to their investment in Xanadu. Shareholders should also note that there are risks involved in accepting the Offer. Please refer to section 7 (*Risk factors*) for further information.

Competent / Qualified Person Statement

The scientific and technical information contained in this Target's Statement related to the Kharmagtai Project, including the information that relates to Mineral Resources and Ore Reserves and the Kharmagtai PFS, is extracted from ASX announcements entitled Pre-Feasibility Study Kharmagtai Copper-Gold Project and Kharmagtai Maiden Ore Reserve, Updated Mineral Resource dated 14 October 2024 (**Kharmagtai Reports**) and is available to view on https://www.xanadumines.com/asx-announcements.

The scientific and technical information in this Target's Statement relating to the Red Mountain and Sant Tolgoi projects, including the most recent information that relates to exploration results, has been extracted from ASX announcements entitled Sant Tolgoi Exploration Update, dated 20 November 2024, and Near Surface Copper & Gold Results at Red Mountain, dated 21 June 2024 (**RMST Reports**) and is available to view on https://www.xanadumines.com/asx-announcements.

Xanadu confirms that it is not aware of any new information or data that materially affects the information included in the Kharmagtai Reports and the RMST Reports described above (**Relevant Public Reports**) and, in the case of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the Relevant Public Reports (as applicable) continue to apply and have not materially changed. Xanadu confirms that the form and context in which the findings of each of the relevant Competent Persons are presented have not been materially modified from the Relevant Public Reports.

Production targets and financial forecasts

The forecast financial information (and the production targets on which such forecast financial information is based) contained in this Target's Statement have been extracted from the report entitled Pre-Feasibility Study – Kharmagtai Copper-Gold Project (**Report**) announced on 14 October 2024 and available to view on https://www.xanadumines.com/asx-announcements/.

Additional technical detail is available on the Canadian Report, Kharmagtai Copper-Gold Project, South Gobi, Mongolia, dated 13 January 2025 and effective 10 October 2024, which was prepared in accordance with National Instrument 43-101 – *Standards for Mineral Projects* (**NI43-101**) and is available on both SEDAR+ and at https://www.xanadumines.com/technical-reports/.

Xanadu confirms that it is not aware of any new information or data that materially affects the information included in the Report and that all material assumptions and technical parameters underpinning the forecast financial information and production targets in the relevant announcement continue to apply and have not materially changed.

Mineral Reserves and Mineral Resources

Xanadu's disclosure of Mineral Reserve and Mineral Resource Information is governed by NI43-101 and CIM Standards, and on the reporting requirements of the JORC Code.

There can be no assurance that those portions of such Mineral Resources that are not Mineral Reserves will ultimately be converted into Mineral Reserves. Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability.

For further information on the Kharmagtai Project please see the Kharmagtai Project Pre-Feasibility Study titled "Kharmagtai Pre-Feasibility Study 2024" which was released on 14 October 2024. The technical report on the Pre-Feasibility Study, pursuant to NI 43-101 of the Canadian Securities Administrators, was issued on SEDAR+ at www.sedarplus.ca on 17 January 2025.

Notice to Canadian Shareholders

The Target's Statement is being delivered in reliance on certain exemptions from applicable Canadian provincial and territorial securities laws. Accordingly, the disclosure and other information contained in this Target's Statement may not be comparable to the disclosure and other information that would be contained in Canadian takeover bid materials in accordance with applicable Canadian provision and territorial securities laws, and no Canadian securities regulatory authorities have reviewed or passed upon the adequacy or accuracy of the disclosure and other information contain in this Target's Statement. Shareholders in Canada should consult their own legal and financial advisors regarding the Target's Statement.

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LETTER FROM EXECUTIVE CHAIRMAN

Dear fellow Xanadu Shareholders

ACCEPT THE OFFER (in the absence of a Superior Proposal)

On behalf of the Xanadu Mines Limited's (**Xanadu,** or the **Company**) sub-committee of independent directors (**Takeover Board Committee**[1]), I am pleased to present you with this Target's Statement in response to the off-market takeover bid announced by Bastion Mining Pte Ltd (**Bastion** or **Bidder**) to acquire all of the ordinary Shares for A$0.08 cash per share (**Offer**).

Bastion is a private, Singaporean incorporated entity controlled by Boroo Pte Ltd (**Boroo**) who owns 75% of the Bidder. Xanadu Director, Mr Ganbayar Lkhagvasuren is not a director of Bastion, but has a non-controlling 25% economic interest in the Bidder.

Bastion's Offer has been made following the hard work and success of the Xanadu team in advancing the Kharmagtai Copper-Gold Project (**Kharmagtai**) over the last 5 years. The release of the Pre-Feasibility Study (**PFS**) in October 2024 and declaration of a maiden ore reserve was a significant milestone for the Company and confirmed the potential of Kharmagtai as a globally significant, long life, low cost and low risk future copper-gold mine.

The next phase for Kharmagtai is to secure the project's permitting and Mongolian investment agreement pathway. In that regard, Boroo's considerable in-country experience will be invaluable for driving the engagement process, making Bastion a natural choice as the new owner of Xanadu and partner to Zijin Mining Group Co. Ltd (**Zijin**). With Zijin now responsible for the operatorship of Kharmagtai and, recognising Xanadu's profile as an exploration-focused company with limited balance sheet strength to fund its share of the very significant capital required to progress development of the project, the Takeover Board Committee considers that now is the appropriate time to provide a liquidity event for Xanadu Shareholders.

Strong Rationale to ACCEPT

The Takeover Board Committee has carefully considered the Offer of A$0.08 cash for each Xanadu Share, and unanimously recommends that you ACCEPT THE OFFER (in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Offer is fair and reasonable to Xanadu Shareholders not associated with Bastion).

The Takeover Board Committee believe that you should ACCEPT the Offer (in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Offer is fair and reasonable to Xanadu Shareholders not associated with Bastion) because:

1. Bastion's Offer represents an attractive and significant premium to Xanadu's historical trading prices:

    - 57% to Xanadu's closing price of A$0.051 on 16 May 2025 (being the last trading day for Xanadu Shares prior to the announcement of the Offer);
    - 62% to Xanadu's 10-day VWAP of A$0.049 up to and including 16 May 2025;
    - 46% to Xanadu's 30-day VWAP of A$0.055 up to and including 16 May 2025;
    - 52% to Xanadu's 90-day VWAP of A$0.053 up to and including 16 May 2025;

2. the Offer, should it become unconditional, delivers certain value in the form of cash consideration with your acceptance of the Offer also minimising the risk of reduced future liquidity and/or being compulsorily acquired;

3. the Offer, should it become unconditional, avoids future funding and associated equity dilution risk;

4. the Independent Expert has concluded that the Offer is fair and reasonable to Non-Associated Xanadu Shareholders; and

[1] See section 6.2 – the Takeover Board Committee comprises of Mr Colin Moorhead, Mr Michele Muscillo and Mr Tony Pearson.

5. there is currently no competing proposal, with recent negotiations with Zijin regarding its alternative non-binding and indicative change of control offer not resulting in a transaction being finalised.[2]

All of the above reasons are set out in more detail on the following pages and you are encouraged to read the rationale in full.

This Target's Statement sets out your Takeover Board Committee Directors' response to the Offer and contains their recommendation, reasons for that recommendation, and other important information you should consider when deciding whether to accept or reject the Offer.

The Takeover Board Committee recommends that you read this Target's Statement (including the Independent Expert's Report) in its entirety and consider the Offer, having regard to your own personal risk profile, investment strategy and tax circumstances. To ACCEPT the Offer you should follow the instructions set out in the Bidder's Statement.

The Independent Expert has concluded that the Offer is fair and reasonable to Non-Associated Xanadu Shareholders (being those Shareholders not associated with the Bidder).

If you are in doubt as to whether to accept or reject the Offer, you should seek your own independent professional advice.

On behalf of all Directors of Xanadu, I would like to personally thank our Shareholders for their support, our employees for their significant achievements, and the many professionals who have helped us along this journey.

Yours faithfully



Colin Moorhead
Chair
Xanadu Mines Limited

[2] See section 8.5.

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KEY REASONS TO ACCEPT THE OFFER

The Takeover Board Committee unanimously recommends that you ACCEPT the Offer (in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Offer is fair and reasonable to Non-Associated Xanadu Shareholders) for the following key reasons.

REASON 1 Bastion's Offer price represents an attractive and significant premium to Xanadu's historical trading prices

- Bastion's Offer price of A$0.08 represents a compelling and significant premium to the trading price of Xanadu Shares, up to and including 16 May 2025 (being the last trading day for Xanadu Shares prior to the announcement of the Offer), specifically:
  - 57% premium to Xanadu's closing price of A$0.051 per share on 16 May 2025;
  - 62% to Xanadu's 10-day VWAP of A$0.049 up to and including 16 May 2025;
  - 46% to Xanadu's 30-day VWAP of A$0.055 up to and including 16 May 2025; and
  - 52% to Xanadu's 90-day VWAP of A$0.053 up to and including 16 May 2025.

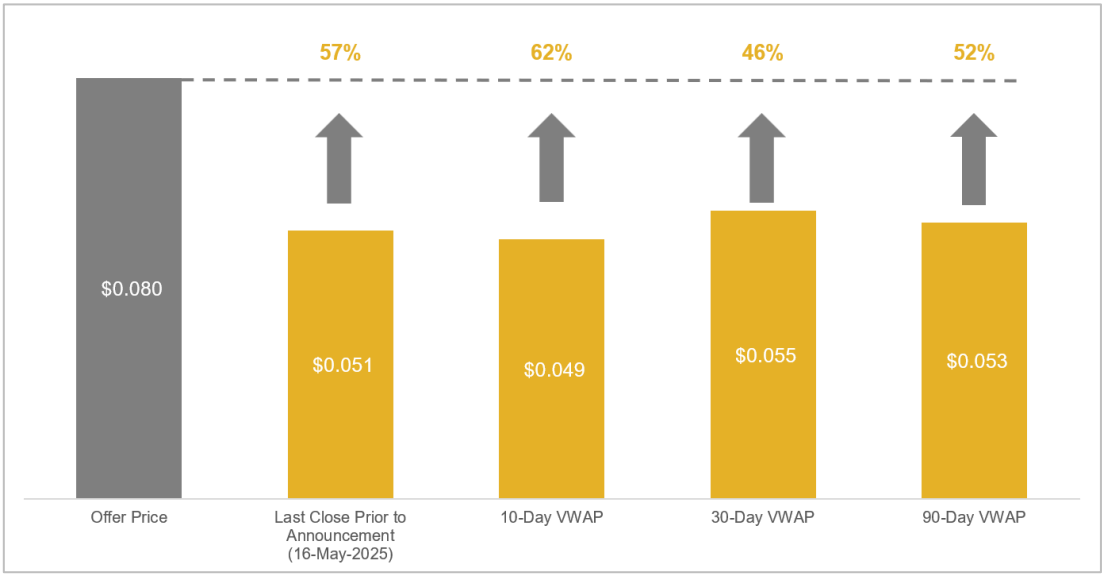


Figure 1. Value of the Offer compared to historical trading prices (A$ per Share)

REASON 2 The Offer delivers certain value in the form of cash consideration while minimising inherent risks in respect of liquidity and compulsory acquisition

- If you accept the Offer and the Offer becomes unconditional, you will obtain the certainty of receiving a cash payment of A$0.08 per Share that you hold. The certainty of the Offer should be compared to the risks and uncertainties of remaining a Xanadu Shareholder, which are covered in section 7.

- If you retain your Xanadu Shares, the price at which you will be able to sell those Shares at a later date (as well as the level of liquidity in Xanadu Shares) is uncertain and you will continue to be exposed to the risks associated with being a Xanadu Shareholder (but will also continue to be exposed to any potential benefits associated with such an investment - although no forecast is made of whether any benefits will be received). These risk factors for remaining a Xanadu Shareholder are discussed in section 7. The Offer removes these risks and uncertainties for Xanadu Shareholders

and allows Xanadu Shareholders to exit their investment in Xanadu at a price that the Takeover Board Committee considers compelling.

- The Offer is subject to a limited number of conditions, the full list of which is set out in section 2.4, including (in summary):
  - Bastion obtaining a relevant interest in Xanadu of at least 50.1%;
  - until the end of the Offer period, Xanadu must not exercise either of the Put Options granted under the terms of the JVCo SHA which, if exercised, would require Jinping (Singapore) Mining Pte. Ltd (Jinping) to acquire from Xanadu either a further 25% interest or its full 50% interest in Khuiten Metals Pte Ltd (**JVCo**);
  - no prescribed occurrence in relation to Xanadu;
  - no material adverse change in relation to Xanadu;
  - no government or regulatory action in consequence of, or in connection with, the Offer which adversely impacts the Offer (subject to certain carve outs); and
  - none of the warranties given by Xanadu become incorrect or untrue during the Offer Period.
- The Offer is not conditional on financing or due diligence conditions.
- By accepting the Offer, you will no longer be exposed to Xanadu's future timing, project development, regulatory and other operational risks with respect to the Kharmagtai Project and Xanadu's other exploration projects.
- You will also no longer be exposed to future commodity pricing risks (or potential upside) which are a large driver of the value of Xanadu's assets.
- As a result, the Offer represents an attractive opportunity for Xanadu Shareholders to realise the value of their investment whilst decreasing inherent project participation and commodity pricing risks ahead for Xanadu.
- It is uncertain as to whether Bastion and its associates will reach the 90% threshold required to compulsorily acquire all outstanding shares in Xanadu. If you do not accept the Offer, maintaining your investment in Xanadu may also involve the following liquidity and compulsory acquisition risks, depending on the outcome of the Offer:
  - The Takeover Board Committee believes that if the Offer is not successful, and no Competing Proposal emerges, then the Xanadu Share price may fall, given that the Offer price is well above the trading levels prior to the announcement of the Offer on 19 May 2025 (see Figure 1 above).
  - The Shares acquired by Bastion and its Associates under the Offer will reduce the number of Shares that can be expected to be available for trading on ASX and TSX. Depending on the level of acceptances, this is likely to reduce the liquidity of Shares and may adversely affect the price at which they might otherwise be expected to trade.
  - Bastion and its Associates may, at some later time, acquire further Xanadu Shares in a manner consistent with the Corporations Act (for example, as a result of acquisitions of Xanadu Shares in reliance on the '3% creep' exception) and may ultimately achieve compulsory acquisition at a lower price than the Offer.
  - If Bastion acquires a Relevant Interest of 50.1% or more of Xanadu Shares (on a fully diluted basis) and the Offer has become or is declared unconditional, the Bid Implementation Agreement provides that Xanadu will take all actions necessary to ensure that, subject to applicable laws:

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- ◊ the nominees of Bastion are lawfully appointed as directors of Xanadu; and
- ◊ any directors on the Xanadu Board designated by Bastion resign from the Xanadu Board.

- Bastion's intentions for Xanadu are described in section 3 of the Bidder's Statement, but those intentions may change. If Bastion and its Associates do not obtain 90% and proceed with compulsory acquisition and you subsequently choose to dispose of your Shares after changes to the business are implemented, you may be doing so at a time when market conditions are less favourable than those prevailing at the date of this Target's Statement.
- If you choose not to accept the Offer, and if Bastion becomes entitled to exercise compulsory acquisition rights upon acquiring a Relevant Interest in 90% or more of Xanadu Shares, and Bastion subsequently exercises those rights, you will be paid later than Shareholders who accept the Offer.

REASON 3 Avoidance of future funding and associated dilution risk

- Xanadu currently does not have the capital to fully develop its existing assets.
- Xanadu's Kharmagtai Copper-Gold Pre-Feasibility Study (**PFS**) released in October 2024 noted that to achieve the range of outcomes indicated in the PFS, funding in the order of US$890 million will likely be required from owners of the Kharmagtai Project. As a result of minority ownership and carry agreements, Xanadu and Zijin Mining Group Co Ltd (**Zijin**) are jointly accountable for 90.4% of this total (Xanadu's share is approximately US$400 million).

Project Capital Expenditure	PFS (US$m)
Mining	0
Process Plant	540
Tailings	55
Site Infrastructure	80
Indirects	90
Contingency	110
Owners Costs	15
Total Project Capital Requirement	**890**
Total Xanadu Capital Requirement Share	**~400**

Table 1. Kharmagtai Copper-Gold Project capital requirements per PFS released 14 October 2024

- Additionally, Xanadu may require additional financing in the medium term to fund future exploration and project development activities.
- Investors should note that there is no certainty that Xanadu will be able to source its share of the required funding when needed. To the extent that some or all of this fundraising is in the form of equity, if Xanadu Shareholders do not accept the Offer, Xanadu Shareholders would need to contribute commensurately with their existing shareholding to avoid having their proportionate interest in Xanadu diluted.

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REASON 4 The Independent Expert has concluded the offer fair and reasonable to Non-Associated Xanadu Shareholders

- The Independent Expert, BDO Corporate Finance Ltd, has declared the offer to be fair and reasonable to Non-Associated Xanadu Shareholders in the absence of any other information or a Superior Proposal.
- The Independent Expert has assessed the fair value of a Xanadu Share prior to the Offer to be at a price between $0.056 and $0.104 per Share (on a controlling interest basis) as shown in Table 2 below. As the Offer price of A$0.08 per Share is in the range of the value of a Xanadu Share prior to the Offer on a controlling interest basis (see Figure 2 below), the Independent Expert has concluded that the Offer is fair for Non-Associated Xanadu Shareholders.
- The Independent Expert has also assessed the position of Non-Associated Shareholders if the Offer is accepted as being more advantageous than the position of Non-Associated Shareholders if the Offer is not accepted. As a result, the Independent Expert has concluded that the Offer is reasonable for Non-Associated Xanadu Shareholders.
- A copy of the Independent Expert's Report is attached to this Target's Statement as Annexure 1. The Takeover Board Committee encourages all Shareholders to read the Independent Expert's Report in its entirety before making a decision as to whether or not to accept the Offer.

	Low	High
Value of Xanadu share (controlling interest)	$0.056	$0.104
Value of the Offer Consideration	$0.08	$0.08

Table 2. Assessment of fairness of the Offer

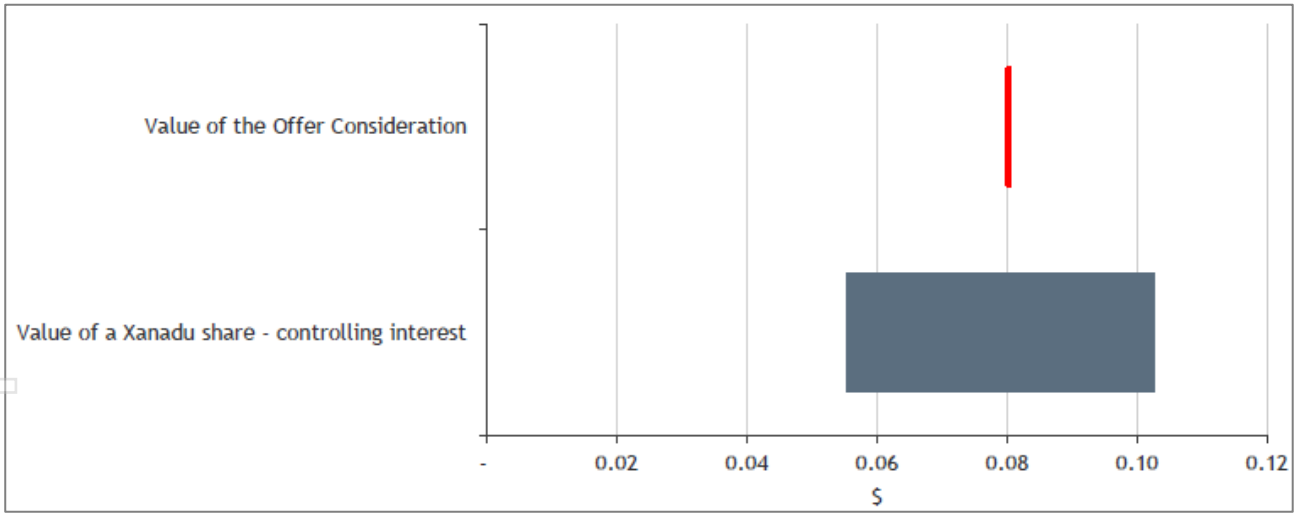


Figure 2. Comparison of valuation of Xanadu Share prior to the Offer and the Offer Consideration (extracted from section 2.2.4 of the Independent Expert's Report)

REASON 5 There is currently no competing proposal

- Despite Xanadu entering into exclusivity with joint venture partner Zijin on 7 April 2025, Xanadu and Zijin were unable to progress to a binding transaction with exclusivity concluding on 5 May 2025.

- As at the Last Practicable Date, Bastion has already acquired a Relevant Interest in 286,829,633 Xanadu Shares held by Bastion and Voting Power in Xanadu of 12.52%.[3] Any entity holding Voting Power in excess of 9.99% has the ability to block a compulsory acquisition under a takeover bid, and such entity's shareholding would likely be determinative on any vote on a competing scheme of arrangement. Accordingly, the composition of Xanadu's share register as at the Last Practicable Date may reduce the attractiveness of Xanadu as a target for any counterbidders who wish to obtain 100% of Xanadu.

- You should note that the recommendation by the Independent Target Board to accept the Offer is subject to the absence of a Superior Proposal for your Shares and subject to the Independent Expert continuing to conclude that the Offer is fair and reasonable. If a Competing Proposal arises, the Takeover Board Committee will consider the terms of the Competing Proposal and follow the matching rights process set out in the Bid Implementation Agreement, and will keep you informed of any developments as they arise.

The Takeover Board Committee unanimously recommends that you ACCEPT the Offer by Bastion (in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Offer is fair and reasonable to Non-Associated Xanadu Shareholders).

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[3] Boroo, as the parent company of the Bidder, also had a Relevant Interest in the 286,829,633 Xanadu Shares held by the Bidder (being a controlled body corporate of Boroo pursuant to section 608(3) of the Corporations Act) and Voting Power in Xanadu of 14.45% pursuant to section 610(1) of the Corporations Act, (which includes an additional 44,228,329 Xanadu Shares in which Mr Ganbayar Lkhagvasuren has a Relevant Interest in, as an Associate of Boroo for the purposes of section 12 of the Corporations Act) as at the Last Practicable Date. See section 2.7 and section 2.8 of the Bidder's Statement for further details regarding the Bidder's Relevant Interest and Voting Power in Xanadu as at the Last Practicable Date.

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1. FREQUENTLY ASKED QUESTIONS ABOUT THE OFFER

For the purposes of enabling you to understand some of the complex issues which arise during the process of a takeover bid, we have provided this question-and-answer guide.

This section is not intended to address all issues that may be relevant to you. This section should be read together with the rest of this Target's Statement.

Question		Answer	Further Information
1.1	**What is this Target's Statement?**	This Target's Statement has been prepared by Xanadu and provides Xanadu's response to Bastion's Offer, including the recommendation of the Takeover Board Committee Directors.	
1.2	**Who is the Bidder**	The Offer is made by Bastion Mining Pte Ltd (UEN 202512367N) (**Bastion** or the **Bidder**), which is an entity controlled by Boroo Pte Ltd (UEN 201827959R) (**Boroo**), which owns 75% of the Bidder. Xanadu Director Ganbayar Lkhagvasuren (**GBL**) is not a director of the Bidder, but has a non-controlling 25% economic interest in Bastion. Boroo is a private Singapore-incorporated entity which invests in major gold projects internationally and its key assets include Lagunas Norte, a producing gold mine in Peru and a portfolio of development-stage projects in South America and Central Asia.	Section 5
1.3	**What is the Offer?**	Bastion is offering to acquire all Xanadu Shares which it does not already own for a cash payment of $0.08 for each Xanadu Share you hold (**Offer**). You may accept the Offer only in respect of all, and not part, of the Xanadu Shares that you hold.	Section 2
1.4	**What are the Conditions of the Offer?**	The Offer is subject to certain Conditions, which are set out in detail in section 2.4 of this Target's Statement and more specifically in section 8 of the Bidder's Statement.	Section 2.4
1.5	**What are my alternatives?**	As a Xanadu Shareholder you have the following choices in respect of your Shares: 1. accept the Offer (as recommended by the Takeover Board Committee Directors in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Offer is fair and reasonable to Non-Associated Xanadu Shareholders); 2. reject the Offer by doing nothing; or 3. sell some or all of your Shares on the ASX or TSX at the prevailing market price (unless you have previously accepted the Offer and you have not validly withdrawn your acceptance). When deciding what to do, you should carefully consider Takeover Board Committee Directors'	Section 3

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Question		Answer	Further Information
		recommendation and other important considerations in this Target's Statement.	
1.6	**What does the Takeover Board Committee recommend?**	The Takeover Board Committee Directors unanimously recommend that you ACCEPT THE OFFER (in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Offer is fair and reasonable to Non-Associated Xanadu Shareholders). The reasons for this recommendation are set out in this Target's Statement and are based on the information available to the Takeover Board Committee Directors (including the assumption that the Conditions of the Offer are able to be achieved within a reasonable period of time) as at the Last Practicable Date. If there is a change in this recommendation or any other material developments in relation to the Offer, Xanadu will lodge a supplementary target's statement.	Section 6
1.7	**What is the Takeover Board Committee?**	A sub-committee of Xanadu directors comprised of Mr Colin Moorhead, Mr Michele Muscillo and Mr Tony Pearson (**Takeover Board Committee**) has been formed to consider the Offer on behalf of the Xanadu Board. The Takeover Board Committee has been established to manage certain conflicts of interest and ensure the independence of the advice and recommendations provided to Xanadu Shareholders under this Target's Statement. To achieve this purpose, the Takeover Board Committee has established protocols for limiting access to information regarding the Bid, and limiting the responsibility for decision-making and communications, to the Takeover Board Committee Directors only. Accordingly, Mr Lkhagvasuren and Mr Shen have not participated in the consideration given by the Takeover Board Committee to the Offer and were not involved in preparing this Target's Statement except to provide information to enable Xanadu to meet its legal disclosure obligations. Given the interests of Mr Lkhagvasuren in Bastion (see section 5 below), Mr Lkhagvasuren has determined to abstain from making a recommendation in relation to the Offer in his capacity as a Xanadu Director. Given Mr Shen's relationship with Zijin (see section 6.2 below), Mr Shen has determined to abstain from making a recommendation in relation to the Offer in his capacity as a Xanadu Director.	Section 6.2

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Question		Answer	Further Information
1.8	**If I accept the Offer, can I withdraw my acceptance?**	No. You cannot withdraw your acceptance unless a withdrawal right arises under the Corporations Act. Such a withdrawal right will arise if, after you have accepted the Offer, Bastion varies the Offer in a way that postpones the time when Bastion has to meet its obligations under the Offer for more than one month and, at that time, the Offer is subject to one of the Conditions.	Section 2.12
1.9	**Can Bastion vary the Offer?**	Yes, Bastion can vary the Offer by increasing the consideration or waiving the Conditions. The Takeover Board Committee does not know if Bastion will vary its Offer. Any such variation will be announced to the ASX and filed on SEDAR+ under Xanadu's profile.	Section 2.9
1.10	**What will happen if Bastion improves the consideration under the Offer?**	If Bastion improves the consideration offered under the Offer, all Xanadu Shareholders who have accepted the Offer will be entitled to the benefit of that improved consideration (whether they accepted the Offer before or after the consideration is improved). If this occurs, the Takeover Board Committee will carefully consider the revised Offer and advise Shareholders accordingly. However, there is no guarantee that Bastion will improve the consideration offered.	Section 2.9
1.11	**What if there is a Competing Proposal?**	If there is another Competing Proposal, Xanadu Shareholders will be informed through an announcement on the ASX and TSX.	
1.12	**When does the Offer close?**	The Offer is scheduled to close at 7.00pm (Sydney time) on 1 July 2025 (unless extended or withdrawn) (**Closing Date**). The Offer Period may also be automatically extended in certain circumstances. In short, the Offer Period will be automatically extended by law if the consideration offered is improved or the Bidder's Voting Power in Xanadu increases to more than 50%, in either case during the last seven days of the Offer Period. Should this occur, the Offer Period will end on the 14th day after the relevant event.	Section 2.3
1.13	**What happens if I do nothing?**	If you do not accept the Offer, you will retain your Shares and will not receive the Offer Consideration unless Bastion acquires a Relevant Interest in 90% of Xanadu Shares, in which case your Shares may be compulsorily acquired. Refer to section 1.14 below for further detail.	Section 3
1.14	**Can I be forced to sell my Shares?**	You cannot be forced to sell your Xanadu Shares unless Bastion (and its Associates) obtains sufficient acceptances from other Shareholders to give it a Relevant Interest in 90% or more of the total number	Section 3

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Question	Answer	Further Information
	of Shares during the Offer Period and Bastion elects to compulsorily acquire your Shares. If this happens, you will receive the Offer Consideration at the end of the compulsory acquisition process. This means you will receive the Offer Consideration for your Shares later than you would have received it if you had accepted the Offer.	
1.15 How many Shares does Bastion hold in Xanadu?	In its Bidder's Statement, Bastion states that as at the Last Practicable Date it held a Relevant Interest in 286,829,633 Xanadu Shares and Voting Power in Xanadu of 12.52%. Boroo, as the parent company of the Bidder, also had a Relevant Interest in the 286,829,633 Xanadu Shares held by the Bidder (being a controlled body corporate of Boroo pursuant to section 608(3) of the Corporations Act) and Voting Power in Xanadu of 14.45% pursuant to section 610(1) of the Corporations Act, (which includes an additional 44,228,329 Xanadu Shares in which Mr Ganbayar Lkhagvasuren has a Relevant Interest in, as an Associate of Boroo for the purposes of section 12 of the Corporations Act) as at the Last Practicable Date. See section 2.7 and section 2.8 of the Bidder's Statement for further details regarding the Bidder's Relevant Interest and Voting Power in Xanadu as at the Last Practicable Date.	Section 8.2
1.16 How do I accept the Offer?	If you choose to accept the Offer, how you accept the Offer will depend on whether your Shares are in an Issuer Sponsored Holding or a CHESS Holding: 1. If your Shares are held in an Issuer Sponsored Holding (your Securityholder Reference Number will begin with "I"), to accept the Offer you must either accept the Offer online at www.xamoffer.com.au, or complete and sign the Acceptance Form enclosed with the Bidder's Statement. 2. If you hold your Shares in a CHESS Holding (your Holder Identification Number will begin with "X") to accept the Offer you must either instruct your Controlling Participant to initiate acceptance of this Offer so as to be effective before the end of the Offer Period, or accept the Offer online at www.xamoffer.com.au, or complete, sign and return the Acceptance Form enclosed with the Bidder's Statement. You will need to take different steps if your Xanadu Shares are held on the Canadian branch register of Xanadu, or if your Xanadu Shares are not held in your name. Full details of how to accept the Offer are set out in section 3.1 of this Target's Statement (and more particularly in section 8.3 of the Bidder's Statement),	Section 3.1

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Question	Answer	Further Information
	as well as the instructions on the Acceptance Form provided with the Bidder's Statement.	
1.17 What happens if I accept the Offer?	If you accept the Offer while it is still conditional, unless withdrawal rights are available, you will not be able to: 1. sell your Shares accepted under the Offer on the ASX or TSX (that is, you will not be able to settle the trade using those Shares); 2. sell your Shares accepted under the Offer to any other bidder that may make a takeover offer; and 3. otherwise deal with your Shares accepted under the Offer while the Offer remains open, even if a Superior Proposal is subsequently made by a third party. If the Conditions are not satisfied or waived and the Offer lapses, all contracts resulting from acceptance of the Offer will be void and you will be free to deal with your Shares accepted under the Offer.	Section 2.7
1.18 Can Bastion withdraw the Offer?	Yes, but only in limited circumstances with the consent of ASIC.	
1.19 Can I accept the Offer for less than all of my Shares?	No, you can only accept for all of your Shares.	
1.20 Can I buy Xanadu Shares during the Offer Period?	Yes, notwithstanding the Offer, you can still continue to buy Xanadu Shares as you normally would through the ASX or TSX (as the case may be) during the Offer Period. Investors intending to acquire further Xanadu Shares should obtain their own independent legal and financial advice.	
1.21 What are the tax implications of accepting the Offer?	There may be tax implications from the sale of your Shares. You should obtain independent advice from your professional adviser or tax adviser in this regard. Sections 5 and 6 of the Bidder's Statement contain an overview of the Australian and Canadian tax considerations of accepting the Offer. Tax considerations for Xanadu Shareholders who are not resident in Australia or Canada for tax purposes are not included in the Bidder's Statement. Such Xanadu Shareholders are urged to seek their own advice as to their tax consequences of accepting the Offer.	Section 2.13
1.22 Will I need to pay brokerage or stamp duty if I accept the Offer?	*Stamp duty* The Bidder's Statement states that you will not pay stamp duty on the disposal of your Xanadu Shares if you accept the Offer.	

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Question	Answer	Further Information
	Brokerage The Bidder's Statement says that this will depend upon how your Xanadu Shares are held. If your Xanadu Shares are registered in an Issuer Sponsored Holding in your name and you deliver them directly to Bastion, you will not incur any brokerage in connection with your acceptance of the Offer. If your Xanadu Shares are registered in a CHESS Holding, or if you are a beneficial owner whose Xanadu Shares are registered in the name of a broker, bank, custodian or other nominee, you should ask your Controlling Participant (usually your broker) or that nominee whether it will charge any transaction fees or service charges in connection with acceptance of the Offer If your Xanadu Shares are held on the Canadian branch register of Xanadu through CDS, you should ask your financial institution or broker who is a CDS participant whether it will charge any transaction fees or service charges connected with you accepting the Offer.	
1.23 What if I want to sell my Shares on-market?	During the Offer Period, you may sell your Shares on market for cash (less brokerage), provided you have not accepted the Offer for those Shares. If you have already accepted the Offer, you will be unable to settle any subsequent on-market sale of your Shares, unless you become entitled to withdraw your acceptance. You should contact your Broker for information on how to sell your Shares on the ASX or TSX and your tax adviser to determine your tax implications of such a sale.	Section 3.3
1.24 When will I receive my consideration if I accept the Offer?	If you accept the Offer and the Offer, Bastion will will use its best endeavours to pay you the consideration for your accepted Xanadu Shares under this Offer by the later of: • 10 Business Days after the date that the Offer becomes unconditional; and • 10 Business Days after the date that you accept the Offer, but in any case will pay you not later than 21 calendar days after the end of the Offer Period. Full details regarding the consideration for your Shares are set out in section 8.8 of the Bidder's Statement.	Section 2.8

Question		Answer	Further Information
1.25	**What if I have other questions about the Offer?**	Please contact the Shareholder Information Line on 1300 850 505 (for callers within Australia) or on +61 3 9415 4000 (for callers outside Australia) from Monday to Friday between 8.30am to 5.00pm (AEST).	

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2. DETAILS OF THE OFFER

2.1 Background to the Offer

On 19 May 2025, Bastion and Xanadu entered into a Bid Implementation Agreement pursuant to which Bastion agreed to make a cash offer of A$0.08 per Xanadu Share for all Xanadu Shares which Bastion did not already hold, via an off-market takeover (**Offer**).

The Offer implies a total equity value for Xanadu of approximately A$160 million.

As part of the Offer, Bastion also agreed to subscribe for 286,829,633 Xanadu Shares at A$0.06 per share, representing an initial investment of A$17.2 million (**Concurrent Financing**) to fund the Company's share of joint venture cash calls, working capital and associated corporate costs during the Offer period. The subscription under the Concurrent Financing was completed on 26 May 2025.

Boroo and GBL have each unconditionally and irrevocably guaranteed Bastion's performance of its obligations as Bidder under the Bid Implementation Agreement. Further information regarding Boroo and GBL is set out in sections 1 and 4 of the Bidder's Statement.

2.2 Summary of the Offer

Bastion is offering to acquire all of your Xanadu Shares on the 'Agreed Bid Terms' set out in Schedule 1 of the Bid Implementation Agreement. Under the Offer, you will be entitled to receive A$0.08 cash for every Xanadu Share acquired from you.

The Offer extends to:

(a) Xanadu Shares that exist or will exist as at the Register Date; and

(b) all Xanadu Shares that are issued between the Register Date and the end of the Offer Period as a result of the exercise of the Options that exist on the Register Date.

The terms and conditions of the Offer are set out in section 7.1 and section 8.6 of the Bidder's Statement.

2.3 Offer Period

The Offer will remain open for acceptance until 7.00pm (Sydney time) on 1 July 2025, unless the Offer is extended under the Corporations Act or withdrawn with the written consent of ASIC under the Corporations Act.

Under the Canadian regulatory requirements, the Bid will proceed in reliance on the "foreign private issuer exemption" under National Instrument 62-104 – *Take-Over Bids and Issuer Bid* and, as such, the Bid will not be subject to any "minimum deposit period".

2.4 Conditions of the Offer

Subject to section 8.7 of the Bidder's Statement (*Nature and operation of Conditions*), the Offer, and any contract resulting from your acceptance of the Offer, remains subject to the following Conditions as at the Last Practicable Date:

(a) (**minimum Relevant Interest**) before the end of the Offer Period, Bastion must have a minimum Relevant Interest in at least 50.1% of Xanadu Shares.

(b) (**no exercise of Put Option**) between the date of the Bid Implementation Agreement and the end of the Offer Period, Xanadu must not exercise either of the Put Options.

(c) (**no Target Material Adverse Change**) no Target Material Adverse Change occurs or is reasonably likely to occur, or is discovered, announced, disclosed or otherwise becomes known to either Boroo, GBL or the Bidder between (and including) the date of the Bid Implementation Agreement and the end of the Offer Period.

(d) (**no Target Prescribed Occurrence**) no Target Prescribed Occurrence occurs between the date of the Bid Implementation Agreement and the end of the Offer Period.

(e) (**Restraints**) between the date of the Bid Implementation Agreement and the end of the Offer Period, there is no court or regulatory action in effect, underway or threatened that would restrain, prohibit or materially adversely affect the Offer, require divestitures, or alter key approvals or rights held by the Xanadu Group (**No-Fault Condition**).

(f) (**Target Warranties**) none of the Target Warranties become incorrect or untrue between the date of the Bid Implementation Agreement and the end of the Offer Period.

The Offer is not subject to any financing conditions, as Boroo and GBL have capitalised Bastion with funding that exceeds the aggregate Offer Consideration (plus the costs associated with the Offer). Section 4 of the Bidder's Statement contains further details regarding funding of the Offer.

Under the Bid Implementation Agreement, Bastion must declare the Offer unconditional by no later than 2 Business Days after the date upon which it (together with its Associates) acquires a Relevant Interest in at least 50.1% of the Xanadu Shares.

If the Conditions are not satisfied or waived by the end of the Offer Period, then the Offer will lapse and any acceptances into the Offer will be void. In those circumstances, Xanadu Shareholders who have accepted the Offer will not receive the Offer Consideration and will to hold their Xanadu Shares and be free to deal with them as if the Offer had not been made.

2.5 Notice of status of Conditions

Bastion has indicated in section 8.7(d) of the Bidder's Statement that it will give a notice on the status of the Conditions required by section 630(1) of the Corporations Act on 24 June 2025 (subject to variation in accordance with section 630(2) of the Corporations Act if the Offer Period is extended.

The Corporations Act requires that such notice state:

- whether the Offer is free from Conditions;
- whether the Conditions have been fulfilled as at the date of the notice; and
- the Voting Power of Bastion in Xanadu.

If the Offer Period is extended before the date the notice is required to be given, the date that Bastion must give its notice is taken to be postponed for the same period. In this case, Bastion is required, as soon as reasonably practicable after the extension, to notify Xanadu and the ASX of the new date for giving the notice.

If a Condition is fulfilled (so that the Offer becomes free of that Condition) during the Offer Period but before the date on which the notice of status of conditions is required to be given, Bastion must, as soon as reasonably practicable, give Xanadu and the ASX a notice that states that the particular Condition has been fulfilled.

2.6 Consequences if Conditions are not satisfied

Your acceptance of the Offer, and any contract resulting from your acceptance of the Offer, will be automatically void if at the end of the Offer Period the Conditions have not been fulfilled or waived. In that situation, you will be free to deal with the relevant Shares as you see fit.

2.7 Effect of acceptance

The effect of acceptance of the Offer is set out in section 8.4 of the Bidder's Statement. You should read those sections in full to understand the effect that acceptance will have on your ability to exercise the rights attaching to your Shares and the representations and warranties which you give by accepting the Offer.

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2.8 Payment of consideration

Bastion set out in section 8.8 of the Bidder's Statement the timing of the provision of the consideration to Shareholders who accept the Offer. In general terms, if you accept the Offer, Bastion will use its best endeavours to pay you the consideration for your Accepted Xanadu Shares under this Offer by the later of:

(a) 10 Business Days after the date that the Offer becomes unconditional; and

(b) 10 Business Days after the date that you accept the Offer,

but in any case, will pay you not later than 21 calendar days after the end of the Offer Period.

You should read section 8.8 of the Bidder's Statement in full to understand Bastion's obligations to pay the Offer Consideration to you in various circumstances (for example, where additional documents are required to be given to Bastion, or where any government authority or clearance is required for you to receive the Offer Consideration).

Section 8.8 of the Bidder's Statement also states that the Offer Consideration will be paid to you as follows:

(a) if you hold your Xanadu Shares on the Issuer Sponsored Subregister or CHESS Subregister you will be paid by cheque drawn in Australian currency in your favour. The cheque will be sent to you, at your risk, by ordinary mail (or, in the case of Xanadu Shareholders with addresses outside Australia, by airmail) to your address shown on the Acceptance Form or as recorded in the register of Xanadu Shareholders on the Register Date. Payment will be deemed to have been made at the time the cheque is delivered to Australia Post for delivery or placed in an Australia Post postal box; or

(b) if you are a Canadian Branch Shareholder who accepts the Offer via CDSX, the cash amount to which you are entitled will be converted to Canadian dollars, by the Depositary Agent, at the prevailing rate on the date the funds are converted. The Depositary Agent will make wire payment of the CAD converted Offer Consideration to the relevant CDS account. Upon CDS' receipt of the CAD converted Offer Consideration, CDS will credit the accounts of its CDS participant brokers who tendered into the Offer for further credit to the beneficial accounts of the relevant Canadian Branch Shareholders. Currency conversion is at the risk of the Canadian Branch Shareholders; or

(c) if you are a Canadian Branch Shareholder who directly accepts the Offer by delivery a duly completed and signed Letter of Transmittal to the Depositary Agent along with your original physical share certificate or direct registration system (DRS) advice evidencing your Xanadu Shares, the cash amount to which you are entitled will be converted to Canadian dollars, by the Depositary Agent, at the prevailing rate on the date the funds are converted. The Depositary Agent will arrange for you to receive either a cheque or wire payment (as applicable) of the CAD converted Offer Consideration Currency conversion is at the risk of the Canadian Branch Shareholders.

2.9 Changes to the Offer

Bastion can vary the Offer by:

(a) waiving the Conditions (subject to the Corporations Act);

(b) extending the Offer Period (subject to the Corporations Act); or

(c) increasing the consideration offered under the Offer.

If you accept the Offer and Bastion subsequently increases the consideration offered in respect of that Offer, you are entitled to receive the improved consideration.

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Under the Bid Implementation Agreement, Bastion must declare the Offer unconditional by no later than 2 Business Days after the date upon which it (together with its Associates) acquires a Relevant Interest in at least 50.1% of the Xanadu Shares.

2.10 Intentions of the Takeover Board Committee in relation to the Offer

The Takeover Board Committee, who together hold a Relevant Interest in the Company of 2.78%, intend to accept, or procure the acceptance of, the Offer in respect of all of the Xanadu Shares they respectively hold or control (including those Xanadu Shares issued as a result of the vesting and exercise of the Options described in section 6.6(a)) in the absence of a Superior Proposal and subject to the Independent Expert concluding (and continuing to conclude) that the Offer is fair and reasonable to Non-Associated Xanadu Shareholders.

2.11 Intentions of Bastion

Please refer to section 3 of the Bidder's Statement for a summary of Bastion's intentions in respect of Xanadu following the Offer.

2.12 Effect of accepting the Offer and rights of withdrawal

The effect of acceptance of the Offer is set out in section 8.4 of the Bidder's Statement. You should read those sections in full to understand the effect that acceptance will have on your ability to exercise the rights attaching to your Shares and the representations and warranties which you give by accepting the Offer.

Accepting the Offer would (subject to the withdrawal rights discussed below):

(a) prevent you from accepting any higher takeover bid that may be made by a third party or any alternative transaction proposed that may be recommended by the Takeover Board Committee;

(b) relinquish control of your Shares to Bastion with no guarantee of the provision of consideration until the Offer becomes, or is declared, unconditional - as the Offer Period can be extended by Bastion, this could result in further delays in the provision of consideration to you; and

(c) give Bastion the option to keep your Shares if the Conditions of the Offer are not satisfied (ie, by waiving the Conditions), in which case you will still receive the Offer Consideration.

If you accept the Offer, you will have a right to withdraw your acceptance in limited circumstances. Those withdrawal rights comprise general statutory withdrawal rights under the Corporations Act. In summary:

(a) under the Corporations Act, you may withdraw your acceptance of the Offer if Bastion varies that Offer in a way that postpones, for more than one month, the time when Bastion needs to meet its obligations under the Offer and the Offer is still subject to one or more Conditions. This will occur if Bastion extends the Offer Period by more than one month while the Offer is still subject to any of the Conditions; and

(b) in those circumstances, you will have one month after the date that notice of the extension is given to Xanadu to withdraw your acceptance. Your statutory withdrawal rights will terminate on the expiry of that one month, although if the Offer Period is then further extended you may receive further statutory withdrawal rights.

If you become entitled to withdraw your acceptance, you will be sent a notice from Bastion, explaining your rights in this regard.

2.13 Taxation consequences

In making a decision whether to accept the Offer, Shareholders should also have regard to the fact that the disposal of Shares may have taxation consequences. Sections 5 and 6 of the Bidder's

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Statement contains an overview of the Australian and Canadian tax implications of accepting the Offer.

Tax consequences for Xanadu Shareholders who are not resident in Australia or Canada for tax purposes are not included in the Bidder's Statement.

All Xanadu Shareholders are urged to seek their own independent advice from a professional adviser or tax adviser as to their tax consequences of accepting the Offer.

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3. YOUR CHOICES AS A SHAREHOLDER

As a Shareholder you can respond to the Offer in one of the three ways set out below.

3.1 Accept the Offer

To accept the Offer, follow the instructions set out in section 8.3 of the Bidder's Statement before the Closing Date. A general summary of the methods of acceptance is set out below, which should be read together with the Bidder's Statement. Shareholders should specifically refer to the risks set out in section 7 of this Target's Statement.

(a) **How you hold your Xanadu Shares**

If you choose to accept the Offer, how you accept the Offer will depend on whether you:

(1) hold your Xanadu Shares on the Australian branch register of Xanadu (**Australian Branch Shareholder**), in which case, how you accept the Offer will also depend on whether your Shares are in an Issuer Sponsored Holding or a CHESS Holding, which will be stated on your personalised Acceptance Form;

(2) hold your Xanadu Shares on the Canadian branch register (**Canadian Branch Shareholder**); or

(3) are an unregistered purchaser (i.e. your Xanadu Shares are not held in your name).

(b) **Australian Branch Shareholder (Issuer Sponsored Holding)**

If your Shares are held in an Issuer Sponsored Holding (your Securityholder Reference Number will begin with "I"), to accept the Offer you must either:

(1) accept the Offer online at www.xamoffer.com.au; or

(2) complete and sign the Acceptance Form (**enclosed** with the Bidder's Statement) in accordance with the instructions on same and return the Acceptance Form (using the enclosed reply paid envelope if you wish), together with all other documents required by the instructions on the Acceptance Form, so that they are received before the end of the Offer Period at one of the addresses indicated on the Acceptance Form.

(c) **Australian Branch Shareholder (CHESS Holding)**

If you hold your Shares in a CHESS Holding (your Holder Identification Number will begin with "X") to accept the Offer you must either:

(1) instruct your Controlling Participant, in accordance with the sponsorship agreement between you and the Controlling Participant, to initiate acceptance of this Offer in accordance with Rule 14.14 of the ASX Settlement Rules, so as to be effective before the end of the Offer Period (if you do this and your Controlling Participant follows those instructions, you do not need to complete and return the Acceptance Form); or

(2) accept the Offer online at www.xamoffer.com.au by clicking on "Accept the Offer using the Online Acceptance Facility" in sufficient time for the share registry to give instruction to your Controlling Participant (usually, your broker or the bank, custodian or other nominee) and for your Controlling Participant to carry out those instructions before the end of the Offer Period; or

(3) complete, sign and return the Acceptance Form enclosed with the Bidder's Statement (using the enclosed reply paid envelope if you wish) in accordance with the instructions on the Acceptance Form, together with all other documents required by those instructions, so that they are received before the end of the Offer Period at one of the addresses indicated on the Acceptance Form. This will authorise Bastion to initiate, or alternatively to instruct your Controlling Participant to initiate, acceptance of this Offer on your behalf in accordance with Rule 14.14 of the ASX Settlement Rules

before the end of the Offer Period. You must ensure that the Acceptance Form (and the other required documents) are received in sufficient time for Bastion to give instructions to your Controlling Participant, and for your Controlling Participant to carry out those instructions, before the end of the Offer Period.

However, if you are the Controlling Participant in respect of your Xanadu Shares, to accept this Offer you must yourself initiate acceptance of this Offer in accordance with Rule 14.14 of the ASX Settlement Rules before the end of the Offer Period.

If some of your Xanadu Shares are in different holdings your acceptance of this Offer may require action under sections (b) and (c) in relation to the separate portions of your Xanadu Shares.

(d) **Canadian Branch Shareholders**

If your Xanadu Shares are held on the Canadian branch register of Xanadu:

(1) **through CDS**, you can accept the Offer through a book entry transfer using the CDS online tendering system (**CDSX**), provided that a book-entry transfer confirmation through CDSX is received by the Depositary Agent at its office in Toronto, Ontario at or prior to the close of the Offer Period. You may need to instruct your financial institution or broker who is a CDS participant to assist you; or

(2) **directly**, you can accept the Offer by delivering a duly completed Letter of Transmittal to the Depositary Agent at its office in Toronto, Ontario at the address indicated in the Letter of Transmittal with other documents required by the Letter of Transmittal at or prior to the close of the Offer Period. Please contact the Depositary Agent toll free at 1-800-564-6253 (North America) or 1-514-982-7555 (International) to obtain a copy of the Letter of Transmittal and instructions on how you can accept in this way.

Canadian Branch Shareholders, being Xanadu Shareholders who hold their Xanadu Shares on Xanadu's Canadian branch register (including through CDS Clearing and Depository Services Inc (**CDS**)), should contact their broker or financial adviser or call the Depositary Agent toll free at 1-800-564-6253.

(e) **Unregistered purchaser**

To accept this Offer for Xanadu Shares which are not held in your name, but of which you are entitled to be registered as holder, to accept the Offer you must:

(1) complete and sign the Acceptance Form enclosed with the Bidder's Statement in accordance with the instructions on it;

(2) return the Acceptance Form enclosed with the Bidder's Statement, together with a copy of the purchase contract note relating to your Xanadu Shares and all other documents required by the instructions on it, so that they are received before the end of the Offer Period at one of the addresses given on the Acceptance Form.

Acceptance will be deemed to have been effected when, subject to section 8 of the Bidder's Statement, the duly completed Acceptance Form and all required documents have been received at one of the addresses given on the Acceptance Form.

However, if the Offer becomes unconditional, then notwithstanding anything else in the Bidder's Statement, Bastion's obligation to provide the Offer Consideration in respect of your Xanadu Shares as described in section 8.3(c) of the Bidder's Statement will be subject to you becoming the registered holder of your Xanadu Shares.

3.2 Reject the Offer

If you wish to reject the Offer you need not take any action. If you decide to do nothing, you should be aware of the rights of Bastion to compulsorily acquire your Shares in certain circumstances.

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If Bastion acquires a Relevant Interest in at least 90% of the Shares during or at the end of the Offer Period, Bastion has indicated that it intends to compulsorily acquire the Shares in which it has not acquired a Relevant Interest in accordance with the Corporations Act. In that situation, you may receive consideration for your Shares later than Shareholders who accept the Offer.

Shareholders should have regard to section 3 of the Bidder's Statement which sets out the Bidder's intentions for Xanadu depending upon the Relevant Interest that it ultimately acquires

Shareholders should also specifically refer to the risks set out in section 7 of this Target's Statement.

3.3 Sell your shares on the ASX or the TSX

During the Offer Period, you can still sell some or all of your Shares on market for cash if you have not already accepted the Offer in respect of those Shares.

The latest price for Shares may be obtained from the ASX website www.asx.com.au (ASX:XAM) or the TSX website www.tsx.com (TSX:XAM).

If you sell your Shares on-market you:

(a) will lose the ability to accept the Offer and any higher offer in respect of those Shares (which may or may not eventuate);

(b) will lose the opportunity to receive future returns from Xanadu;

(c) may be liable for CGT on the sale; and

(d) may incur a brokerage charge.

You should contact your broker for information on how to sell your Xanadu Shares through ASX or TSX and your tax adviser to determine your tax implications from such a sale.

3.4 Enquires

If you have any queries in relation to the Offer, you should contact your financial, legal or other professional adviser or call the Shareholder Information Line on 1300 850 505 (for callers within Australia) or on +61 3 9415 4000 (for callers outside Australia) from Monday to Friday between 8.30am to 5.00pm (AEST).

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4. INFORMATION ABOUT XANADU

4.1 Introduction

Xanadu is an Australian public company limited by shares that are publicly traded on the ASX and TSX (ASX:XAM, TSX:XAM).

The principal activity of Xanadu is copper-gold exploration and mine development in Mongolia. The Company holds interests in tenements prospective for copper-gold mineralisation in Mongolia in two Porphyry deposits: the Kharmagtai Copper-Gold Project (**Kharmagtai Project** or the **Project**) and the Red Mountain Copper-Gold Project (**Red Mountain**) both located in the South Goby Porphyry Belt. The Company also holds interests in the Sant Tolgoi Copper-Nickel Project (**Sant Tolgoi**) located in the Zavchan Region of Mongolia.

4.2 Location of Xanadu assets

Figure 3 below shows the location of Kharmagtai and the Company's other properties in Mongolia.

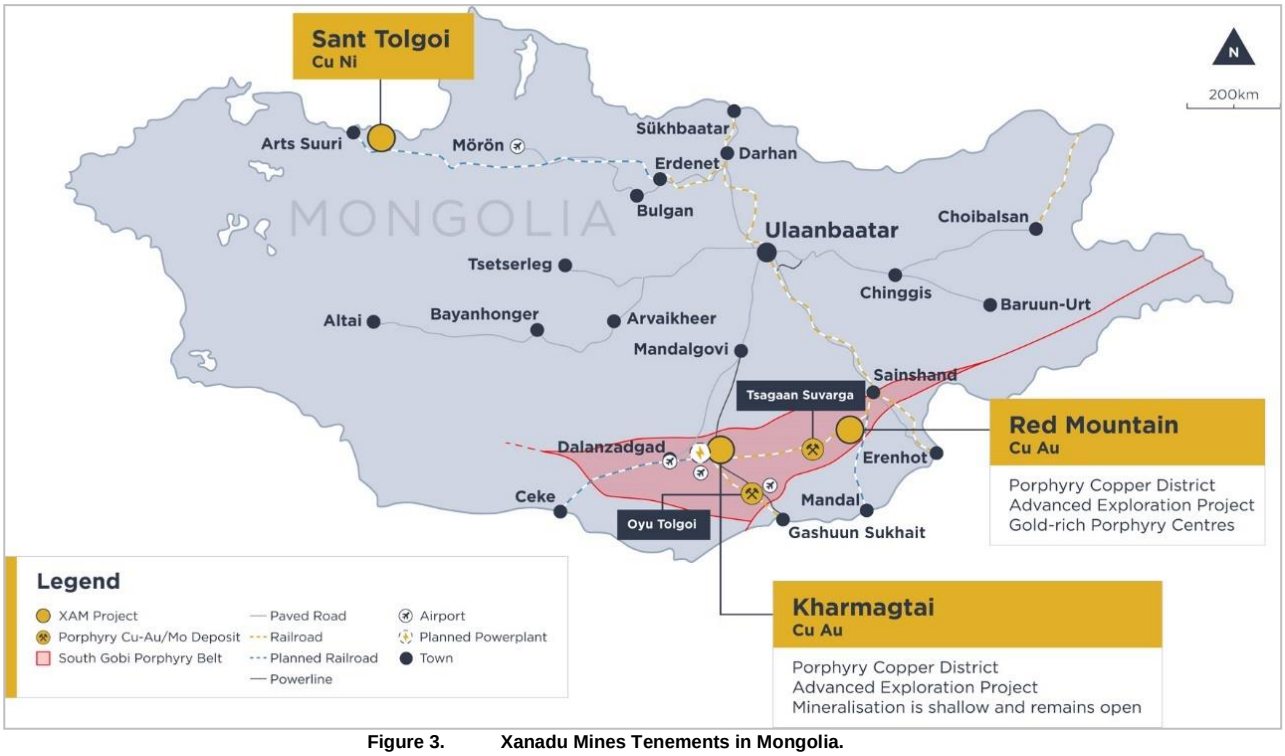


Figure 3. Xanadu Mines Tenements in Mongolia.

4.3 Overview of the Kharmagtai Project

Xanadu's main focus of activity is Kharmagtai, located in the Omnogovi Province, approximately 420km southeast of Ulaanbaatar, the capital of Mongolia. It is within the South Gobi porphyry copper province which hosts most of the known porphyry deposits in the South Gobi region of Mongolia, including the Oyu Tolgoi copper-gold operations (120km south), the Tsagaan Suvarga porphyry copper-molybdenum development (170km east) and Xanadu's Oyut Ulaan porphyry copper-gold exploration project (260km northeast). Kharmagtai is 76.5% owned by the JVCo, 13.5% owned by Ganbayar Lkhagvasuren and 10% owned by Mongol Metals LLC (**MML**). Through its 50% ownership of the JVCo, Xanadu shares ownership of the Project with its JV partner Zijin Mining Group (**Zijin**).

Following release of the Kharmagtai pre-feasibility study (**PFS**), Zijin has taken over as operator for the final feasibility stage prior to a final investment decision (**FID**). Zijin is expected to commence the Kharmagtai bankable feasibility study (**BFS**) in 2025 and target construction commencing in 2026 (subject to funding and approvals).

The Kharmagtai Project is located in close proximity to existing infrastructure, with sealed roads from Ulaanbaatar to Dalanazagad within 70km of the Project and an existing powerline from Tsogttsetsii to

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Manlai within eyesight of the Project. A power plant is planned for the coal mine at Tsogttsetsii (70km from Kharmagtai) with rail lines planned from Tsogttsetsii to the Chinese border town of Ganqimaodao. The Project has a granted 30 year mining licence and a registered water resource. Figure 4 below illustrates the location of the Kharmagtai Project in relation to key landmarks and infrastructure.

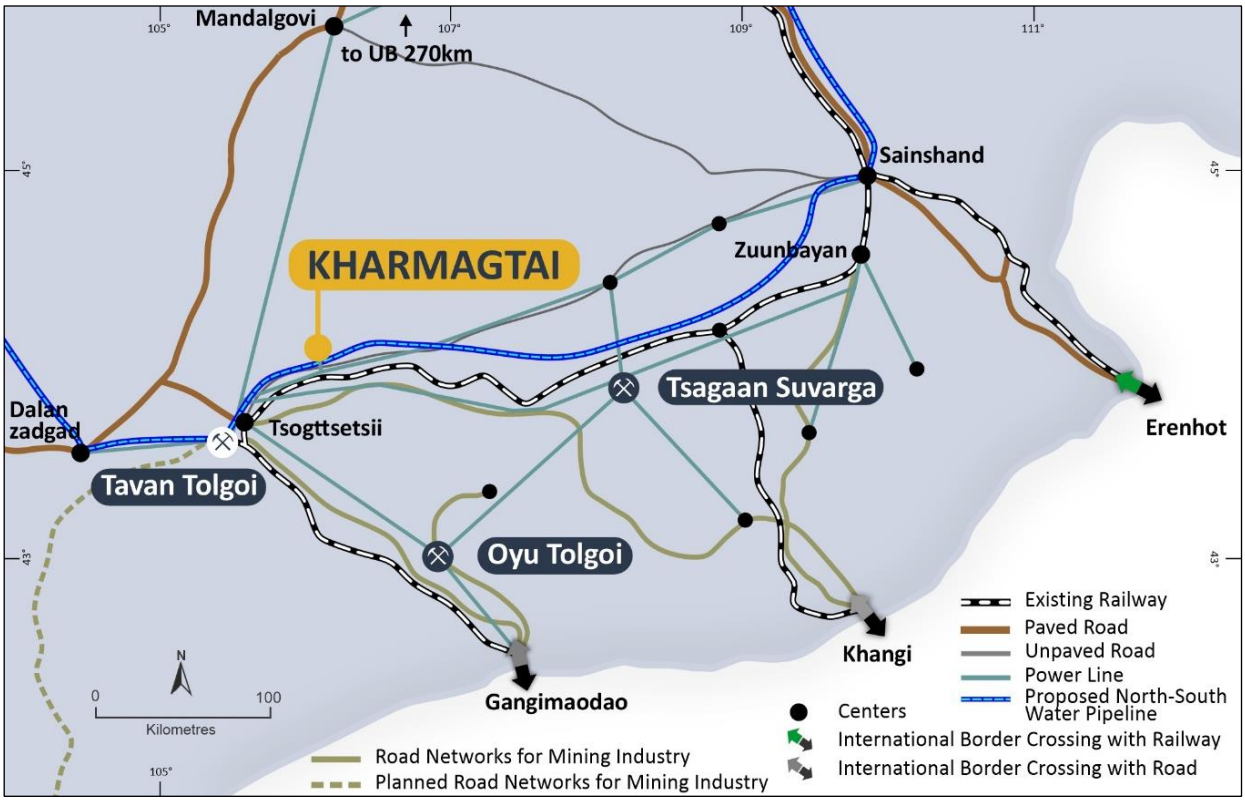


Figure 4. Location of Kharmagtai

(a) Kharmagtai Project Mineral Resources and Ore Reserves

The Company has reviewed its Mineral Resources and Ore Reserves in Kharmagtai, which can be summarised as Indicated Mineral Resources of 1,300 million tonnes at 0.22% Cu & 0.17g/t Au and Inferred Mineral Resources of 900 million tonnes at 0.21% Cu & 0.13 g/t Au which include the Probable Ore Reserves of 730 million tonnes at 0.21% Cu & 0.17 g/t Au.

Table 3 and Table 4 present the tabulated breakdowns.

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) 0.30 (UG)	Indicated	1,300	0.3	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
		Total	2,200	0.29	0.21	0.15	14,400	6,500	4,700	11,000

Table 3. Kharmagtai Indicated and Inferred Mineral Resource Statements as at 14 October 2024.

Notes on Table 3:

- 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 Xanadu.
- 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$1,400/oz and Cu at USD$3.4/lb was employed according to the Clients' (Xanadu) 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' (Xanadu) direction.
- Underground Resource "other 0p2 and 0p3" 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.

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

Table 4. Kharmagtai Ore Reserves as at 14 October 2024.

Notes on Table 4:

- 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.

Since the Company's press release dated 14 October 2024[4], the Company has not made any changes to the categories or size of the Ore Reserve, as no mining has occurred.

(b) **Mineral Resources**

The Mineral Resource estimate was reported in accordance with the JORC Code (2012). The Mineral Resource estimate, summarised in Table 3, reports the Mineral Resources by category above a 0.13% CuEq cut-off grade.

Currently, the 0.13% CuEq cut-off grade approximates an operational parameter that the Company believes to be applicable. This is in accordance with the guidelines of Reasonable Prospects for Eventual Economic Extraction (**RPEEE**) per the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code 2012). The effective date of the Mineral Resource estimate is 31 July 2024.

All figures in Table 3 have been rounded to reflect the relative precision of the estimates and to include rounding errors. Mineral Resources are inclusive of Ore Reserves.

[4] Source of estimate: ASX Announcement "Kharmagtai Maiden Ore Reserve, Updated Mineral Resource" released on the ASX on 14 October 2024. Xanadu confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcements and all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed.

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(c) **Ore Reserves**

The following discussion relating to the 14 October 2024 Ore Reserves summary is applicable. Table 4 presents a summary of the Ore Reserves on a 100% Project basis.

The Ore Reserve is based upon the following key input parameters:

- A Mineral Resource as outlined in Table 3.
- A Proved and Probable Ore Reserve and detailed annualised mining and processing schedules, derived entirely from the Ore Reserve, after the application of mining parameters, ore haulage costs based on in-country contractor miner supplier inputs and owner mining cost models, processing inputs and geotechnical pit design considerations.
- The cut-off grade parameters remain the same as of the ASX announcement 14 October 2024 PFS Kharmagtai Copper-Gold Project.
- Geotechnical inputs and parameters for Life of Mine pit design, as of the ASX announcement 14 October 2024 PFS Kharmagtai Copper-Gold Project.
- Process engineering design, capital and operating costs remain as of the ASX announcement 14 October 2024 PFS Kharmagtai Copper-Gold Project.
- Metallurgical recovery inputs are based on testwork by ALS Global (Perth) with some specialist work by others as outlined in the ASX announcement dated 14 October 2024 'PFS Kharmagtai Copper-Gold Project'.
- Process infrastructure design including and not limited to, waste, residue, tailings storage and water management design as of ASX announcement 14 October 2024 PFS Kharmagtai Copper-Gold Project.
- Other cost inputs e.g. supporting infrastructure, HV power, administration and accommodation by owner's team and external consultants' inputs as of ASX announcement 14 October 2024 PFS Kharmagtai Copper-Gold Project.
- The status of the social and environmental approvals, mining tenements, other government factors and other infrastructure requirements for the selected mining method remains the same as per the ASX announcement 14 October 2024 PFS Kharmagtai Copper-Gold Project.

The total Probable Ore Reserve for the Kharmagtai Project is summarised in Table 4 and is estimated at 730Mt at 0.21% Cu & 0.17g/t Au with a contained copper content of 1,600kt and contained gold content of 4Moz at 0.13% CuEq cut off.

The mine design and Ore Reserve estimate is based on the Mineral Resource model as of 14 October 2024.

To support the Ore Reserve evaluation within the PFS a separate Whittle 4XTM open pit optimisation 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. The Indicated Mineral Resource are inclusive of those Mineral Resources modified to produce the Ore Reserves.

[*continued on next page*]

The Company's governance arrangements and internal controls that are in place with respect to its estimates of Mineral Resource and Ore Reserves are guided by the principles of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, JORC Code 2012. These would include detailed internal company procedures such as for, but not restricted to:

- Supervision of drilling;
- Sampling;
- Logging;
- Surveying;
- Quality control / quality assurance;
- Internal model validation and peer review;
- External and independent peer review; and
- Internal and external review of assumptions and inputs (Modifying Factors) to the Ore Reserve process.

The Ore Reserve for the Kharmagtai Project is reported according to the JORC Code. The Mineral Resource estimate was converted after applying appropriate Modifying Factors. The Probable Ore Reserve estimate is based on the Mineral Resource classified as Indicated only.

(d) **Kharmagtai PFS**

Xanadu published a PFS on 14 October 2024, which confirms the potential of Kharmagtai as a globally significant, long life, low cost, low risk future copper-gold mine. Key highlights demonstrate the compelling investment case for Kharmagtai, including:

- 29-year mine life with an initial mill throughput of 26Mtpa, expanding to 52Mtpa;
- Average annual production of 75kt copper and 165koz gold;
- First quartile C1 cash costs of $0.70/lb Cu (first eight years) and second quartile of $1.30/lb Cu over LOM; and
- Post-tax NPV (8%) of US$930 million with an IRR of 21%, and a four-year capital payback period.

Table 5 below sets out the Kharmagtai PFS outcomes presented on a 100% basis based on the key assumptions outlined in Table 6.

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Project Financial Summary (US$)	Unit	Low	Base	High	Spot
Net Revenue	$M	26,600	**27,900**	29,300	32,400
EBITDA	$M	7,400	**8,500**	9,500	12,500
Post-Tax Net Cash Flow	$M	3,200	**4,600**	5,500	7,700
Post-Tax NPV (8%)	$M	450	**930**	1,220	1,880
Post-Tax IRR	%	14%	**21%**	25%	31%
Pre-Tax Net Cash Flow	$M	5,100	**6,300**	7,500	10,300
Pre-Tax NPV (8%)	$M	1,030	**1,400**	1,770	2,670
Pre-Tax IRR	%	22%	**27%**	32%	40%

Table 5. Kharmagtai PFS Outcomes (ASX Press Release dated 14 October 2024).

Project Financial Summary (US$)	Unit	Low	Base	High	Spot
Cu price	$/lb	3.69	**4.1**	4.51	4.52
Au price	$/oz	2,210	**2,100**	1,990	2,658
Pre-Production Capex	$M	930	**890**	840	890
LOM Capex	$M	2,070	**1,970**	1,870	1,970

Table 6. Kharmagtai PFS Key Assumptions (ASX Press Release dated 14 October 2024).

Notes on Table 5 and Table 6:

- Spot prices as at 4 October 2024, per dailymetalprice.com.
- LOM capex includes Stage 1 Pre-Production capital, Stage 2 Expansion capital, and Sustaining capital as developed during the PFS.

Following release of the PFS (ASX announcement dated 14 October 2024) the copper price has traded within the daily average range of US$3.98 to US$5.20 per pound to 16 May 2025.[5] The gold price has traded within the range of US$2,566 to US$3,434 per ounce to 16 May 2025.[6]

(e) **Mining**

The mine design includes open pits at the Stockwork Hill, White Hill, Copper Hill, Zephyr and Golden Eagle deposits. The largest contributors to the mine inventory are the White Hill and Stockwork Hill deposits. The two pits are mined simultaneously and eventually merge into a super pit.

The primary mining fleet will use an electric-drive, diesel engine haul fleet and electric shovels. The proposed haul truck platform is designed for future conversion to hybrid or fully electric operation. Primary drill fleet predominantly comprises electric powered drills supported by diesel powered drills focused on wall control and quality of blasting. The BFS will further investigate the use of trolley assist and other complimentary technologies that could reduce the mining cost as the pits deepen.

[5] Markeindex.com.au/copper.
[6] Markeindex.com.au/gold.

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(f) **Processing**

The plant will process the copper sulphide ore using a conventional design comprising a stockpile, primary crusher, semi-autogenous grinding (**SAG**) and ball mills, gravity gold recovery, flotation to produce a saleable copper-gold concentrate and gold doré. Flotation cleaner tails are further processed through a CIL circuit to produce additional gold doré. Trade-off studies and assessment of the metallurgical testwork[7] has resulted in the achievement of an optimised throughput with a single train comminution circuit at 26Mtpa for the first 8 years of operation (**Stage 1**). Following payback and net cash generation, the plant capacity is increased to 52Mtpa (**Stage 2**) with a duplicate circuit.

(g) **Infrastructure**

Power for construction will be sourced from an existing 35kV transmission line that was built during the PFS. The PFS assumes that overall power for the operation will be supplied 50-50 from renewable sources and the grid. The renewable power facility with the capacity to supply full demand will be constructed by a 3rd party under a long-term offtake contract. Construction will take place in parallel with the Kharmagtai mine construction phase. The grid power component will bring power from Inner Mongolia established through a separate 3rd party.

Concentrate transport will be via rail, using the dedicated siding on the rail line that passes within 15km of the site.

Stage 1 water will be supplied from multiple bore fields near the Project. The Project has secured a high output bore field close to the Project but still requires significant additional water source(s) to meet full Stage 1 requirement. A work plan has been developed to meet this requirement through a structured approach of additional exploration plus commercial engagement with other water rights holders in the region who have underutilised resources. Stage 2 expansion water is expected to be provided through additional water exploration, augmented by the proposed Kherlen Toono project, which is a high-capacity pipeline being developed by the Government of Mongolia to move water down from the north to support further development of the mining industry in the Gobi. This project is currently in the feasibility study stage and partly funded by the Oyu Tolgoi and Tavan Tolgoi operating mines. The Kherlen Toono project will derisk both Stage 1 and Stage 2 water sources over the LOM.

(h) **Kharmagtai Permits and Approval Status**

Continued engagement and consultation are being undertaken with regional communities and the Government of Mongolia, including negotiation of a Kharmagtai Investment Agreement. A clear pathway has been identified to obtain the required regulatory approvals for the Project. Experienced Mongolian engineering and environmental companies have been engaged to complete all necessary Mongolian studies and through the BFS stage, the Kharmagtai team will actively engage with government agencies and ministries to obtain the required construction permits.

Xanadu has set out below the status of various approvals and permits related to Kharmagtai below:

Environmental Assessment

Detailed Environmental Impact Assessment (**DEIA**) work was undertaken in 2012 and approved to obtain the existing Kharmagtai mining license, with a key focus on water and biodiversity. During the PFS, the Mongolian DEIA fieldwork was refreshed to facilitate the next stage of regulatory approvals and permitting for construction. The studies and surveys completed to date have identified no material concerns or risks that would impact the Project timeline and approvals. Additional Environmental and Social Impact Assessment (**ESIA**) work is planned in 2025 to meet international standard project financing requirements.

[7] ASX/TSX Announcement 18 September 2024 – Kharmagtai PFS Metallurgy Results.

Mining Tenure

- The Kharmagtai Mining License was granted in September 2013 for 30 years with two, 20-year extensions.
- The Exploration Camp currently sits outside the Mining License under a long-term renewable land use permit.
- An additional land use permit will be required for the off-site TSF which commences operation in approximately year 13 of operation.

Heritage and Archaeological Sites

Kharmagtai is located in a remote area of the South Gobi Desert with very low population density and as a result has limited exposure to heritage and archaeological challenges. Surveys have identified two small burial sites on the mining license area, which will require university assessment and subsequent movement prior to mining operations.

Permitting

The permitting process for Kharmagtai can be broken down into nine key steps, as shown below. The permitting process commences at the same time as the updated Environmental Impact Study (**EIS**). The steps are well understood and are anticipated to require nine months from commencement to completion.

- Resource Update Registration.
- Feasibility Study Registration.
- State Review of Land Status.
- Environmental Impact Study.
- Chemicals and Toxic Permit.
- Explosives Permit.
- License to Import Explosives.
- Mine Commissioning Act.
- Processing Plant Commissioning Act.

4.4 Regional Exploration

(a) **Overview**

In addition to Kharmagtai, Xanadu owns exploration rights to two other projects:

- Red Mountain located in Dornogovi Province of Southern Mongolia.
- Sant Tolgoi located in the Zavchan Province of Western Mongolia.

Exploration activities have included varying levels of airborne magnetic and radiometric surveying, regional and prospect-scale ground magnetic, gravity, chargeability, resistivity and radiometric geophysical surveys, regional and detailed geological mapping, rock chip and auger soil sampling and reverse circulation and diamond drilling programmes.

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(b) **Red Mountain Copper-Gold Project**

The 100% Xanadu owned Red Mountain is located in Southern Mongolia, approximately 420km southeast of Ulaanbaatar. The exploration prospect is strategically located 70km west from the provincial centre, and future industrial centre, of Sainshand.

Red Mountain covers approximately 57 square kilometres in a frontier terrane with significant mineral endowment across a granted 30-year mining licence. Red Mountain comprises a cluster of outcropping porphyry intrusions which display features typically found in the shallower parts of porphyry systems where narrow dykes and patchy mineralisation branch out above a mineralised stock. This underexplored porphyry district includes multiple porphyry copper-gold centres, mineralised tourmaline breccia pipes, copper-gold/base metal skarns and high-grade epithermal gold veins.

Existing porphyry mineralisation at Red Mountain is hosted within narrow stockwork zones that have been focused around several narrow structurally controlled monzonite porphyry dykes. Emplacement of mineralisation appears to be controlled by intersection of northeast and north-northwest trending structures. The quartz-chalcopyrite- bornite stockwork mineralisation is associated with strong reddening albite-sericite-biotite-magnetite (potassic) alteration assemblage in the host lithology. The thin nature of the mineralising dykes, their irregular intrusion geometry, and the patchy distribution of stockwork mineralisation are all features typically found in the shallower parts of porphyry systems, where narrow dykes and patchy mineralisation branch out above a mineralised stock.

Similar orebody geometries are found in the shallower parts of the Northparkes porphyry copper-gold (Cu-Au) deposits in New South Wales, Australia. For these orebodies, the porphyry mineralisation has also been tightly focused along a controlling structure adjacent to a felsic pluton. Like Northparkes, there is the potential for further near surface mineralisation along the main structures at both Diorite and Stockwork prospects, and high likelihood that mineralisation extends (and could amalgamate) at depth.

Xanadu has recently completed 4,880m of diamond drilling that was designed to test and has successfully encountered shallow high-grade gold and copper-gold targets across the Red Mountain Lease (Figure 5)

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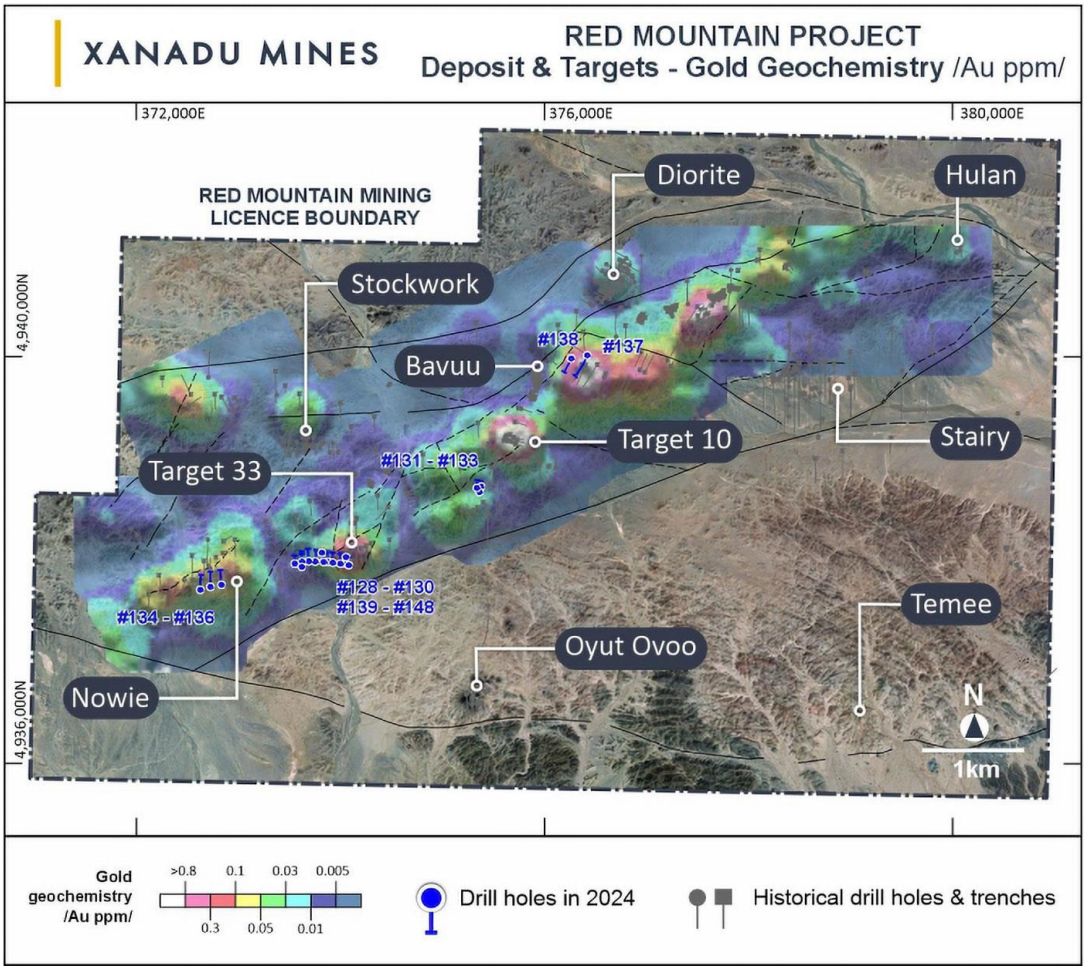


Figure 5. **The Red Mountain Mining Lease with drill holes and target locations.**

(c) **Sant Tolgoi Copper-Nickel Project**

Sant Tolgoi covers two Exploration Licences, XV-17774 (Oyut) and XV-21887 (**Sant Tolgoi**) in the Zavchan Province of Western Mongolia with a combined area of over 40km2 (Figure 6). Xanadu has executed a binding agreement with its partner STSM granting the right to earn up to 80% interest in these two exploration licenses.

The tenement portfolio includes numerous advanced exploration targets with real prospectivity for the discovery of significant magmatic copper and nickel mineralisation. In the Zavchan Region of Mongolia, Sant Tolgoi lies on the western extension of the deep seated Khangai Fault systems, a metalliferous fault network which hosts several significant mafic and ultramafic intrusions that are highly encouraging for intrusion hosted copper and nickel discoveries. Early signs of several copper-nickel systems have been encountered in both historical drilling.

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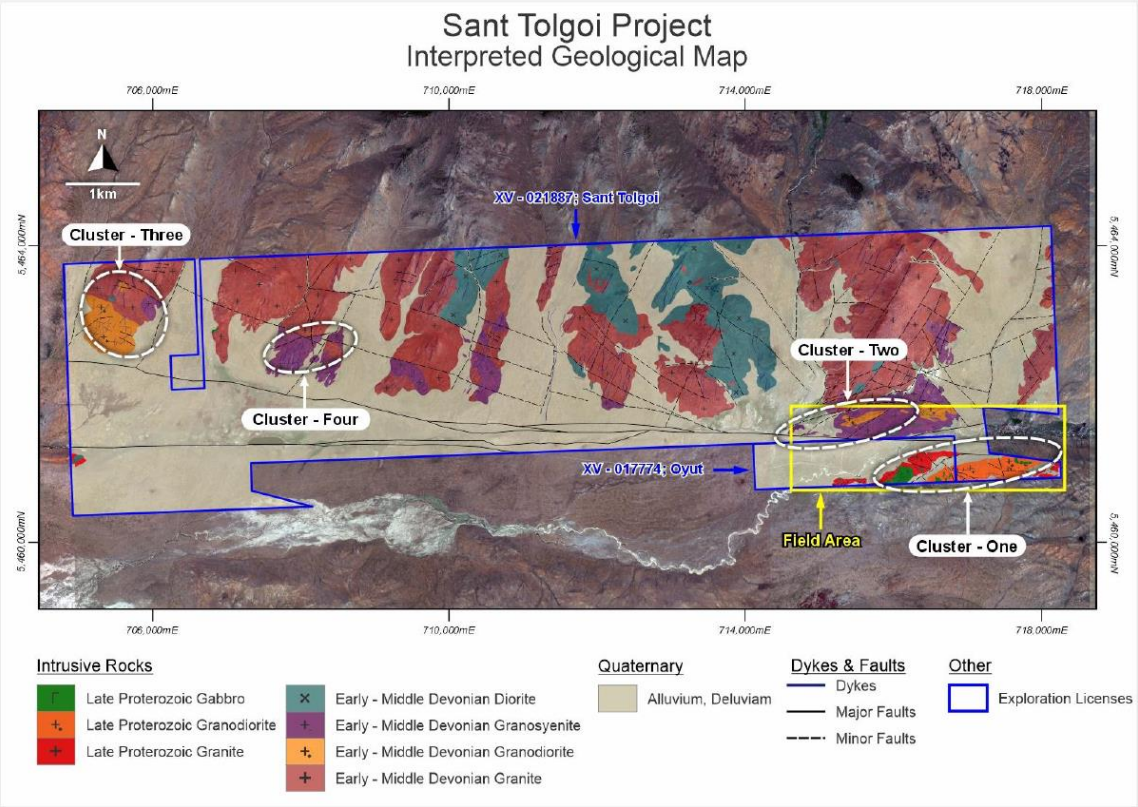


Figure 6. Sant Tolgoi geological map.

Geological mapping, surface rock-chip sampling and geophysics have confirmed the preference of several large anomalies associated with outcropping mafic intrusions. The objective of the current multi-discipline exploration programme is to collect the data required to identify drill targets within the large Sant Tolgoi Intrusive Complex. Four targets have been identified and a total of 3000m of reconnaissance drilling has been planned to test all targets for high-grade massive sulphide copper and nickel (Figure 7).

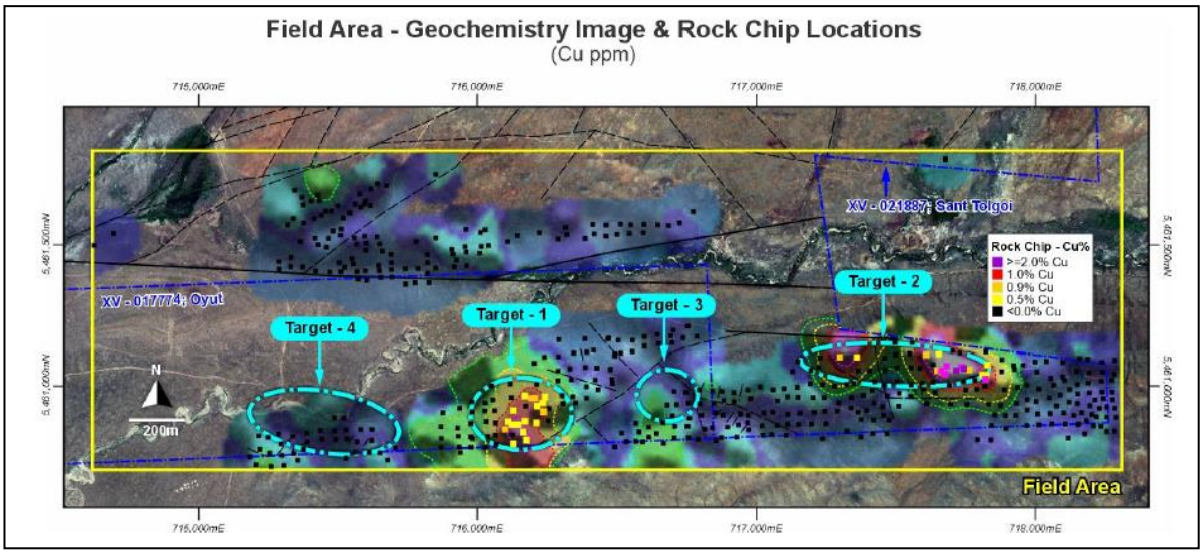


Figure 7. Sant Tolgoi Field Area copper rock-chip results.

4.5 Directors

(a) **Colin Moorhead – Executive Chairman and Managing Director (Appointed 2019)**

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).

(b) **Ganbayar Lkhagvasuren – Executive Director (Appointed 2006)**

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.

(c) **Michele Muscillo – Independent Non-Executive Director (Appointed 2017)**

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.

(d) **Tony Pearson – Non-Executive Director (Appointed 2021)**

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.

(e) **Shaoyang Shen – Non-Executive Director (Appointed 2023)**

Mr Shaoyang Shen is the Deputy President for Corporate Development & Overseas Operations of Zijin. 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.

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4.6 Financial information

Set out below is an extract of Xanadu's consolidated statement of financial position as at 31 December 2024 as contained in Xanadu's Annual Report for 2024 which was announced to the ASX on 31 March 2025. It should be read with its accompanying notes.

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

[*continued on next page*]

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Set out below is an extract of Xanadu's consolidated statement of profit or loss and other comprehensive income as at 31 December 2024 as contained in Xanadu's Annual Report for 2024 which was announced to the ASX on 31 March 2025. It should be read with its accompanying notes.

As at	31 Dec 2024 (A$'000)	31 Dec 2023 (A$'000)
Other income	2,836	3,013
Gain on deconsolidation of subsidiary	-	1,155
Expenses		
Other expenses	(6,297)	(7,670)
Share-based payments expense	(1,491)	(1,523)
Depreciation and amortisation expense	(75)	(64)
Loss on disposal of assets	(59)	-
Deferred exploration and evaluation costs	(57)	-
Finance costs	(30)	(77)
Share of loss of a joint venture	(1,803)	(2,412)
Loss before income tax expense	(6,976)	(7,578)
Income tax expense	-	-
Loss after income tax expense	(6,976)	(7,578)
Other comprehensive income		
Foreign currency translation	263	(329)
Foreign currency translation reclassified	-	12,508
Share of other comprehensive gain/(loss)	4,198	(18)
Total comprehensive income	4,461	12,161
Total comprehensive income for the year	(2,515)	4,583
Basic earnings per share (cents)	(0.40)	(0.47)
Diluted earnings per share (cents)	(0.40)	(0.47)

For details of the notes to the accounts, please see Xanadu's Annual Report for 2024 which can be located on the ASX website at www.asx.com.au using Xanadu's ASX code 'XAM' or Xanadu's website at www.xanadumines.com.

4.7 Issued capital

As at the Last Practicable Date, Xanadu's issued Share capital was 2,291,211,189 Shares.

Prior to 20 May 2025, Xanadu had the following unquoted Options on issue:

Class	Number on Issue	Exercise Price	Vested / Unvested
2021 Exec Tranche A	2,250,000	nil	Unvested
2021 Exec Tranche B	4,500,000	nil	Unvested
2021 Exec Tranche C	6,750,000	nil	Unvested
2021 Exec Tranche D	6,750,000	nil	Unvested
2021 Exec Tranche E	18,000,000	nil	Unvested
2022 Executive Director	6,000,000	nil	Unvested
2023 Options	5,040,000	nil	Vested
2023 Exec Options	13,374,000	nil	Vested
2023 Non-Exec Options	2,520,000	nil	Vested
2024 Exec	21,000,000	nil	Unvested
2024 Non-Executive	6,000,000	nil	Unvested
Total	**92,184,000**	-	-

The above Options were vested (to the extent not already vested) and exercised on 19 May 2025, and the resulting Shares were issued and listed for quotation on ASX on 20 May 2025 (**Resulting Shares**).

4.8 Substantial holders

As at the Last Practicable Date, the following entities (together with any of their Associates) have a relevant interest in 5% or more of Xanadu's shares:

Name	Shares	Voting Power (%)
Jinping (Singapore) Mining Pte Ltd	359,817,003	15.70%
Bastion[1]	286,829,633	12.52%
CAAF Ltd	226,665,378	9.89%
Harvest Lane Asset Management Pty Ltd	106,875,393	5.33%

1. Boroo, as the parent company of the Bidder, also had a Relevant Interest in the 286,829,633 Xanadu Shares held by the Bidder (being a controlled body corporate of Boroo pursuant to section 608(3) of the Corporations Act) and Voting Power in Xanadu of 14.45% pursuant to section 610(1) of the Corporations Act, (which includes an additional 44,228,329 Xanadu Shares in which Mr Ganbayar Lkhagvasuren has a Relevant Interest in, as an Associate of Boroo for the purposes of section 12 of the Corporations Act) as at the Last Practicable Date. See section 2.7 and section 2.8 of the Bidder's Statement for further details regarding the Bidder's Relevant Interest and Voting Power in Xanadu as at the Last Practicable Date.

2. The actual number of Xanadu Shares held or Voting Power may differ from that shown above as there is no obligation to publicly disclose changes if the change in Voting Power is less than 1%.

4.9 Publicly available information

Xanadu is a company listed on the ASX and is subject to periodic and continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. A substantial amount of information on Xanadu is publicly available, including Xanadu's 2024 Annual Report, which can be accessed by referring to Xanadu on www.asx.com.au (ASX:XAM).

Copies of documents filed with SEDAR+ may be obtained under Xanadu's profile on SEDAR+ at www.sedarplus.ca.

Copies of documents lodged with ASIC in relation to Xanadu may be obtained from, or inspected at, an ASIC office.

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5. INFORMATION ABOUT BASTION

5.1 Disclaimer

The information about Bastion contained in this Target's Statement has been prepared by Bastion using publicly available information, including information in the Bidder's Statement, and has not been independently verified. Accordingly, Xanadu does not, subject to the Corporations Act, make any representation or warranty, express or implied as to the accuracy or completeness of this information nor does Xanadu assume any responsibility for it.

The information on Bastion in this Target's Statement should not be considered comprehensive. Please refer to the Bidder's Statement for further information in respect of Bastion.

5.2 Overview of Bastion

Section 1 of the Bidder's Statement provides background information regarding Bastion, Boroo and GBL. In summary:

(a) **Bastion**

Bastion is a private company incorporated in Singapore as a special purpose bid vehicle, with 75% of Bastion owned by Boroo and the remaining 25% of Bastion owned by Mr Ganbayar Lkhagvasuren. Bastion is not currently involved in any business other than making the Offer and to invest in the Xanadu Shares.

(b) **Boroo**

Boroo is a private company incorporated in Singapore, whose principal activities comprise the acquisition, development and operation of major gold and copper projects across Mongolia and Peru.

(c) **Mr Ganbayar Lkhagvasuren**

Mr Ganbayar Lkhagvasuren is a co-founder of Xanadu and has been a Xanadu Director since 2006. As at the Last Practicable Date, Mr Lkhagvasuren holds the role of Executive Director and Country Manager for Xanadu, managing day-to-day operations in Mongolia.

5.3 Directors

The sole director of Bastion is Mr Philip Tan Link Kwock, who is also the Chief Financial Officer of Boroo.

Boroo's sole director is Mr Dulguun Erdenbaatar, and section 1.1 of the Bidder's Statement provides details of Boroo's advisory board.

5.4 Overview of financial information

(a) Assets and activities

As noted above, Bastion is a special purpose bid vehicle which is not currently involved in any business other than making the Offer and to invest in the Xanadu Shares.

Section 1.1 of the Bidder's Statement provides further information in relation to the assets and activities of Boroo and Mr Ganbayar Lkhagvasuren.

(b) Funding arrangements

Section 4 of the Bidder's Statement provides an overview of the funding arrangements between Bastion and each of Boroo and GBL to ensure that Bastion can pay the Offer Consideration (which, if acceptances are received for all Xanadu Shares on issue (excluding those Xanadu Shares which Bastion or its associates have a Relevant Interest), the

aggregate amount of cash consideration that Bastion would be required to pay would be $160.4 million plus all associated transaction costs).

Bastion will source the necessary funds to pay the Offer Consideration (and costs associated with the Offer) from a combination of funds made available under a funding deed entered into with each of Boroo and GBL. See sections 4.2 and 4.3 of the Bidder's Statement for further information in this regard.

5.5 Publicly available information

Bastion and Boroo are each private, unlisted companies and are therefore not subject to periodic and continuous disclosure requirements. Further information relating to the business and operations of Boroo is available at its website at https://boroomc.com.sg/.

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6. DIRECTORS' RECOMMENDATION AND INTERESTS IN XANADU

6.1 Xanadu Directors

The following are Directors of Xanadu as at the Last Practicable Date:

- Colin Moorhead – Executive Chair and Managing Director
- Ganbayar Lkhagvasuren – Executive Director and Country Manager
- Michele Muscillo – Independent Non-Executive Director
- Tony Pearson – Independent Non-Executive Director
- Shaoyang Shen – Non-Executive Director

6.2 Takeover Board Committee

(a) **Background to the establishment of the Takeover Board Committee**

As set out in section 8.5, on 7 April 2025, Xanadu announced that it had entered into exclusivity arrangements with its major shareholder, Zijin Mining Group Co. Ltd (**Zijin**).[8] The exclusivity arrangements were agreed following receipt of a non-binding indicative offer presented to Xanadu by Zijin (**Zijin NBIO**). Following a period of exclusivity, Xanadu announced on 5 May 2025 that it had been unable to finalise the terms of a control transaction with Zijin in relation to the Zijin Proposal.

Mr Shaoyang Shen is the nominee director on Xanadu of Zijin Mining Group Co. Ltd.

As is set out in section 5, Mr Ganbayar Lkhagvasuren is the Executive Director and Country Manager of Xanadu and also owns a non-controlling 25% economic interest in Bastion.

Accordingly, Xanadu's Board formed a sub-committee of disinterested directors (excluding Mr Ganbayar Lkhagvasuren and Mr Shaoyang Shen) (**Takeover Board Committee**) to manage any conflicts of interest and to provide independent advice and recommendations to Xanadu Shareholders in respect of the above matters.

(b) **Composition, role and duties of Takeover Board Committee**

The Takeover Board Committee comprises of the following Xanadu Directors (**Takeover Board Committee Directors**):

◊ Colin Moorhead – Executive Chair and Managing Director

◊ Michele Muscillo – Independent Non-Executive Director

◊ Tony Pearson – Independent Non-Executive Director

The Takeover Board Committee has been established to manage certain conflicts of interest and ensure the independence of the advice and recommendations provided to Xanadu Shareholders under this Target's Statement. To achieve this purpose, the Takeover Board Committee has established protocols for limiting access to information regarding the Bid, and limiting the responsibility for decision-making and communications, to the Takeover Board Committee Directors only.

[8] Zijin holds its interests in Xanadu through its subsidiary, Jinping (Singapore) Mining Pte Ltd.

Neither Mr Lkhagvasuren nor Mr Shen have participated in any meetings or discussions held by the Takeover Board Committee in considering the Offer or the preparation of this Target's Statement.

6.3 Recommendation

Takeover Board Committee

After taking into account each of the matters in this Target's Statement and in the Bidder's Statement, each of the Takeover Board Committee Directors recommends that you ACCEPT the Offer (in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Offer is Fair and Reasonable to Non-Associated Xanadu Shareholders).

In considering whether to accept the Offer, the Takeover Board Committee Directors encourage you to:

- read the whole of this Target's Statement (including the Independent Expert's Report) and the Bidder's Statement;
- have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances;
- consider the reasons for the Takeover Board Committee's recommendations noted in this Target's Statement; and
- obtain financial advice from your broker or financial adviser about the Offer and obtain taxation advice on the effect of accepting the Offer.

Mr Lkhagvasuren

Given the interests of Mr Lkhagvasuren in Bastion (see section 5 above), Mr Lkhagvasuren has determined to abstain from making a recommendation in relation to the Offer in his capacity as a Xanadu Director.

Mr Shen

Given Mr Shen's relationship with Zijin (see section 6.2 above), Mr Shen has determined to abstain from making a recommendation in relation to the Offer in his capacity as a Xanadu Director.

6.4 Reasons to ACCEPT the Offer

The reasons that the Takeover Board Committee Directors recommend that you ACCEPT the Offer (in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Offer is fair and reasonable to Non-Associated Xanadu Shareholders) are outlined in the section of the Target's Statement entitled "KEY REASONS TO ACCEPT THE OFFER".

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6.5 Directors' interests in Xanadu

As at the Last Practicable Date, the Takeover Board Committee Directors and their Associates have a Relevant Interest in the following securities of Xanadu:

Takeover Board Committee Directors	Shares	Options	Total securities
Colin Moorhead	37,440,000	0	**37,440,000**
Michele Muscillo	13,319,981	0	**13,319,981**
Tony Pearson	12,900,555	0	**12,900,555**
Total	**63,660,536**	**0**	**63,660,536**

Notes:

1. Ganbayar Lkhagvasuren holds 44,228,329 Shares as at the Last Practicable Date.

2. Shaoyang Shen does not hold any securities in Xanadu as at the Last Practicable Date.

For further information, please see Xanadu's 2024 Annual Report, together with the Appendix 2A issued by Xanadu on 20 May 2025.

As noted above in section 2.10:

(a) each of the Takeover Board Committee Directors (who collectively hold a Relevant Interest in the Company of 2.78%), intends to accept, or procure the acceptance of, the Offer in respect of all of the Xanadu Shares they respectively hold or control (including those Xanadu Shares issued as a result of the vesting and exercise of the Options described below in section 6.6(a)) in the absence of a Superior Proposal and subject to the Independent Expert concluding (and continuing to conclude) that the Offer is fair and reasonable to Non-Associated Xanadu Shareholders.

(b) Mr Ganbayar Lkhagvasuren holds a Relevant Interest in 44,228,329 Xanadu Shares – please refer to section 8.12; and

(c) Mr Shaoyang Shen does not hold any Xanadu Shares.

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6.6 Recent dealings in Xanadu securities

(a) **Dealings in Shares by Xanadu Directors**

In the four months preceding the Last Practicable Date, none of the Xanadu Directors (or their respective Associates, as the case may be) have acquired or disposed of Shares, other than as a result of the exercise of the Options as follows:[9]

Takeover Board Committee Directors	Shares before exercise of the Options	Resulting Shares issued upon exercise of Options	Total Shares
Colin Moorhead	22,920,000	14,520,000	**37,440,000**
Michele Muscillo	9,059,981	4,260,000	**13,319,981**
Tony Pearson	3,600,555	9,300,000	**12,900,555**
Ganbayar Lkhagvasuren	28,694,329	15,534,000	**44,228,329**
Total	**64,274,865**	**43,614,000**	**107,888,865**

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[9] The resulting Shares were issued on 20 May 2025 – see Appendix 2A dated 20 May 2025 at https://www.xanadumines.com/asx-announcements/.

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(b) **Item 11 Section 1 of NI 62-104F3 Disclosure**

The information set out immediately above is also provided for the purposes of Item 11 Section 1 of NI 62-104F3 (which requires disclosure in relation to the number of Xanadu securities *purchased or sold by each director, officer or other "insider"* (i.e. 10%+ shareholder of Xanadu) during the *6 month period* prior to the Last Practicable Date), as is the information set out in the table immediately below.

Directors and KMP	Shares before exercise of the 2024 and 2025 Options	Resulting Shares issued upon exercise of 2024 and 2025 Options[10]	Total Shares
Colin Moorhead	8,840,000	28,600,000	**37,440,000**
Michele Muscillo	4,019,981	9,300,000	**13,319,981**
Tony Pearson	2,460,555	10,440,000	**12,900,555**
Ganbayar Lkhagvasuren	16,558,329	27,670,000	**44,228,329**
Munkhsaikhan Dambiinyam	1,478,578	21,500,000	**22,978,578**
Spencer Cole	375,000	24,830,000	**25,205,000**
Andrew Stewart	4,931,292	29,520,000	**34,451,292**
Total	**38,663,735**	**151,860,000**	**190,523,735**

(c) **Item 11 Section 2 of NI 62-104F3 Disclosure**

The information in the table set out in 6.6(b) above is also provided for the purposes of Item 11 Section 2 of NI 62-104F3, (which requires disclosure in relation to the number of Xanadu securities *issued to directors, officers or other "insiders"* (i.e. 10%+ shareholder of Xanadu) during the *2-year period* prior to the Last Practicable Date).

6.7 Interests or dealings in Bastion securities

None of the Takeover Board Committee, Mr Shaoyang Shen or any of their respective Associates have:

(a) any Relevant Interest in the securities of Bastion or any Related Body Corporate of Bastion; or

(b) acquired or disposed of any securities of Bastion or any Related Body Corporate of Bastion,

in the four months preceding the Last Practicable Date.

As noted above, Mr Ganbayar Lkhagvasuren is not a director of Bastion, but has a non-controlling 25% economic interest in Bastion.

[10] The resulting Shares were issued on 16-17 December 2024 – see ASX announcement titled Application for Quotation of Securities dated 16 December 2024 and 17 December 2024.

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6.8 No payments or benefits

(a) **Benefits in connection with retirement from office**

As a result of the Offer, no benefit (other than a benefit permitted by sections 200F or 200G of the Corporations Act) has been or will be given to a person:

(1) in connection with the retirement of a person from the Board or management of Xanadu or its Related Bodies Corporate; or

(2) who holds, or has held a position on the board or management of Xanadu or its Related Bodies Corporate, or a spouse, relative or Associate of such person, in connection with the transfer of the whole or any part of the undertaking or property of Xanadu; or

(3) which would require approval of Shareholders under section 200B of the Corporations Act.

(b) **Agreements connected with or conditional on the Offer**

There are no agreements made between any Xanadu Director and any other person in connection with, or conditional upon, the outcome of the Offer, other than in their capacity as a Xanadu Securityholder or as noted below in section 6.9.

(c) **Interests of Directors in contracts with Bastion**

Mr Ganbayar Lkhagvasuren has entered into a funding deed with Bastion and Boroo, pursuant to which GBL and Boroo will make funding available to Bastion for the purpose of paying the Offer Consideration to those Xanadu Shareholders who accept the Offer. See section 4 of the Bidder's Statement for further information regarding the funding deed, and the funding arrangements generally.

No other Xanadu Director (excluding Mr Ganbayar Lkhagvasuren) has any interest in a contract with Bastion.

See section 6.10 for further information.

6.9 Arrangements with Xanadu Directors

(a) **Board transition arrangements**

Under the Bid Implementation Agreement, as soon as practicable after a Change of Control, Xanadu must cause:

(1) each of the Xanadu Directors nominated by the Bidder to resign and provide unconditional and irrevocable releases to Xanadu; and

(2) appoint to the Xanadu Board and the boards of each Xanadu subsidiary (subject to the terms of the JVCo SHA) those new directors nominated by the Bidder.

As described in section 3.4(e) of the Bidder's Statement, Bastion has not yet identified the candidates it intends to appoint to the Xanadu Board, and their identity will depend on circumstances at the relevant time.

The Bid Implementation Agreement obliges Bastion to procure that Xanadu complies with its obligations under existing Deeds of Access, Indemnity and Insurance that are in place with each of the Xanadu Directors and to maintain directors' and officers' insurance cover for a period of 7 years from the retirement of each Xanadu Director and officer. Xanadu has obtained or otherwise intends to shortly obtain a 'run-off policy' in this regard.

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(b) **D&O Policy**

Xanadu is required to maintain any Directors and Officers insurance policy (**D&O Policy**) in place for a period of seven years after the relevant director or office ceases to be an officer of Xanadu.

(c) **Vesting and exercise of Options (and resulting Shares)**

The Offer extends to all Shares that are issued during the Offer Period as a result of the exercise of any Options.

Under the Bid Implementation Agreement, Xanadu was required to procure that all 92,184,000 Options on issue (as at 19 May 2025) were vested (to the extent unvested) and exercised into Shares upon Bastion acquiring a Relevant Interest in at least 50.1% of Xanadu Shares, or the Bid otherwise becoming unconditional.

As result of the Offer, all previously unvested Options were vested and exercised on 19 May 2025, with the resulting Shares being issued and listed for quotation on ASX on 20 May 2025. The Offer remains subject to the Conditions described in section 2.4.

(d) **Ganbayar Lkhagvasuren and Bastion**

Mr Ganbayar Lkhagvasuren owns 25% of Bastion, with the remaining 75% being owned by Boroo.

(e) **Special exertion and retention fees**

Exertion fees are paid to those Takeover Bid Committee Directors who are non-executive Xanadu Directors, equivalent to A$5,000 per month commencing 1 March 2025 through the put option review and Offer Period.

(f) **No agreement or arrangement with any Xanadu Director**

Except as described elsewhere in this Target's Statement, there is no agreement or arrangement made between any Xanadu Director or any Related Body Corporate or Associate of any Xanadu Director and any other person in connection with or conditional upon the outcome of the Offer.

6.10 Interests held by directors of Xanadu in any contract entered into by Bastion

Other than as described in this Target's Statement, no Xanadu Director, nor any Related Body Corporate or Associate of a Xanadu Director, has an interest in any contract entered into by Bastion or any director, Related Body Corporate or Associate of Bastion.

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7. RISK FACTORS

7.1 Introduction

In considering the Offers, Xanadu Shareholders should be aware that there are a number of risk factors associated with either accepting the Offer or rejecting the Offer and continuing to hold Shares.

The risk factors presented in this section 7 are not an exhaustive list of all risks and risk factors related to Xanadu and the Offer. Additional risks and uncertainties not currently known to Xanadu may also have an adverse impact on Xanadu.

This section 7 does not take into account the investment objective, financial situation, position or particular needs of Xanadu Shareholders. Each Xanadu Shareholder should consult their legal, financial, taxation or other professional advisor if they have any queries.

7.2 Risks associated with accepting the Offer

Conditions of the Offer

As described in section 2.4 of this Target's Statement, the Offer is subject to the Conditions. If the Conditions are not satisfied by the applicable date (or waived by Bastion), the Offer will not be free of the Conditions and therefore will not proceed.

In accordance with the terms of the Bid Implementation Agreement, Bastion must declare the Offer unconditional by no later than 2 Business Days after the date upon which it (together with its Associates) acquires a Relevant Interest in at least 50.1% of the Xanadu Shares.

Based on information available to the Takeover Board Committee as at the Last Practicable Date, the Takeover Board Committee has no reason to believe that the Conditions cannot be satisfied within a reasonable period of time.

If the Conditions were to ultimately not be satisfied or waived (to the extent that they are able to be waived) such that the Offer does not proceed, the trading price of Xanadu Shares may potentially decline.

Limited withdrawal rights

Once you have accepted the Offer, you will only be able to withdraw such acceptance in very limited circumstances. Such a withdrawal right will arise if, after you have accepted the Offer, Bastion varies the Offer in a way that postpones, for more than one month, the time when Bastion has to meet its obligations under the Offer, and at that time, the Offer is subject to one of the Conditions.

Otherwise, you will be unable to withdraw your acceptance even if the value of your Xanadu Shares varies significantly from the date of your acceptance of the Offer or a Superior Proposal is otherwise announced.

Possibility of a Superior Proposal

If you accept the Offer and a Superior Proposal emerges or is announced after your acceptance, you may be unable to withdraw your acceptance and accept into the Superior Proposal except in limited circumstances (see section 8.4(e) of the Bidder's Statement for further detail).

On 7 April 2025, Xanadu announced that it had entered into exclusivity arrangements with its major shareholder, Zijin Mining Group Co. Ltd (**Zijin**). The exclusivity arrangements were agreed following receipt of a non-binding indicative offer presented to Xanadu by Zijin (**Zijin NBIO**). Following a period of exclusivity, Xanadu announced on 5 May 2025 that it had been unable to finalise the terms of a control transaction with Zijin in relation to the Zijin Proposal.

If a Competing Proposal emerges, the Takeover Bid Committee will keep Shareholders informed and follow the procedure as described in section 8.4(f) of this Target's Statement.

Other than as is set out in this Target's Statement, as at the Last Practicable Date the Takeover Board Committee are not aware of any Competing Proposal and there can be no assurance that any Competing Proposal will emerge or that such a Competing Proposal will be, or will become, a Superior Proposal.

You will no longer be able to sell your Shares on-market

If you accept the Offer, you will no longer be able to trade your Shares on the market. There is a possibility that the Xanadu Share price may exceed the Offer Consideration during part of the Offer Period. Refer to section 8.4 of the Bidder's Statement in relation to the effect of accepting the Offer.

Taxation consequences

The taxation consequences of accepting the Offer depend on a number of factors and will vary depending on your particular circumstances. A general outline of the taxation considerations of accepting the Offer for certain Xanadu Shareholders is set out in section 5 and section 6 of the Bidder's Statement. You should carefully read and consider the taxation consequences of accepting the Offer.

You are advised to seek your own independent professional advice regarding the tax consequences of disposing of your Shares based on your own particular circumstances.

Xanadu has not independently verified Bastion's information

In preparing the information in this Target's Statement, Xanadu has relied upon information set out in the Bidder's Statement or otherwise provided by Bastion. Xanadu has not been able to verify the accuracy, reliability or completeness of all of the information which was disclosed by Bastion.

7.3 Risks associated with certain outcomes of the Offer

Bastion obtains a controlling interest in Xanadu

If Bastion acquires a Relevant Interest in at least 50.1% but less than 90% of the Shares on issue, it will be able to control the outcome of ordinary resolutions of the Xanadu Shareholders (including resolutions relating to the composition of Xanadu's Board).

If effective control of Xanadu passes to Bastion, but Bastion does not meet the conditions to allow compulsory acquisition of the remaining Shares, the remaining Xanadu Shareholders (who have not accepted the Offer) will become minority shareholders in Xanadu. If this occurs, there may be additional factors that need to be considered, alongside the Takeover Board Committee's recommendation. These factors may include:

(a) Bastion will be in a position to cast the majority of votes at a general meeting of Xanadu. This will enable Bastion to control the composition of the Xanadu Board and senior management and control the strategic direction of Xanadu's business;

(b) the Xanadu Share price may fall immediately following the end of the Offer Period, and it is unlikely that Xanadu's Share price will contain any takeover premium;

(c) liquidity of Shares may be lower than present;

(d) if the number of Shares or Xanadu Shareholders is less than that required by the ASX Listing Rules to maintain ASX listing, then Bastion may seek to have Xanadu removed from the official list of the ASX. If this occurs, Shares will not be able to be bought or sold on the ASX, and will only be able to be bought or sold privately;

(e) if the number of Shares or Xanadu Shareholders is less than that required by the TSX Company Manual to maintain TSX listing, then Bastion or the TSX may seek to have Xanadu delisted from the TSX. If this occurs, Shares will not be able to be bought or sold on the TSX, and will only be able to be bought or sold privately;

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(f) Bastion may not be able to implement its stated intentions in relation to Xanadu's business as set out in section 3 of the Bidder's Statement; and

(g) if Bastion acquires 75% or more of Xanadu's Shares it will be able to pass a special resolution of Xanadu. This will enable Bastion, amongst other things, to change Xanadu's constitution and may enable Bastion to seek to have Xanadu removed from the official list of the ASX or have the Shares delisted from the TSX.

The ability of Bastion and its Associates to obtain a Relevant Interest in at least 90% of the Shares will depend upon the level of acceptance of the Offer by Xanadu Shareholders. There is no guarantee that Bastion will obtain a Relevant Interest in at least 90% of the Xanadu Shares. In addition, Jinping (an entity associated with Zijin) holds in excess of 10% of the Xanadu Shares. If Jinping does not accept the Offer, Bastion and its Associates will not be able to obtain a Relevant Interest in at least 90% of the Xanadu Shares. As at the Last Practicable Date, the Takeover Board Committee does not know Jinping's intentions in respect of the Offer.

Bastion meets 90% compulsory acquisition threshold

Bastion has indicated that if, as a result of the Offer, it and its Associates obtain a Relevant Interest in at least 90% of the Shares, Bastion intends to proceed with a compulsory acquisition of the outstanding Shares. If such compulsory acquisition occurs, Xanadu Shareholders who have their Shares compulsorily acquired will not receive the Offer Consideration until after the compulsory acquisition notices are dispatched to them.

Bastion has also indicated that it intends to arrange for Xanadu to be removed from the official list of ASX and the TSX, and for Xanadu to be subsequently converted to a proprietary company limited by shares, following compulsory acquisition.

Refer to section 3.2 of this Target's Statement, and section 3.4 of the Bidder's Statement, for further information.

7.4 Risks associated with not accepting the Offer

No premium

Shareholders who do not accept the Offer may not receive the premium implied by the Offer. Further, in the absence of the Offer, the price of Shares on the ASX and/or the TSX may potentially decline.

Minority ownership consequences

If Bastion acquires a Relevant Interest in at least 50.1% of all Shares and declares the Offer to be unconditional,[11] then it is possible that effective control of Xanadu passes without the ability of Bastion to compulsorily acquire the remaining Shares (which requires a Relevant Interest in at least 90% of Shares).

Once effective control passes, Bastion will have the ability to appoint a majority of directors to the Board and, in doing so, take control of the day-to-day operations of the business. Shareholders who do not accept the Offer will remain as minority shareholders and be subject to a number of additional risks, including:

- reduced liquidity; and
- greater difficulty in realising value for Shares with Bastion likely to hold a blocking stake to any proposals received from a rival bidder.

[11] Under the Bid Implementation Agreement, Bastion must declare the Offer unconditional by no later than 2 Business Days after the date upon which it (together with its Associates) acquires a Relevant Interest in at least 50.1% of the Xanadu Shares. In those circumstances, Shareholders who have accepted the Offer will receive the Offer Consideration, and the outcome described in section 3 of the Bidder's Statement may then apply. See section 2.4 of this Target's Statement.

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Refer to section 3 of the Bidder's Statement for more information regarding Bastion's intentions in relation to Xanadu, including at different levels of ownership.

Potential for future less favourable offer

If the Offer is unsuccessful and there is a subsequent decline in the price of Xanadu Shares, there may exist potential for opportunistic or hostile offers, which may be less advantageous to Xanadu Shareholders, to emerge in the future. This could expose Xanadu to heightened risk and reduced negotiating leverage in potential future transactions, potentially compromising Xanadu Shareholders' long-term return on investment.

Uncertain that Xanadu will receive similar or superior offers in the future

If the Offer is unsuccessful there is a risk that Xanadu Shareholders may not receive an offer of similar or superior value in the future. There is no guarantee that Xanadu will attract bids with comparable benefits or premiums. This could result in a missed opportunity for Xanadu Shareholders, potentially impacting their long-term financial prospects and overall return on investment.

Funding the Kharmagtai Project and future capital requirements

Xanadu has little operating revenue and is unlikely to generate any operating revenue unless and until its projects are successfully developed and production commences. The future capital requirements of Xanadu will depend on many factors including its business development activities. Xanadu believes its available cash (including the funds received pursuant to the Concurrent Financing) should be adequate to assist Xanadu with its corporate activities for the next 6 months, including to meet its obligations in connection with the Kharmagtai Project.

However, as set out in section 8.4(b), Xanadu has withdrawn the Put Option resolution seeking Shareholder approval to exercise the 25% Put Option under the JVCo SHA to address funding requirements for Xanadu's respective proportion of the funding for the Kharmagtai Project until commencement of commercial production at the Kharmagtai Project.

Accordingly, in the event the Offer is unsuccessful, Xanadu will need to raise additional funds, including an estimated US$25-30 million for its share of the Bankable Feasibility Study (**BFS**) stage, running into late 2026 or early 2027, to be followed by 2-3 years of construction and commissioning, of which the Company's share is estimated to cost US$425-450 million. There can be no assurance that sufficient debt or equity funding will be available on acceptable terms or at all. Debt financing, if available, may involve restrictions on financing and operating activities. Any additional equity financing may be dilutive to Shareholders, may be undertaken at lower prices than the then market price or may involve restrictive covenants which limit Xanadu's operations and business strategy. If Xanadu is unable to obtain additional financing as needed, then it would need to either materially slow the Kharmagtai Project or accept significant dilution of its interest in the project.

7.5 Risks associated with Holding Shares

If you decide not to accept the Offer and retain your Shares, you will continue to be exposed to the risks associated with being a Shareholder. Holding Shares provides an economic interest in the ongoing operational activities of Xanadu. However, there is no guarantee that Xanadu will become profitable in the future as the business is affected by many risk factors.

These may be risks that are widespread risks associated with any form of business or specific risks associated with Xanadu's business and the industry in which it is involved.

The following summary represents some of the major risk factors which affect Xanadu. These risk factors ought not to be taken as exhaustive of the risks faced by Xanadu or Shareholders. These factors, and others not specifically referred to, may in the future materially affect the financial performance of Xanadu and the value of Shares. Where relevant, the risk factors below assume the Offer will not be successful and Xanadu will continue to develop its projects.

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(a) *General market risks*

The economic condition of both domestic and global markets may affect the performance of companies such as Xanadu. Adverse changes in macroeconomic conditions, including global, regional and local economic growth, the costs and general availability of credit, the level of inflation, interest rates, exchange rates, government policy (including fiscal, monetary and regulatory policies), general consumption and consumer spending, sentiment and levels of employment, amongst others, are outside of the control of Xanadu and may have a material adverse effect on the financial performance of Xanadu.

(b) *Commodity price risk*

Changes in the market price of copper and gold, which in the past have fluctuated widely, will affect the future profitability of Xanadu's operations and its financial condition. Xanadu's potential future revenues, profitability and viability depend on the future market price of copper and gold produced from its assets. The price of copper and gold is set in the world market and is affected by numerous industry factors beyond Xanadu's control including the demand for precious metals, expectations with respect to the rate of inflation, interest rates, currency exchange rates, the demand for jewellery and industrial products containing metals, copper and gold production levels, inventories, cost of substitutes, changes in global or regional investment or consumption patterns, and sales by central banks and other holders, speculators and procedures of copper and gold and other metals in response to any of the above factors, and global and regional political and economic factors.

A decline in the market price of copper and gold below Xanadu's future proposed production costs for any sustained period may have a material adverse impact on the ability of Xanadu to finance the exploration and development of its existing and future mineral projects. Such a decline would also impact on the profit, cashflow and results of operations of Xanadu's anticipated future operations.

(c) *Future Share price*

There is a risk that the Xanadu Share price may fall if the Offer is unsuccessful. The Directors are not in a position to speculate on the future trading price of the Shares, including if the Offer lapses. The future price of Shares is dependent not only on Xanadu's performance, but also on external market and other factors.

(d) *Financing and capital*

Substantial capital expenditure is required for minerals exploration, appraisal, development and production. The future prospects of Xanadu, including the successful development of Xanadu's assets and/or the acquisition of new assets will be influenced by the ability of Xanadu to access funding via operating cash flows or debt or equity markets on commercially acceptable terms. Operating cash flows and access to debt and equity markets is affected by a number of factors beyond the control of Xanadu including commodity prices and general economic conditions.

There is also no assurance that Xanadu will be successful in raising capital in the future as and when it is required, in order to fully finance and develop Xanadu's projects. Volatile market conditions may prevent or make it difficult for Xanadu to obtain debt financing or equity financing on commercially acceptable terms. If access to adequate funding is not maintained by Xanadu, Xanadu may not be able to take advantage of opportunities or otherwise respond to market conditions. Failure to obtain funding on a timely basis and on reasonably acceptable terms may also cause Xanadu to postpone or abandon development plans, or to relinquish or forfeit rights in relation to the Xanadu's assets, which may delay or suspend Xanadu's business strategy and could have a material adverse effect on Xanadu's activities.

(e) *Risks of operating in Mongolia (sovereign risk and foreign country mining risk)*

Xanadu's exploration and mining activities are located in Mongolia.

Accordingly, the Company's exploration and mining activities may be affected in varying degrees by:

- political and social instability;
- changes in government;
- application and enforcement of government policy and regulations such as foreign investment laws, tax laws, business laws, environmental laws and mining laws
- changes in government policy and regulations such as foreign investment laws, tax laws, business laws, environmental laws and mining laws, including in relation to expropriation or nationalisation of property,

which may affecting the Company's business activities in that country.

Prior to 1990, Mongolia was a socialist country. Since the collapse of socialism in 1990, Mongolia has experienced a process of democratic change, resulting in political and social events that have highlighted the unpredictable nature of Mongolia's changing political landscape. Such events have resulted in political instability as well as general social and civil unrest on certain occasions in the past few years.

The Company cannot assure that social and civil unrest will not occur in the future, or that such disturbances will not, directly or indirectly, have a material adverse effect on the Company's business. Future changes in the Government of Mongolia, the ruling party, major policy shifts or lack of consensus between the various political groups could lead to political instability which could also have a material adverse effect on the Company's business.

Government policy may change to discourage foreign investment, nationalisation of the mining industry may occur and other government limitations, restrictions or requirements may be implemented. There can be no assurance that the Company's assets will not be subject to nationalisation, requisition, expropriation or confiscation, whether legitimate or not, by any authority or body. In addition, there can be no assurance that neighbouring countries' political and economic policies in relation to Mongolia will not have adverse economic effects on the development of the Company's mineral projects, including with respect to the ability to access power, transport and sell products and access construction labour, supplies and materials.

The political, social and economic environment in Mongolia presents a number of serious risks, including, among other things: uncertain legal enforcement; invalidation, confiscation, expropriation or rescission of governmental orders, permits, licences, agreements and property rights; the effects of local political, labour and economic developments, instability and unrest; corruption, requests for improper payments or other corrupt practices; and significant or abrupt changes in the applicable regulatory or legal climate.

The Mongolian legal system exhibits several of the qualitative characteristics typically found in a developing country and many of its laws, particularly with respect to matters of taxation, are still evolving. The legal framework in Mongolia is, in many instances, based on recent political reforms or newly enacted legislation, which may not be consistent with long-standing local conventions and customs. There may be ambiguities, inconsistencies and anomalies in the agreements, licences and title documents through which the Company holds its mineral projects, or the underlying legislation upon which those mineral projects are based, which are atypical of more developed legal systems and which may affect the interpretation and enforcement of the Company's rights and obligations.

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.

Furthermore, legal remedies may be uncertain, delayed or unavailable. The Mongolian judicial system has relatively little experience in enforcing certain of the laws and regulations

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that currently exist (particularly those enacted recently), leading to a degree of uncertainty as to the outcome of any litigation. It may be difficult to obtain swift and equitable enforcement, or to obtain enforcement of a judgment by a court of another jurisdiction. In addition, while legislation has been enacted to protect private property against expropriation and nationalisation, due to the lack of experience in enforcing these provisions and political factors, these protections may not be enforced in the event of an attempted expropriation or nationalisation.

For example, if a particular project is considered to have a potential impact on national security, national or regional economic and social development, or is producing (or has the potential to produce) greater than 5% of the country's total GDP, the Government of Mongolia has powers under the Minerals Law (2006), including passing legislation or making any public announcements, to designate the project as a 'Strategic Deposit'. Where the State has conducted state funded exploration jointly with private entities and determined a proven reserve, it can participate in up to a 50% equity interest in the Strategic Deposit. Otherwise, where the exploration of the Strategic Deposit is privately financed, the State may participate in up to a 34% equity interest.

The Government of Mongolia has recently expressed its strong desire to foster, and has to date protected the development of, an enabling environment for investments in the mining sector. The Government of Mongolia has during the last six years put in place a framework and environment for foreign direct investment. However, the full impact of some of these laws is not yet known.

The Kharmagtai Project is not classified as a Strategic Deposit and, as at the date of this document, Xanadu has not received any official government communication to that effect. In any event, Xanadu's future plans for development in the Kharmagtai Project include engagement with the Government of Mongolia and negotiation of an investment agreement, regardless of its current status as non-strategic.

(f) *Minerals exploration, development and operating risks*

Mineral exploration is highly speculative in nature, generally involves a high degree of risk and frequently is non-productive. The mineral tenements of Xanadu are at various stages of exploration, and potential investors should understand that mineral exploration and development are high-risk undertakings. There can be no assurance that exploration of these tenements, or any other tenements that may be acquired in the future, will result in the discovery of an economic ore deposit. Even where an apparently viable deposit has been identified, there is no guarantee that it can be economically exploited or will result in a profitable commercial mining operation.

Resource acquisition, exploration, development, and operation involve significant financial and other risks over an extended period of time, which even a combination of careful evaluation, experience, and knowledge may not eliminate. Significant expenses are required to locate and establish economically viable mineral deposits, to acquire equipment, and to fund construction, exploration and related operations, and few mining properties that are explored are ultimately developed into producing mines.

Success in establishing an economically viable project is the result of a number of factors, including the quantity and quality of minerals discovered, proximity to infrastructure, metal and mineral prices which are highly cyclical, costs and efficiencies of the recovery methods that can be employed, the quality of management, available technical expertise, taxes, royalties, environmental matters, government regulation (including land tenure, land use and import/export regulations) and other factors. Even in the event that mineralisation has been discovered on a given property, it may take several years in the initial phases of drilling until production is possible, during which time the economic feasibility of production may change as a result of such factors. The effect of these factors cannot be accurately predicted, but the combination of these factors may result in Xanadu not receiving an adequate return on its invested capital, and no assurance can be given that any exploration program of Xanadu will result in the establishment or expansion of resources or reserves.

Xanadu's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of copper and other minerals, including hazards

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relating to the discharge of pollutants or hazardous chemicals, changes in anticipated grade and tonnage of ore, unusual or unexpected adverse geological or geotechnical formations, unusual or unexpected adverse operating conditions, slope failures, rock bursts, cave-ins, seismic activity, the failure of pit walls, pillars or dams, fire, explosions, and natural phenomena and 'Acts of God' such as inclement weather conditions, floods, earthquakes or other conditions, any of which could result in damage to, or destruction of, mineral properties or production facilities, personal injury or death, damage to property, environmental damage, unexpected delays, monetary payments and possible legal liability, which could have a material adverse impact upon Xanadu. In addition, any future mining operations will be subject to the risks inherent in mining, including adverse fluctuations in fuel prices, commodity prices, exchange rates and metal prices, increases in the costs of constructing and operating mining and processing facilities, availability of energy and water supplies, access and transportation costs, delays and repair costs resulting from equipment failure, changes in the regulatory environment, and industrial accidents and labour actions or unrest. The occurrence of any of these risks could materially and adversely affect the development of a project or the operations of a facility, which could have a material adverse impact upon Xanadu.

(g) *Estimation of Mineralisation, Resources and Reserves Risk*

The Company's mineral resource estimates for the Kharmagtai Project are based on a number of assumptions. There can be no assurance that the mineral resource estimates will be recovered in the quantities, qualities or yields as contained in its announcements made to the ASX and the TSX. Copper and gold mineral resource estimates are inherently prone to variability. They involve expressions of judgment with regard to the presence and quality of mineralisation and the ability to extract and process the mineralisation economically based on a variety of factors, such as knowledge, experience and industry practice. The accuracy of these estimates may be affected by many factors, including the quality of the results of drilling and sampling of the copper and/or gold deposits and analysis of samples and the procedures adopted and experience of the person(s) making the estimates. There are risks associated with such estimates, including that minerals mined may be of a different or inferior quality, volume, overburden strip ratio or stripping cost from the resource estimates. Such estimates may also be revised following further exploration or analysis. Any material reductions in estimates of mineralisation, or of the Company's ability to extract this mineralisation, including estimates made in its announcements to the ASX and the TSX, could have a material adverse effect on the Company's results of operations or financial condition.

(h) *Environment*

Minerals exploration, development and production can potentially be environmentally hazardous, giving rise to substantial costs for environmental rehabilitation, damage control and losses. Xanadu is subject to environmental laws and regulations in connection with its operations. Before mining leases are granted or any activities can be undertaken, the Company must undertake detailed environmental assessment studies the results of which must be assessed by government authorities prior to approving leases and any other required licences or permits.

No assurance can be given that environmental standards imposed by national or local authorities will not be changed or that any such changes would not have material adverse effects on Xanadu's activities. Moreover, compliance with such laws may cause substantial delays or require capital outlays in excess of those anticipated, thus causing an adverse effect on the Company. Additionally, the Company may be subject to liability for pollution or other environmental damage, which it may not be able to insure against. Additionally, a material environmental incident may result in operations being suspended, forfeiture of a critical permit or permits, and the imposition of a financial guarantee, surety, financial penalty or compensation order, as well as damage to Xanadu's reputation.

(i) *Joint venture activities*

Xanadu currently participates in a joint venture arrangement in relation to the Kharmagtai Project, which is governed by the joint venture shareholders' agreement with Zijin (**JVCo SHA**). While decisions regarding the exploration, development and production activities of the joint venture require approval of Xanadu, Zijin is currently the designated operator of the

Kharmagtai Project and as such, Xanadu has limited ability to control the day-to-day conduct of the activities of the joint venture.

Regardless of Xanadu's best endeavours to manage joint venture activities, Zijin may:

- have commercial or other interests or objectives for the relevant joint venture which may not be aligned with those of Xanadu;
- exercise voting rights for joint venture decisions to prevent activity which Xanadu considers to be in the best interests of the joint venture and the commercial objectives of Xanadu;
- delay the project, which defers longer term value to Xanadu; or
- fail to deliver full project value, reducing the value of Xanadu's interest in the project.

(j) *Access and tenure*

Although the Company acquires the rights to some or all of the minerals in the ground subject to the mineral tenures that it acquires, or has a right to acquire, in most cases it does not thereby acquire any rights to, or ownership of, the surface to the areas covered by its mineral tenures. In such cases, applicable mining laws usually provide for rights of access to the surface for the purpose of carrying on mining activities, however, the enforcement of such rights can be costly and time consuming.

It is necessary to negotiate surface access or to purchase the surface rights if long-term access is required. There can be no guarantee that, despite having the right at law to access the surface and carry on mining activities, the Company will be able to negotiate satisfactory agreements with any such existing landowners/occupiers for such access or purchase of such surface rights, and therefore it may be unable to carry out planned mining activities. In addition, in circumstances where such access is denied, or no agreement can be reached, the Company may need to rely on the assistance of local officials or the courts in such jurisdiction,

In addition, Xanadu is currently 'earning in' to material authorisations required to undertake its current mining activities. Certain authorisations require renewal on a regular basis and Xanadu is subject to the need for ongoing or new government approvals, licenses and permits as the scope of its operations change. The granting and renewal of such approvals, licenses and permits, as a practical matter, subject to the discretion of applicable government agencies or officials. There is no guarantee that Xanadu will be able to obtain, or obtain in a timely manner, all required approvals, licenses or permits or satisfy all environmental approval processes. To the extent that required authorisations are not obtained or are delayed or are cancelled or forfeited after being obtains, Xanadu's operations may be materially adversely impacted.

(k) *Key personnel*

The Company's business depends substantially on the continued services of its executive officers and, to a significant extent, on the Company's ability to attract, train and retain qualified technical personnel, particularly those with expertise in copper and gold mining. There can be no assurance that the Company will be able to attract or retain qualified technical personnel. If one or more of the executive officers or key employees were unable or unwilling to continue their service with the Company, the Company may not be able to replace them with persons of equivalent expertise and experience within a reasonable period of time or at all. If any of the executive officers or key employees joins a competitor or forms a competing company, the Company may lose suppliers, know-how and key personnel and staff members. If any dispute arises between such executive officers or key employees and the Company, there can be no assurance as to the extent to which any non-competition undertakings of such executive officers or key employees could be enforced in the Company's favour or at all.

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If the Company loses any of its executive officers or key employees, the Company's business may be severely disrupted, the Company's financial condition and results of operations may be materially and adversely affected, and the Company may incur additional expenses to recruit, train and retain replacement personnel. As the Company's business has grown and is expected to continue to grow steadily, the Company's ability to train and integrate new employees into its operations may not meet the growing demands of its business.

(l) *Insurances*

Xanadu maintains insurance either directly or through a joint venture for certain activities within ranges of coverage that they each believe to be consistent with industry practice. However, in certain circumstances insurance proceeds may not be adequate to cover all potential liabilities and losses. Additionally, recovery under insurances is subject to the terms and conditions of the relevant insurance policies which may include material exclusions and uninsured excess amounts (or deductibles).

Where Xanadu does not have insurances in place in respect of a relevant loss or hazard, or a relevant insurance policy does not respond as anticipated, Xanadu may be exposed to material uninsured losses which, in turn, may impact upon the financial performance of Xanadu. In addition, insurance of all risks associated with minerals exploration, development and production is not always available and, where available, this cost can be prohibitive. There is a risk that insurance premiums may increase to a level where Xanadu considers it is unreasonable or, not to a level of coverage which is in accordance with industry practice. No assurance can be given that Xanadu will be able to obtain such insurance coverage in the future at reasonable rates or that any coverage it arranges will be adequate to cover claims.

(m) *Exchange rate risk*

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

(n) *Litigation*

Xanadu may be involved in disputes and litigation relating to the conduct of its business. The risk of litigation is a general risk of Xanadu's business and it may incur costs in making payments to settle claims or in complying with any court order (which may not be covered adequately, if at all, by insurance). Any material dispute or litigation could adversely affect the financial position and the financial performance of Xanadu.

(o) *Other risks*

Additional risks and uncertainties not currently known may also have an adverse effect on Xanadu and the value of its Shares. The information set out in this section 7.5 does not purport to be, nor should it be construed as representing, an exhaustive summary of the risks that may affect the performance of Xanadu's Shares.

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8. ADDITIONAL INFORMATION

8.1 Xanadu Options

At the time of executing the Bid Implementation Agreement, there were 92,184,000 Options on issue. On 19 May 2025, these Options were vested (to the extent they were not already vested) and exercised, and the resulting Shares (**Resulting Shares**) were issued and listed for quotation on ASX on 20 May 2025.

Under the Bid Implementation Agreement, Bastion must extend the Offer to the Resulting Shares.

8.2 Notice of Bastion's voting power

As at the Last Practicable Date, Bastion held a Relevant Interest in 286,829,633 Xanadu Shares held by the Bidder and Voting Power in Xanadu of 12.52%.[12]

Bastion is required to notify the ASX and Xanadu before 9.30am (Sydney time) on each trading day during the Offer Period where there is an increase in Bastion's Relevant Interest representing at least 1% in Xanadu's issued capital.

8.3 Register Date

Bastion has set the date for determining the Shareholders to whom information is to be sent under items 6 and 12 of subsection 633(1) as at 7:00pm (Sydney time) on 26 May 2025 (**Register Date**).

8.4 Bid Implementation Agreement

On 19 May 2025, Xanadu, Bastion, Boroo and GBL entered into the Bid Implementation Agreement in relation to the Bid. The Bid Implementation Agreement sets out the agreed terms on which Bastion has made the Offer, and the obligations of both Bastion and Xanadu in relation to the Offer. A summary of the key terms of the Bid Implementation Agreement is set out below.

(a) **Conditionality**

Once Bastion (together with its associates) has acquired a relevant interest in at least 50.1% of the Xanadu Shares, it must declare the Offer unconditional by no later than 2 Business Days after the date upon which it achieves such a relevant interest.

(b) **Withdrawal of Put Option resolutions**

In Xanadu's ASX announcement released on 19 May 2025, Xanadu (in accordance with its obligations under the Bid Implementation Agreement) stated its intention to withdraw the Put Option resolutions (or otherwise withdraw the relevant general meeting in its entirety) on and from the date on which the Concurrent Financing settled in accordance with the Subscription Agreement. Settlement of the Concurrent Financing occurred on 26 May 2025 (**Settlement Date**).

On the Settlement Date, in accordance with its obligations under the Bid Implementation Agreement, Xanadu withdrew the Put Option resolution from the agenda of the General Meeting.

From the Settlement Date until completion of the Offer, Xanadu must not exercise, or seek Shareholder approval to exercise, a Put Option or otherwise solicit, procure or promote the foregoing.

[12] Boroo, as the parent company of the Bidder, also had a Relevant Interest in the 286,829,633 Xanadu Shares held by the Bidder (being a controlled body corporate of Boroo pursuant to section 608(3) of the Corporations Act) and Voting Power in Xanadu of 14.45% pursuant to section 610(1) of the Corporations Act, (which includes an additional 44,228,329 Xanadu Shares in which Mr Ganbayar Lkhagvasuren has a Relevant Interest in, as an Associate of Boroo for the purposes of section 12 of the Corporations Act) as at the Last Practicable Date. See section 2.7 and section 2.8 of the Bidder's Statement for further details regarding the Bidder's Relevant Interest and Voting Power in Xanadu as at the Last Practicable Date.

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(c) **Restrictions on Xanadu's conduct of business**

From the date of the Bid Implementation Agreement until completion of the Offer, Xanadu must comply with the various restrictions set out in clause 4.2 of the Bid Implementation Agreement which include obligations to operate in the ordinary course consistent with the past 6 months and comply with applicable laws; keep Bastion, Boroo and GBL informed of business operations, enterprise agreement negotiations, and financial matters; share relevant correspondence from specified parties and regulators; preserve business value and key relationships; seek necessary third-party consents; obtain waivers for nominated material contracts; disclose any undisclosed material contracts; and take reasonable steps to remain Xanadu's listing on the ASX and TSX. These obligations are subject to specific carve outs for matters required under key transaction documents or which have otherwise been fairly disclosed prior to signing the Bid Implementation Agreement.

(d) **Recommendation and Acceptance**

The Takeover Board Committee must:

(1) unanimously recommend that Shareholders accept the Offers (**Recommendation**);

(2) not change or withdraw the Recommendation;

(3) announce their intention to accept, or procure the acceptance of, the Offers in respect of any Xanadu Shares that they hold or have control over disposal of (**Intention to Accept**);

(4) not make any public statement or any statement to brokers, analysts, journalists, Shareholders or professional or institutional investors to the effect, or take any other action that suggests, that the Bid is no longer so considered or recommended; and

(5) not change or withdraw their Intention to Accept,

in each case in the absence of a Superior Proposal (other than as received by a breach of the Bid Implementation Agreement) and subject to the Independent Expert concluding (and continuing to conclude) that the Offers are fair and reasonable to Non-Associated Xanadu Shareholders.

(e) **Change of Control contracts**

Xanadu must take all necessary steps to ensure that the counterparties of any relevant material contracts nominated by Bastion, Boroo and GBL in writing provide a written binding, irrevocable and unconditional waiver, consent or release of its rights under the relevant material contract.

(f) **Exclusivity obligations**

Xanadu has agreed to certain exclusivity arrangements during the Exclusivity Period. The Bid Implementation Agreement contains no shop, no talk and no due diligence restrictions on Xanadu during the Exclusivity Period (to the extent that complying with these restrictions does not involve a breach of the fiduciary duties of the Takeover Board Committee Directors).

The Bid Implementation Agreement also confers a matching right to Bastion, under which Xanadu must provide notice to Bastion of a Competing Proposal and allow Bastion the right to submit a counteroffer.

(g) **Representations and Warranties**

Each of Bastion, Boroo, GBL and Xanadu have provided certain representations and warranties under the Bid Implementation Agreement. Many of these representations and warranties are standard for a transaction of this nature. However, Xanadu has also made representations and warranties that are specific to the business and operations of the Xanadu Group.

(h) **Termination**

The Bid Implementation Agreement may be terminated:

(1) automatically upon completion of the transaction, or upon the expiry of the Offer Period;

(2) by any party if another party is in material breach or the No-Fault Condition becomes incapable of satisfaction;

(3) by Boroo and GBL if:

(A) any of the Conditions (other than the No-Fault Condition) becomes incapable of satisfaction; or

(B) any of the Takeover Board Committee Directors publicly adversely modifying or withdrawing their recommendation or publicly recommend, promote or otherwise endorse a Competing Proposal;

(4) by Xanadu if:

(A) Bastion or Boroo and GBL are in material breach of any of their obligations under the Subscription Agreement;

(B) the Takeover Board Committee publicly recommends, promotes or otherwise endorses a Superior Proposal (provided the break fee has been paid);

(C) the Independent Expert does not conclude that the Offers are fair and reasonable to Non-Associated Xanadu Shareholders resulting in the Takeover Board Committee Directors publicly adversely modifying or withdrawing their recommendation;

(D) the Independent Expert ceases to conclude that the Offers are fair and reasonable to Non-Associated Xanadu Shareholders resulting in the Takeover Board Committee Directors publicly adversely modifying or withdrawing their recommendation, provided that the break fee has been paid.

(i) **Break Fee**

A break fee of $1,759,221.75 is payable by either Xanadu or Bastion, to the other, in certain circumstances as set out below.

Target Break Fee

The break fee is payable by Xanadu to Bastion if:

(1) any Takeover Board Committee Director fails to recommend the Bid to Shareholders or adversely modifies or withdraws their recommendation (except where the Independent Expert does not conclude that the Offer is fair and reasonable to Non-Associated Xanadu Shareholders);

(2) a Competing Proposal is announced or publicly endorsed by any of the Takeover Board Committee Directors (excluding a statement that no action should be taken by Shareholders pending the assessment of a Competing Proposal);

(3) a Competing Proposal is announced or made prior to the end of the Offer Period and is completed at any time prior to the later of: (i) the date that is 6 months from the date of the Bid Implementation Agreement, and (ii) the end of the Offer Period, and a third party acquires control of Xanadu as a result;

(4) a general meeting of is convened by the Xanadu Board to consider and, if thought fit, approve any step that would, or would be likely to, result in a Condition not being

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satisfied, and any of the Takeover Board Committee Directors recommend that Shareholders vote in favour of same; or

(5) Boroo and GBL terminate the Bid Implementation Agreement for Xanadu's material breach.

Bidder Break Fee

The break fee is payable by Bastion to Xanadu if:

(6) Xanadu terminates the Bid Implementation Agreement for material breach of the Bid Implementation Agreement by either Bastion or Boroo and GBL;

(7) Bastion fails to acquire the minimum relevant interest of 50.1% in Xanadu.

A copy of the Bid Implementation Agreement was attached in full to Xanadu's ASX announcement dated 19 May 2025.

8.5 Matters with Zijin Mining Group Co. Ltd

On 7 April 2025, Xanadu announced that it had entered into exclusivity arrangements with its major shareholder, Zijin Mining Group Co. Ltd (**Zijin**). The exclusivity arrangements were agreed following receipt of a non-binding indicative offer presented to Xanadu by Zijin (**Zijin NBIO**). Following a period of exclusivity, Xanadu announced on 5 May 2025 that it had been unable to finalise the terms of a control transaction with Zijin in relation to the Zijin Proposal.

8.6 Bastion's activities prior to making the Offer

As described in section 2.8(b) of the Bidder's Statement, neither Bastion nor any of its Associates have provided (or agreed to provide) consideration for a Xanadu Share under a purchase or agreement to purchase during the four months before the date of the Bidder's Statement or in the period between the date of the Bidder's Statement and the date of the Offer, other than as part of the Concurrent Funding described in section 7.2 of the Bidder's Statement.

8.7 Notice of Bastion's voting power

As at the Last Practicable Date, Bastion has already acquired a Relevant Interest in 286,829,633 Xanadu Shares held by the Bidder and Voting Power in Xanadu of 12.52%.[13]

Bastion is required to notify the ASX and Xanadu before 9.30am (Sydney time) on each trading day during the Offer Period where there is an increase in Bastion's Relevant Interest representing at least 1% in Xanadu's issued capital.

8.8 Disclosing entity

Xanadu is a disclosing entity and as such is subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules. Xanadu is an "Eligible Interlisted Issuer" and, as such, is subject to certain limited reporting and disclosure obligations under the TSX Company Manual.

Copies of the documents filed with the ASX may be obtained from the ASX website at www.asx.com.au or Xanadu's website at https://www.xanadumines.com/asx-announcements/.

Copies of documents filed with SEDAR+ may be obtained under Xanadu's profile on SEDAR+ at www.sedarplus.ca.

[13] Boroo, as the parent company of the Bidder, also had a Relevant Interest in the 286,829,633 Xanadu Shares held by the Bidder (being a controlled body corporate of Boroo pursuant to section 608(3) of the Corporations Act) and Voting Power in Xanadu of 14.45% pursuant to section 610(1) of the Corporations Act, (which includes an additional 44,228,329 Xanadu Shares in which Mr Ganbayar Lkhagvasuren has a Relevant Interest in, as an Associate of Boroo for the purposes of section 12 of the Corporations Act) as at the Last Practicable Date. See section 2.7 and section 2.8 of the Bidder's Statement for further details regarding the Bidder's Relevant Interest and Voting Power in Xanadu as at the Last Practicable Date.

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Copies of the documents lodged with ASIC in relation to Xanadu may be obtained from, or inspected at, an ASIC office.

Shareholders may obtain a copy of:

- the 2024 Annual Report of Xanadu;
- Xanadu's constitution; and
- any document lodged by Xanadu with the ASX between the release of the 2024 Annual Report to the ASX and the date of this Target's Statement,

free of charge upon request by contacting the Shareholder Information Line on 1300 850 505 (for callers within Australia) or on +61 3 9415 4000 (for callers outside Australia) from Monday to Friday between 8.30am to 5.00pm (AEST), or via the ASX website at www.asx.com.au (ASX:XAM).

8.9 Canadian regulatory requirements – take up

The Bid will proceed in reliance on the "foreign private issuer exemption" under National Instrument 62-104 – *Take-Over Bids and Issuer Bid* and, as such, the taking up of any securities tendered into the Bid will not be subject to Canadian regulatory requirements.

8.10 Statement of Rights (Canada)

Securities legislation in the provinces and territories of Canada provides security holders of the offeree issuer with, in addition to any other rights they may have at law, one or more rights of rescission, price revision or to damages, if there is a misrepresentation in a circular or notice that is required to be delivered to those security holders. However, such rights must be exercised within prescribed time limits. Security holders should refer to the applicable provisions of the securities legislation of their province or territory for particulars of those rights or consult a lawyer.

8.11 Transaction costs associated with the Offer

Xanadu estimates that in the event the Offer completes, Xanadu will have incurred or committed costs of approximately A$7 million (excluding GST) in relation to the Offer.

One-off transaction costs associated with the Offer primarily relate to financial advisers, legal, accounting and other costs associated with the Offer.

Where fees were payable under a relevant contract in US dollars a foreign exchange rate USD/AUD of 0.65 has been assumed.

8.12 ASIC exemption

Mr Shaoyang Shen is the Deputy President for Corporate Development & Overseas Operations of Zijin, and a non-executive director of Xanadu. The interests of Mr Ganbayar Lkhagvasuren in Bastion are described throughout this Target's Statement.

Given these conflicting interests, Mr Lkhagvasuren and Mr Shen have not been involved in any discussion by the Xanadu Board (and have not been invited to attend any discussions of the Takeover Board Committee) in connection with making decisions in relation to, or the consideration of Xanadu's response to, the Offer and were not involved in preparing this Target's Statement.

On 26 May 2025 and upon application by Xanadu, ASIC exercised its powers under section 655A(1) of the Corporations Act to modify section 638(1A) of the Corporations Act such that this Target's Statement does not need to contain information to the extent that it is known to Mr Shaoyang Shen or Mr Ganbayar Lkhagvasuren.

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8.13 No other material information

This Target's Statement is required to include all information that Shareholders and their advisers would reasonably expect to receive to make an informed assessment whether to accept the Offer, but only to the extent that:

- it is reasonable for the Shareholders and their advisers to expect to receive that information in the Target's Statement; and
- the information is known to the Takeover Board Committee Directors.

The Takeover Board Committee Directors are of the opinion that the information that the Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept or reject the Offer is contained within:

- this Target's Statement;
- the Bidder's Statement (to the extent that the information contained in that document is not inconsistent with the Target's Statement); and
- the annual and other financial reports, releases, announcements and documents lodged by Xanadu with ASX and/or ASIC and/or any Canadian securities regulatory authority or filed on SEDAR+ (at www.sedarplus.ca) under Xanadu's profile.

In preparing this Target's Statement, the Takeover Board Committee Directors have assumed that the information contained in the Bidder's Statement is accurate. However, the Takeover Board Committee Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all of the statements contained within it.

In deciding what information should be contained in this Target's Statement, the Takeover Board Committee Directors have had regard to:

- the nature of the Shares;
- the matters that Shareholders may reasonably be expected to know;
- the fact that certain matters may reasonably be expected to be known to the professional advisers of Shareholders; and
- the time available to Xanadu to prepare the Target's Statement.

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9. CONSENTS

9.1 Takeover Board Committee Directors

The Takeover Board Committee Directors have given and have not, before the lodgement of this Target's Statement with ASIC, withdrawn their consent to be named in this Target's Statement in the form and context in which they are named.

9.2 Third Parties

HopgoodGanim Lawyers, has given and has not, before the lodgement of this Target's Statement with ASIC, withdrawn its written consent to be named in this Target's Statement as Australian legal adviser to Xanadu in respect of the Offer in the form and context in which it is named. HopgoodGanim Lawyers, does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based. To the maximum extent permitted by law, HopgoodGanim Lawyers, expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to its name.

Bennett Jones LLP, has given and has not, before the lodgement of this Target's Statement with ASIC, withdrawn its written consent to be named in this Target's Statement as Canadian legal adviser to Xanadu in respect of the Offer in the form and context in which it is named. Bennett Jones LLP, does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based. To the maximum extent permitted by law, Bennett Jones LLP, expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to its name.

Computershare has given and has not, before the lodgement of this Target's Statement with ASIC, withdrawn its written consent to be named in this Target's Statement as Share Registry to Xanadu in respect of the Offer in the form and context in which it is named. Computershare does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based. To the maximum extent permitted by law, Computershare expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to its name.

BDO has given and has not, before the lodgement of this Target's Statement with ASIC, withdrawn its written consent to be named in this Target's Statement as Independent Expert in respect of the Offer in the form and context in which it is named and for the inclusion of the Independent Expert's Report in the Target's Statement.

Jefferies (Australia) Pty Limited (**Jefferies**) has given and has not before the lodgement of this Target's Statement with ASIC, withdrawn its written consent to be named in this Target's Statement as financial adviser to Xanadu in respect of the Offer in the form and context in which it is named. Jefferies does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based. To the maximum extent permitted by law, Jefferies expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to its name.

9.3 Xanadu consent

The Takeover Board Committee Directors have consented to the dispatch of the Bidder's Statement to Xanadu Shareholders earlier than 14 days after the date it was given to Xanadu.

9.4 Publicly available information and ASIC modifications

This Target's Statement contains statements which are made in, or based upon, statements contained in the Bidder's Statement lodged with ASIC or given to ASX.

As permitted by *ASIC Corporations (Takeover Bids) Instrument 2023/683*, the parties making those statements are not required to consent to, and have not consented to, the inclusion of those statements in this Target's Statement. If you would like to receive a copy of any of those documents, or the relevant parts of the documents containing the statements (free of charge), during the Offer Period, please contact Xanadu's Shareholder Information Line on 1300 850 505 (for callers within

Australia) or on +61 3 9415 4000 (for callers outside Australia) from Monday to Friday between 8.30am to 5.00pm (AEST). Copies of the relevant documents, or parts therefore, will be provided within 2 Business Days of the request.

As permitted by *ASIC Corporations (Consents to Statements) Instrument 2016/72* (**ASIC Instrument 2016/72**), this Target's Statement may include or be accompanied by certain statements which:

(a) fairly represent what purports to be a statement by an official person; or

(b) are a correct and fair copy of, or extract from, what purports to be a public official document; or

(c) are correct and fair copies of, or extracts from, a statement which has already been published in a book, journal or comparable publication.

In addition, as permitted by ASIC Instrument 2016/72, this Target's Statement contains security price trading data sourced from Bloomberg without its consent.

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10. GLOSSARY AND INTERPRETATION

10.1 Glossary

In this Target's Statement unless the contrary intention appears the following words have the following meanings:

Acceptance Form means the form of acceptance and transfer accompanying the Offer or any replacement or substitute acceptance form provided by or on behalf of Bastion;

Announcement Date means 19 May 2025.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given to that term in the Corporations Act.

ASX means ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market operated by it.

ASX Listing Rules means the official listing rules of the ASX.

ASX Settlement Operating Rules means the operating rules of the ASX Settlement Pty Limited as amended and replaced from time to time.

ASX Settlement Participant means a participant under the ASX Settlement Operating Rules.

Bid has the meaning set out in the Bid Implementation Agreement.

Bid Implementation Agreement means the agreement between Xanadu, Bastion, Boroo and GBL dated 19 May 2025 which sets out the terms and conditions of the Bid.

Bid Securities has the meaning set out in the Bid Implementation Agreement.

Bidder or **Bastion** means Bastion Mining Pte Ltd (UEN 202512367N).

Bidder Group or **Bastion Group** means Bastion and each of its Related Bodies Corporate.

Bidder's Statement means the Bidder's Statement dated 27 May 2025 given by Bastion to Xanadu on 27 May 2025 in accordance with the provisions of part 6.5 of the Corporations Act;

Board or **Xanadu Board** means the board of Xanadu Directors from time to time.

Boroo means Boroo Pte Ltd (UEN 201827959R).

Broker means a person who is a share broker and a participant in CHESS.

Business Day means any day that is each of the following:

(a) a Business Day within the meaning given in the ASX Listing Rules; and

(b) a day that banks are open for business in Singapore, Ulaanbaatar, Mongolia and Sydney, Australia.

CGT means Australian Capital Gains Tax.

Change of Control occurs on the later of:

(a) Bastion acquiring a Relevant Interest in at least 50.1% of all Shares on a fully diluted basis; and

(b) the Offers becoming or being declared unconditional.

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CHESS means the Clearing House Electronic Sub-registry System operated by the ASX which provides for the electronic transfer, settlement and registration of securities.

CHESS Holding means a holding of Shares on the CHESS Sub-register of Xanadu.

CHESS Sub-register has the meaning given in the ASX Settlement Operating Rules;

Closing Date means 7.00pm (Sydney time) on 1 July 2025 (or such later date if the Offer is extended or withdrawn).

Competing Proposal has the meaning set out in the Bid Implementation Agreement.

Computershare means Computershare Investor Services Pty Limited.

Concurrent Financing means the private placement of Xanadu Shares in accordance with the Subscription Agreement.

Conditions means the conditions of the Offer set out in section 8.6 of the Bidder's Statement.

Controlling Participant means the Broker or ASX Settlement Participant who is designated as the controlling participant for shares in a CHESS Holding in accordance with the ASX Settlement Operating Rules.

Corporations Act means the *Corporations Act 2001* (Cth).

Exclusivity Period has the meaning set out in the Bid Implementation Agreement.

GBL means Mr Ganbayar Lkhagvasuren.

Independent Expert or **BDO** means BDO Corporate Finance Ltd ABN 54 010 185 725 in its capacity as the author of the Independent Expert's Report.

Independent Expert's Report or **IER** means the independent expert's report attached to this Target's Statement as Attachment 1.

Issuer Sponsored Holding means a holding of Xanadu Shares on the Issuer Sponsored Sub-register of Xanadu.

Issuer Sponsored Sub-register has the meaning given in the ASX Settlement Operating Rules.

Jinping means Jinping (Singapore) Mining Pte Ltd.

JVCo means Khuiten Metals Pte Ltd.

JVCo SHA means means the Joint Venture Shareholders' Agreement dated 21 December 2022 between Xanadu, Jinping and JVCo establishing an incorporated joint venture in connection with the Kharmagtai Project.

Kharmagtai Project or **Project** means the Kharmagtai copper-gold project located in Omnogovi Province, approximately 420km southeast of Ulaanbaatar, Mongolia.

Last Practicable Date means 26 May 2025.

Letter of Transmittal has the meaning set out in section 9.1 of the Bidder's Statement.

Non-Associated Xanadu Shareholders means Xanadu Shareholders, excluding the Bidder and its Associates.

No-Fault Condition has the meaning set out in the Bid Implementation Agreement, which is summarised in section 2.4(e) of this Target's Statement.

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Offer or **Offers** means the offers to acquire the Bid Securities to be made by Bastion to Xanadu Shareholders under the Bid.

Offer Consideration means the consideration offered pursuant to the Offer.

Offer Period means the period during which the Offer is open for acceptance as described in section 8.2 of the Bidder's Statement.

Offer Terms means the formal terms and conditions of the Offer set out in section 8 of the Bidder's Statement.

Options means the 92,184,000 options to subscribe for Xanadu Shares described in section 4.7 of this Target's Statement.

Put Options has the meaning set out in the Bid Implementation Agreement.

Red Mountain means the Red Mountain Copper-Gold Project.

Register Date means 7:00pm (Sydney time) on 26 May 2025, being the date set by Bastion under section 633(2) of the Corporations Act.

Related Body Corporate has the meaning given in the Corporations Act.

Relevant Interest has the meaning given in sections 608 and 609 of the Corporations Act.

Sant Tolgoi means the Sant Tolgoi Copper-Nickel Project.

Shareholder or **Xanadu Shareholder** means a holder of Xanadu Shares.

Shares or **Xanadu Shares** means issued fully paid ordinary shares in the capital of Xanadu.

Subscription Agreement means the subscription agreement between Xanadu and Bastion in relation to the issue of Xanadu Shares pursuant to the Concurrent Financing dated on or about the date of the Bid Implementation Agreement.

Superior Proposal has the meaning set out in the Bid Implementation Agreement.

Takeover Board Committee means the independent board committee established by Xanadu and comprised of all the Takeover Board Committee Directors.

Takeover Board Committee Directors means each Xanadu Director other than Mr Ganbayar Lkhagvasuren and Mr Shaoyang Shen.

Takeovers Panel means the Takeovers Panel constituted under the Corporations Act.

Target or **Xanadu** or **Company** means Xanadu Mines Limited (ACN 114 249 026).

Target Director or **Xanadu Director** means a director of Xanadu.

Target Group or **Xanadu Group** means Xanadu and each of its Related Bodies Corporate.

Target Material Adverse Change has the meaning set out in the Bid Implementation Agreement.

Target Prescribed Occurrence has the meaning set out in the Bid Implementation Agreement.

Target Warranties has the meaning set out in the Bid Implementation Agreement.

Target's Statement means this document.

Trading Days has the meaning given in the ASX Listing Rules.

Voting Power has the meaning given in section 610 of the Corporations Act.

VWAP means Volume Weighted Average Price.

Zijin means Zijin Mining Group Co Ltd.

10.2 Interpretation

In this Target's Statement, unless the contrary intention appears:

(a) the singular includes the plural and vice versa;

(b) the masculine gender includes the feminine and (where a corporation is or may be concerned) the neuter;

(c) words and expressions defined in the Corporations Act have the same meanings;

(d) headings are for ease of reference only and do not affect the meaning or interpretation;

(e) all currency and dollar amounts are denominated in Australian dollars unless noted otherwise;

(f) a reference to legislation or to a provision of legislation includes any modification or re-enactment of it, any legislative provision substituted for it and any regulations and statutory instruments issued under it;

(g) if a word or phrase is defined, its other grammatical forms have a corresponding meaning; and

(h) a reference to time is a reference to Sydney, Australia time.

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11. AUTHORISATION:

This Target's Statement has been approved by a resolution passed by the Takeover Board Committee on behalf of the Xanadu Board.

Signed for and on behalf of Xanadu Mines Limited (ACN 114 249 026)

Dated 27 May 2025



Colin Moorhead

Executive Chairman and Managing Director

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ATTACHMENT 1 - INDEPENDENT EXPERT'S REPORT

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Xanadu Mines Limited

Independent Expert's Report

27 May 2025

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FINANCIAL SERVICES GUIDE

Dated: 27 May 2025

The Financial Services Guide ('FSG') is provided to comply with the legal requirements imposed by the Corporations Act 2001 and includes important information regarding the general financial product advice contained in this report ('this Report'). The FSG also includes general information about BDO Corporate Finance Ltd ABN 54 010 185 725, Australian Financial Services Licence No. 245513 ('BDOCF' or 'we', 'us' or 'our'), including the financial services we are authorised to provide, our remuneration and our dispute resolution.

BDOCF holds an Australian Financial Services Licence to provide the following services:

a) Financial product advice in relation to deposit and payment products (limited to basic deposit products and deposit products other than basic deposit products), securities, and interests in managed investment schemes excluding investor directed portfolio services;

b) Arranging to deal in financial products in relation to securities; and

c) Applying for, acquiring, varying or disposing of a financial product in relation to interests in managed investment schemes excluding investor directed portfolio services, and securities.

General Financial Product Advice

This Report sets out what is described as general financial product advice. This Report does not consider personal objectives, individual financial position or needs and therefore does not represent personal financial product advice. Consequently, any person using this Report must consider their own objectives, financial situation and needs. They may wish to obtain professional advice to assist in this assessment.

The Assignment

BDOCF has been engaged to provide general financial product advice in the form of a report in relation to a financial product. Specifically, BDOCF has been engaged by the non-conflicted directors ('the Takeover Board Committee') of Xanadu Mines Limited ('Xanadu' or 'the Company') to provide an independent expert's report to Xanadu shareholders ('the Non-Associated Shareholders') in relation to the off-market takeover bid made by Bastion Pte Ltd ('Bastion') for all the ordinary shares in Xanadu that it does not already own ('the Offer').

Further details of the Offer are set out in Section 4. The scope of this Report is set out in detail in Section 3.3. This Report provides an opinion on whether or not the Offer is 'fair and reasonable' to the Non-Associated Shareholders of Xanadu and has been prepared to provide information to the Non-Associated Shareholders to assist them to make an informed decision on whether to accept or reject the Offer. Other important information relating to this Report is set out in more detail in Section 3.

This Report cannot be relied upon for any purpose other than the purpose mentioned above and cannot be relied upon by any person or entity other than those mentioned above, unless we have provided our express consent in writing to do so. A shareholder's decision to accept or reject the Offer is likely to be influenced by their particular circumstances, for example, their taxation considerations and risk profile. Each shareholder should obtain their own professional advice in relation to their own circumstances.

Fees, Commissions and Other Benefits we may Receive

We charge a fee for providing reports. The fees are negotiated with the party who engages us to provide a report. We estimate the fee for the preparation of this Report will be approximately $30,000.00 plus GST and note, for completeness, that the fee charged for the independent expert's report dated 11 March 2025 was approximately $147,500 plus GST. Fees are usually charged as a fixed amount or on an hourly basis depending on the terms of the agreement with the engaging party. Our fees for this Report are not contingent on the outcome of the Offer.

Except for the fees referred to above, neither BDOCF, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of this Report.

Directors of BDOCF may receive a share in the profits of BDO Group Holdings Limited, a parent entity of BDOCF. All directors and employees of BDO Group Holdings Limited and its subsidiaries (including BDOCF) are entitled to receive a salary. Where a director of BDOCF is a shareholder of BDO Group Holdings Limited, the person is entitled to share in the profits of BDO Group Holdings Limited.

Associations and relationships

From time to time BDOCF or its related entities may provide professional services to issuers of financial products in the ordinary course of its business. These services may include audit, tax and business advisory services. In the last two years, BDOCF has completed an independent expert's report for Xanadu (dated 11 March 2025). We also note that related entities have provided professional services including BDO Corporate Finance (WA) Pty Ltd providing option valuations services to Xanadu.

The signatories to this Report do not hold any shares in Xanadu and no such shares have ever been held by the signatories.

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To prepare our reports, including this Report, we may use researched information provided by research facilities to which we subscribe or which are publicly available. Reference has been made to the sources of information in this Report, where applicable. Research fees are not included in the fee details provided in this Report.

Complaints Resolution

Internal Complaints Resolution Process

We are committed to meeting your needs and maintaining a high level of client satisfaction. If you are unsatisfied with a service we have provided you, we have avenues available to you for the investigation and resolution of any complaint you may have.

To make a formal complaint, please use the Complaints Form. For more on this, including the Complaints Form and contact details, see the BDO Complaints Policy available on our website.

Referral to External Dispute Resolution Scheme

BDOCF is a member of Australian Financial Complaints Authority ('AFCA') (Member Number 10236).

Where you are unsatisfied with the resolution reached through our Internal Dispute Resolution process, you may escalate this complaint to the AFCA using the contact details set out below.

Australian Financial Complaints Authority Limited
Mail: GPO Box 3, Melbourne VIC 3001
Online Address: http://www.afca.org.au
Email: info@afca.org
Phone: 1800 931 678
Fax: (03) 9613 6399
Interpreter Service: 131 450

Compensation Arrangements

BDOCF and its related entities hold Professional Indemnity insurance for the purpose of compensating retail clients for loss or damage suffered because of breaches of relevant obligations by BDOCF or its representatives under Chapter 7 of the Corporations Act 2001. These arrangements and the level of cover held by BDOCF satisfy the requirements of section 912B of the Corporations Act 2001.

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PART I: ASSESSMENT OF THE OFFER

The Non-Associated Shareholders
C/- The Takeover Board Committee
Xanadu Mines Limited
Level 12, 680 George Street
Sydney, New South Wales, Australia, 2000

27 May 2025

Dear Non-Associated Shareholders,

1.0 Introduction

BDO Corporate Finance Ltd ('BDOCF', 'we', 'us' or 'our') has been engaged to provide an independent expert's report ('this Report') to the non-associated shareholders ('the Non-Associated Shareholders') of Xanadu Mines Limited ('Xanadu' or 'the Company') in relation to the off-market takeover bid made by Bastion Mining Pte Ltd ('Bastion') for all the ordinary shares in Xanadu that it does not already own ('the Offer').

The consideration to be received under the Offer is cash consideration of $0.08 per Xanadu share held ('the Offer Consideration').

A more detailed description of the Offer is set out in Section 4.

In this Report, BDOCF has expressed an opinion as to whether or not the Offer is 'fair and reasonable' to the Non-Associated Shareholders.

This Report has been prepared solely for use by the Non-Associated Shareholders to provide them with information relating to the Offer. The scope and purpose of this Report are detailed in Sections 3.3 and 3.4 respectively.

This Report, including Part I, Part II and the appendices, should be read in full along with all other documentation provided to the Non-Associated Shareholders including the Bidder's Statement dated 27 May 2025 prepared by Bastion ('the Bidder's Statement') and the Target's Statement dated on or around 27 May 2025 prepared by Xanadu ('the Target's Statement').

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2.0 Assessment of the Offer

This section is set out as follows:

- Section 2.1 sets out the methodology for our assessment of the Offer;
- Section 2.2 sets out our assessment of the fairness of the Offer;
- Section 2.3 sets out our assessment of the reasonableness of the Offer; and
- Section 2.4 provides our assessment of whether the Offer is fair and reasonable to the Non-Associated Shareholders.

2.1 Basis of evaluation

The Australian Securities and Investments Commission ('ASIC') have issued Regulatory Guide 111: Content of Expert Reports ('RG 111'), which provides guidance in relation to independent expert's reports. RG 111 relates to the provision of independent expert's reports in a range of circumstances, including those where the expert is required to provide an opinion in relation to a takeover transaction. RG 111 states that the independent expert's report should explain the particulars of how the transaction was examined and evaluated as well as the results of the examination and evaluation.

The Offer involves Bastion, which represents a consortium of Boroo Pte Ltd ('Boroo') and Xanadu Director Ganbayar Lkhagvasuren ('GBL'), potentially acquiring up to 100% of the issued share capital in Xanadu which represents a controlling interest. RG 111 specifically differentiates between control and non-control transactions in providing guidance on the type of analysis to complete. RG 111 suggests that where the transaction is a control transaction the expert should focus on the substance of the control transaction rather than the legal mechanism to affect it. In our opinion the Offer is a control transaction as defined by RG 111 and we have assessed the Offer by considering whether, in our opinion, it is fair and reasonable to the Non-Associated Shareholders.

Under RG 111, an offer will be considered 'fair' if the value of the consideration to be received by the shareholders is equal to or greater than the value of the shares that are the subject of the offer. To assess whether an offer is 'reasonable', an expert should examine other significant factors to which shareholders may give consideration prior to accepting or approving the offer. This includes comparing the likely advantages and disadvantages if the offer is accepted with the position of the shareholders if they do not accept the offer.

RG 111 states that an offer is reasonable if it is fair. It might also be reasonable if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to accept an offer in the absence of a higher bid. Our assessment concludes by providing our opinion as to whether or not the Offer is 'fair and reasonable'. While all relevant issues need to be considered before drawing an overall conclusion, we will assess the fairness and reasonableness issues separately for clarity.

We have assessed the fairness and reasonableness of the Offer in Sections 2.2 and 2.3 below and provide an opinion on whether the Offer is 'fair and reasonable' to the Non-Associated Shareholders in Section 2.4 below.

2.2 Assessment of fairness

2.2.1 Basis of assessment

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities subject to the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. When considering the value of the securities subject to an offer in a control transaction the expert should consider this value inclusive of a control premium and assume a 100% ownership interest. The expert should not consider the percentage holding of the 'bidder' or its associates in the target when making this comparison.

In our view, it is appropriate to assess the fairness of the Offer to the Non-Associated Shareholders as follows:

a) Determine the value of a Xanadu share on a controlling interest basis prior to the Offer, assuming 100% ownership and not considering the pre-existing percentage holding of Bastion or its associates; and

b) Compare the value determined in a) above with the Offer Consideration.

In accordance with the requirements of RG 111, the Offer can be considered 'fair' to the Non-Associated Shareholders if the consideration offered per ordinary share is equal to or greater than the value determined in a) above.

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2.2.2 Value of a Xanadu Share prior to the Offer on a controlling interest basis

In our view, for the purposes of the analysis set out in this Report, it is appropriate to adopt a value in the range of $0.056 to $0.104 per Xanadu share on a controlling interest basis.

In forming this view, we considered a summation valuation methodology. This methodology is commonly used for entities where value is primarily derived from individual assets. Under this approach, we have separately valued each of Xanadu's assets, including its exploration asset holdings, on a market value basis, then aggregated the amounts to determine the total entity value. From this, liabilities and other relevant adjustments are deducted to derive an equity value. Our summation method is set out in Sections 8.2 to 8.8 of this Report.

We have cross-checked our valuation range against Xanadu share transactions (refer Section 8.9) and our conclusion on the value of a Xanadu ordinary share on a controlling interest basis is set out in Section 8.9.3.

The Non-Associated Shareholders should note that our valuation range of Xanadu is on the basis of a knowledgeable and willing, but not anxious, seller that is able to consider alternative options to the Offer.

2.2.3 Value of the Offer Consideration

The Non-Associated Shareholders of Xanadu have been offered a cash payment of $0.08 per share for each share they hold in Xanadu (i.e. the Offer Consideration).

For the purposes of this Report, we have adopted the face value of $0.08 as the value for the Offer Consideration.

2.2.4 Assessment of the fairness of the Offer

In order to assess the fairness of the Offer, it is appropriate to compare the value of a Xanadu share on a controlling interest basis with the Offer Consideration. Pursuant to RG 111, the Offer is considered to be fair if the value of the Offer Consideration is equal to or greater than the value of the securities subject to the Offer (i.e. the value per Xanadu share).

Table 2.1 below summarises our assessment of the fairness of the Offer.

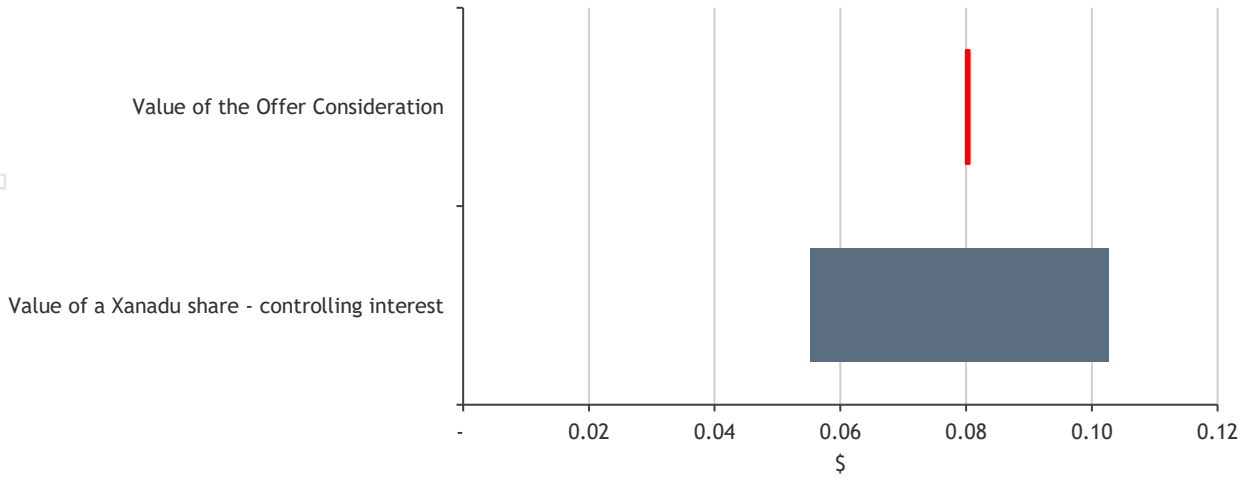
Table 2.1: Assessment of the fairness of the Offer

	Low	High
Value of a Xanadu share – controlling interest	$0.056	$0.104
Value of the Offer Consideration	$0.08	$0.08

Source: BDOCF analysis

Figure 2.1 summarises our assessment of the fairness of the Offer, setting out a graphical comparison of our valuation of a Xanadu share prior to the Offer on a controlling interest basis and the Offer Consideration.

Figure 2.1: Fairness of the Offer



Source: BDOCF analysis

With reference to Table 2.1 and Figure 2.1, we note that the Offer Consideration of $0.08 per Xanadu share is in the range of the value of a Xanadu share prior to the Offer on a controlling interest basis.

After considering the information summarised above and set out in detail in the balance of this Report, it is our view that, in the absence of any other information or a superior proposal, the Offer is **Fair** to the Non-Associated Shareholders as at the date of this Report.

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2.3 Assessment of reasonableness

2.3.1 Basis of assessment

Under RG 111, a transaction is considered reasonable if it is fair. It may also be reasonable, despite not being fair, if after considering other significant factors the interests of the shareholders are reasonably balanced.

In addition to our fairness assessment set out in Section 2.2 above, to assess whether the Offer is 'reasonable' we consider it appropriate to examine other significant factors to which the Non-Associated Shareholders may give consideration prior to forming a view on whether to accept or reject the Offer. This includes comparing the likely advantages and disadvantages of accepting the Offer with the position of a Non-Associated Shareholder if the Offer is not accepted, as well as a consideration of other significant factors.

Our assessment of the reasonableness of the Offer is set out as follows:

- Section 2.3.2 sets out the advantages of the Offer to the Non-Associated Shareholders;
- Section 2.3.3 sets out the disadvantages of the Offer to the Non-Associated Shareholders;
- Section 2.3.4 sets out a discussion of other considerations relevant to the Offer;
- Section 2.3.5 sets out the position of the Non-Associated Shareholders if the Offer is not accepted; and
- Section 2.3.6 provides our opinion on the reasonableness of the Offer to the Non-Associated Shareholders.

2.3.2 Advantages of the Offer

Table 2.2 below outlines the potential advantages to the Non-Associated Shareholders of accepting the Offer.

Table 2.2: Potential advantages of the Offer

Advantage	Explanation
The Offer is Fair	For the reasons summarised in Section 2.2.4 above, the Offer is Fair to the Non-Associated Shareholders as at the date of this Report. In accordance with RG111, a transaction is considered reasonable if it is fair. Refer to Section 2.2 of this Report for our assessment of fairness of the Offer.
The current transaction price is known	If the Offer is implemented, the Non-Associated Shareholders have certainty that they will receive cash consideration of $0.08 for each Xanadu share held (i.e. 'the Offer Consideration'). These Non-Associated Shareholders will no longer be exposed to the ongoing risks associated with holding shares in Xanadu. While the value of the Cash Consideration under the Offer is certain, we note that it may be possible, assuming sufficient liquidity, for the Non-Associated Shareholders to sell their shares on the ASX for a price that is above, or broadly in line with, the Offer Consideration.
The Offer Consideration is at a premium to the price that Xanadu shares have traded on the ASX prior to the Announcement Date	The Bid Implementation Agreement ('BIA') was announced on 19 May 2025 ('the Announcement Date'). As outlined in Table 5.6, ASX trading of Xanadu shares between 1 January 2025 and the Announcement Date were at daily VWAPS in the range of $0.0453 to $0.0621. The Offer Consideration of $0.08 per share is at a premium to the price that Xanadu shares traded on the ASX prior to the Announcement Date.
No brokerage or stamp duty	No brokerage or stamp duty will be payable by the Non-Associated Shareholders on the transfer of their Xanadu shares under the Offer.
A superior proposal has not emerged	On 7 April 2025, Xanadu announced that it had entered into exclusivity arrangements with its joint venture partner, Zijin Mining Group Co. Ltd ('Zijin'). The exclusivity arrangements were agreed following receipt of a non-binding indicative offer presented to Xanadu by Zijin ('Zijin NBIO'). Following a period of exclusivity, Xanadu and Zijin were unable to progress the Zijin NBIO to a binding transaction with exclusivity concluding on 5 May 2025. As at the date of this Report, no competing proposal has been received that is capable of acceptance or considered superior to the Offer. The Takeover Board Committee also notes that Bastion currently holds approximately 14.45% of Xanadu's shares (including shares issued under the concurrent financing). Under the Corporations Act 2001 (Cth) ('the Corporations Act'), if a bidder acquires a relevant interest in at least 90% of the shares in a company, in certain circumstances, it is entitled to compulsorily acquire the remaining shares not already held. Bastion's relevant interest of 14.45% will enable it to block any other acquirer obtaining 100% of Xanadu (without Bastion support) and also may assist to block a scheme of arrangement if other shareholders also vote against (a scheme of arrangement requires 75% of shareholders to vote in favour). This may deter potential counterbidders. The Takeover Board Committee will continue to monitor for any competing proposals and, should one emerge, will follow the matching rights process outlined in the BIA and keep shareholders informed of any material developments.

Source: BDOCF analysis

2.3.3 Disadvantages of the Offer

Table 2.3 below outlines the potential disadvantages to the Non-Associated Shareholders of accepting the Offer.

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Table 2.3: Potential disadvantages of the Offer

Disadvantage	Explanation
No exposure to any future offers	If the Offer is accepted in full and becomes unconditional, the Non-Associated Shareholders will no longer be able to benefit from any future superior offer. The Non-Associated Shareholders should consider the likelihood of a superior offer emerging before accepting the Offer.
The Offer is subject to conditions	The Offer is subject to a number of conditions including a minimum acceptance condition of 50.1%, non-exercise of any put options, no material adverse change, no prescribed occurrences or restraints and no Xanadu warranties under the BIA become incorrect or untrue by the end of the period of the Offer ('the Offer Period'). These conditions are defined in Section 8.6 of the Bidder's Statement. As a result, there is a risk that the Offer is accepted but does not complete. Prior to accepting the Offer, Non-Associated Shareholders should consider their ability to withdraw their acceptance.
No exposure to any potential future value of Xanadu	If the Offer is accepted and becomes unconditional, the Non-Associated Shareholders will receive the $0.08 cash consideration, and no longer hold any shares in the Company for which the Offer Consideration was received. Accordingly, the Non-Associated Shareholders will have no exposure to any potential upside in the value of the Company going forward, for shares sold under the Offer.

Source: BDOCF analysis

2.3.4 Other considerations

Minimum Acceptance Condition

The Offer has a minimum acceptance condition under which Bastion must obtain a relevant interest in Xanadu of at least 50.1% (by number) of all Xanadu shares. If Bastion acquires at least 50.1%, there are implications for remaining Xanadu shareholders ('the Shareholders') and the Non-Associated Shareholders should understand Bastion's intentions.

Bastion's intentions for Xanadu are set out in full in the Bidder's Statement and summarised in Section 4.3 of this Report.

Uncertainty in Relation to the Timing of Receipt of the Offer Consideration

As set out in the Bidder's Statement, once the Offer becomes unconditional, Shareholders that accept the Offer will receive the Offer Consideration by the earlier of:

- 10 business days after the date that the Offer becomes unconditional; and
- 10 business days after the date that the Offer is accepted,

but in any case, not later than 21 calendar days after the end of the Offer Period.

Shareholders that accept the Offer should be aware that once all conditions have been fulfilled they will not be able to revoke or withdraw their acceptance of the Offer or otherwise dispose of their Xanadu shares (for which they have accepted the Offer) unless a withdrawal right exists or arises under the Corporations Act. As set out in the Bidder's Statement, these circumstances include circumstances where:

- If, by the end of the Offer Period, a condition, as set out in Section 8.6 of the Bidder's Statement, is not fulfilled or waived, in which case the Offer will automatically terminate and the accepted shares will be released to the Shareholders; or
- If the Offer Period is extended for more than one month and, at the time, the Offer is subject to one or more conditions, in which case Shareholders may be able to withdraw their acceptance in accordance with the Corporations Act.

In practical terms, the above matters mean that in forming a view on whether to accept or reject the Offer, Non-Associated Shareholders should also take into account the period of time before they may receive the Offer Consideration and the restrictions on transacting in Xanadu shares following acceptance but prior to the Offer Consideration being received.

In our view, the uncertainty in the timing of receipt of the Offer Consideration increases the risk of the Offer to Shareholders. We understand that the Offer Period will open on 27 May 2025, being the date of the Bidder's Statement, and close at 7:00pm (Sydney time) on 1 July 2025, unless extended by Bastion or otherwise pursuant to the Corporations Act.

Tax considerations

If the Offer is accepted, the Non-Associated Shareholders will be treated as having disposed of their shares for tax purposes. A gain or loss on disposal may arise depending on the cost base of each individual's shares, the length of time held, whether the shares are held on capital or revenue account and whether or not the individual is an Australian or Canadian resident for tax purposes.

Details of the taxation consequence are set out in Section 5 (Australian Tax Considerations) and 6 (Canadian Tax Considerations) of the Bidder's Statement. As we have not considered the specific taxation implications that may be relevant for individual Shareholders in connection with the Offer, Non-Associated Shareholders should consult their own advisor in relation to the taxation consequences of the Offer.

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Disposal of Shares on Market

Between the announcement of the Offer and 21 May 2025, Xanadu shares have traded in the range of $0.075 to $0.082. The higher ends of these trades are at values that exceed the Offer Consideration of $0.08.

There may be Non-Associated Shareholders that will benefit from selling their shares on the market relative to a sale of shares via the Offer. Individual Non-Associated Shareholders that elect to sell their shares on the market should note the following:

- Transaction costs are likely to be incurred; and
- The opportunity to benefit from any higher price offered will be foregone.

2.3.5 Position of the Non-Associated Shareholders if the Offer is not accepted

Table 2.4 below outlines the potential position of Xanadu Non-Associated Shareholders if the Offer is not accepted.

Table 2.4: Position of Non-Associated Shareholders if the Offer is not accepted

Position of Non-Associated Shareholders	Explanation
Continued shareholding in Xanadu	If the Offer is not accepted or the Offer does not become unconditional, the Non-Associated Shareholders will continue to hold shares in Xanadu. The Non-Associated Shareholders will continue to be exposed to the risks and opportunities associated with ownership of Xanadu shares and, in particular, advancing the Kharmagtai Project.
Share trading prices may be materially different to recent share trading prices and the shares in Xanadu may trade at prices that are lower than the value of the Offer Consideration	If Non-Associated Shareholders do not accept the Offer, and once the Offer lapses, the price of Xanadu shares may decrease relative to trading prices prior to the Announcement Date and the decrease may be material. As outlined in Table 5.6 below, ASX trading of Xanadu shares between 1 January 2025 and the Announcement Date were at daily VWAPs in the range of $0.0453 to $0.0621. The shares in Xanadu have been valued in the Report on a controlling interest basis to assess the Offer. If the Offer is not accepted and no superior offer emerges, the trading price of shares in Xanadu may reflect the value of Xanadu on a minority interest basis. It is possible that shares in Xanadu will trade at a price that is materially lower than the $0.08 value of the Offer Consideration if the Offer is not accepted and no superior offer emerges.
Change in liquidity	If Bastion acquires a significant parcel of Xanadu shares, then the 'free float' of shares available to trade on the ASX may be reduced. This may have the effect of reducing the liquidity of Xanadu shares on the ASX and make it more difficult for a Xanadu shareholder to efficiently exit their investment. If Bastion does not achieve compulsory acquisition at the end of the Offer Period and acquires more than 75% of the Xanadu shares, Bastion will actively encourage Xanadu to apply for removal from both the official list of the ASX and TSX. Should a delisting occur, Non-Associated Shareholder's in Xanadu as an unlisted company may experience greater difficulty in selling their shares at market price levels or at all.
Funding and dilution risk	Xanadu does not currently hold sufficient cash reserves to fund its share of the future Kharmagtai Project development costs. As the Kharmagtai Project advances towards feasibility, construction and commercialisation, significant capital will be required. Specifically, the total capital expenditure ('CAPEX') requirements to bring the Kharmagtai Project to production, is expected to be approximately US$890 million, excluding any sustaining CAPEX requirements or any up-front net working capital requirements. Under the assumption that 100% of this US$890 million will be funded by the Khuiten Metals Pte Ltd joint venture ('Khuiten JV'), of which Xanadu owns 50%, Xanadu's proportional share of this CAPEX is approximately US$445 million which is significantly greater than Xanadu's current market capitalisation of approximately A$102.2 million (assuming the closing share price of $0.051 from 16 May 2025 and approximately two billion shares on issue). To raise this quantum of capital, we consider it likely that Xanadu would be required to complete a material capital raising(s). In our experience, capital raising(s) required to provide significant levels of funding are often completed at material discounts to the prevailing share price. In circumstances that Xanadu is required to complete a significant capital raising at a discount to the prevailing share price, any shareholder not participating will have their interest in the Company diluted. Large capital raisings introduce dilution risk because the post-raising valuation tends to converge towards the price at which the new shares were issued. If the capital raising is completed at a discount to a discounted cash flow ('DCF') derived valuation per share, the overall value of the company on a per-share basis will be lower than if the valuation were based solely on the DCF approach.
Bastion may be able to pass ordinary and special resolutions	If Bastion obtains a relevant interest in at least 50% of Xanadu shares, then it will be able to control any ordinary resolution at a general meeting of the Company and block any special resolutions (other than a resolution where they are not independent of the resolution). If Bastion obtains a relevant interest in at least 75% of Xanadu shares, then it will be able to control any special resolution at a general meeting of the Company.
Compulsory acquisition	If Bastion obtains a relevant interest in at least 90% of Xanadu shares then it will be entitled, in certain circumstances, to acquire the remaining Xanadu shares not already held. For completeness we note that Bastion have indicated in Section 3.4 of the Bidder's Statement that it intends to proceed with a compulsory acquisition in this circumstance.

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Position of Non-Associated Shareholders	Explanation
Prospect of a superior offer or alternative transaction	If the Offer is not accepted, there is a risk that Non-Associated Shareholders may not have another opportunity to realise value at a similar or higher level in the foreseeable future. While Xanadu has previously explored a potential control transaction with Zijin under the Zijin NBIO, this did not progress to a binding transaction, and no competing proposal to the Offer has emerged as at the date of this Report. The existing shareholding of Bastion may also reduce the likelihood of a competing proposal. There can be no assurance that a superior proposal or alternative transaction will emerge, or that such a proposal would be made on terms more favourable than the Offer.
Non-recoverable costs	Xanadu will incur, or has incurred, costs in relation to the Offer irrespective of whether the Offer is accepted. Xanadu will not be able to recover costs that it has incurred in relation to the Offer in the event that the Offer is not accepted or does not proceed.

Source: BDOCF analysis

2.3.6 Assessment of the reasonableness of the Offer

In our opinion, after considering all of the issues set out in this Report, it is our view that, in the absence of any other information or a superior proposal, the Offer is **Reasonable** to the Non-Associated Shareholders as at the date of this Report.

2.4 Opinion

After considering the above assessments, it is our view that, in the absence of any other information or a superior proposal, the Offer is **Fair and Reasonable** to the Non-Associated Shareholders as at the date of this Report.

Before forming a view on whether to accept or reject the Offer, Non-Associated Shareholders must:

- Have regard to the information set out in the balance of this Report, including the Important Information set out in Section 3;
- Consult their own professional advisers; and
- Consider their specific circumstances.

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3.0 Important information

3.1 Read this Report, and other documentation, in full

This Report, including Part I, Part II and the appendices, should be read in full to obtain a comprehensive understanding of the purpose, scope, basis of evaluation, limitations, information relied upon, analysis, and assumptions underpinning our work and our findings.

Other information provided to the Non-Associated Shareholders in conjunction with this Report should also be read in full, including the Bidder's Statement and Target's Statement.

3.2 Non-Associated Shareholders' individual circumstances

Our analysis has been completed and our conclusions expressed at an aggregate level having regard to the Non-Associated Shareholders as a whole. BDOCF has not considered the impact of the Offer on the particular circumstances of individual Non-Associated Shareholders. Individual Non-Associated Shareholders may place a different emphasis on certain elements of the Offer relative to the emphasis placed in this Report. Accordingly, individual Non-Associated Shareholders may reach different conclusions as to whether or not the Offer is fair and reasonable in their individual circumstances.

The decision of an individual Non-Associated Shareholder to accept or reject the Offer is likely to be influenced by their particular circumstances and accordingly, the Non-Associated Shareholders are advised to consider their own circumstances and seek their own independent advice.

Accepting or rejecting the Offer is a matter for individual Non-Associated Shareholders based on their expectations as to the expected value, future prospects and market conditions together with their particular circumstances, including risk profile, liquidity preference, portfolio strategy and tax position. The Non-Associated Shareholders should carefully consider the BIA. Non-Associated Shareholders who are in doubt as to the action they should take in relation to the Offer should consult their professional adviser.

With respect to the taxation implications of the Offer, it is strongly recommended that the Non-Associated Shareholders obtain their own taxation advice, tailored to their own particular circumstances.

3.3 Scope

In this Report we provide our opinion on whether the Offer is fair and reasonable to the Non-Associated Shareholders.

This Report has been prepared at the request of the non-conflicted Directors of Xanadu ('the Takeover Board Committee') for the sole benefit of the Non-Associated Shareholders entitled to vote, to assist them in their decision to accept or reject the Offer. This Report is to be sent to the Non-Associated Shareholders to consider the Offer and was not prepared for any other purpose. Accordingly, this Report and the information contained herein may not be relied upon by anyone other than the Takeover Board Committee and the Non-Associated Shareholders without our written consent. We accept no responsibility to any person other than the Takeover Board Committee and the Non-Associated Shareholders in relation to this Report.

This Report should not be used for any other purpose, and we do not accept any responsibility for its use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of this Report, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.

We have consented to the inclusion of this Report with the Target's Statement. Apart from this Report, we are not responsible for the contents of the Target's Statement, or any other document associated with the Offer. We acknowledge that this Report may be lodged with regulatory authorities to obtain the relevant approvals prior to it being made available to the Non-Associated Shareholders.

The scope of procedures we have undertaken has been limited to those procedures required in order to form our opinion. Our procedures did not include verification work nor constitute an audit or assurance engagement in accordance with Australian Auditing and Assurance Standards. In preparing this Report we considered a range of matters, including the necessary legal requirements and guidance of the Corporations Act 2001 (Cth) ('the Corporations Act'), the Corporation Regulations 2001 ('the Regulations'), the regulatory guides ('RGs') published by ASIC, the listing requirements of the relevant exchanges (where relevant) and commercial practice.

In forming our opinion, we have made certain assumptions and outline these in this Report including:

- We have performed our analysis on the basis that the conditions precedent to the Offer are satisfied;
- That matters such as title to all relevant assets, compliance with laws and regulations and contracts in place are in good standing, and will remain so, and that there are no material legal proceedings, other than as publicly disclosed;
- All information which is material to the Non-Associated Shareholders' decision on the Offer has been provided and is complete, accurate and fairly presented in all material respects;
- ASX announcements and other publicly available information relied on by us are accurate, complete and not misleading;
- If the Offer is accepted, that it will be implemented in accordance with the stated terms outlined in the Offer;

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- The legal mechanism to implement the Offer is correct and effective;
- There are no undue changes to the terms and conditions of the Offer, or complex issues unknown to us; and
- Other assumptions, as outlined in this Report.

In this Report we have not provided any taxation, legal or other advice of a similar nature in relation to the Offer. Xanadu has engaged other advisors in relation to those matters.

Xanadu has acknowledged that the Company's engagement of BDOCF is as an independent contractor and not in any other capacity, including a fiduciary capacity.

The statements and opinions contained in this Report are given in good faith and are based upon our consideration and assessment of the information provided by the Takeover Board Committee, executives and management of the relevant entities.

3.4 Purpose of this Report

An independent expert, in certain circumstances, must be appointed to meet the requirements set out in the Corporations Act, the Regulations, RGs and in some cases the listing requirements of the relevant exchanges. These requirements have been set out in Sections 3.4.1 and 3.4.2 below

3.4.1 Requirements of the Corporations Act

Bastion has prepared a Bidder's Statement in accordance with section 636 of the Corporations Act. Under section 633 item 10 of the Corporations Act, Xanadu is required to prepare a Target's Statement in response to the Bidder's Statement.

Section 640 of the Corporations Act requires the Target's Statement to include an independent expert's report to shareholders if:

- The bidder's voting power in the target is 30% or more; or
- The bidder and the target have a common director or directors.

While neither of the above two circumstances exist here, Xanadu has nevertheless engaged BDOCF to prepare this Report for provision to the Non-Associated Shareholders to assist them in deciding whether to accept or reject the Offer.

3.4.2 Listing requirements

We have been instructed that Xanadu will not be using this Report or our assessment of the Offer for the purpose of complying with the listing requirements of the ASX or any other stock exchange.

3.5 Current market conditions

Our opinion and the analysis set out in this Report is based on economic, commodity, market and other conditions prevailing at the date of this Report. Such conditions can change significantly over relatively short periods of time and may have a material impact on the results presented in this Report and result in any valuation or other opinion becoming quickly outdated and in need of revision.

In circumstances where we become aware of and believe that a change in these conditions, prior to the close of the Offer, results in a material statement in this Report becoming misleading, deceptive or resulting in a material change in valuation, we will provide supplementary disclosure to Xanadu. BDOCF is not responsible for updating this Report following the close of the Offer Period or in the event that a change in prevailing circumstance does not meet the above conditions.

3.6 Reliance on information

Xanadu recognises and confirms that, in preparing this Report, except to the extent to which it is unreasonable to do so, BDOCF, BDO Services Pty Ltd or any of the partners, directors, agents or associates (together 'BDO Persons'), will be using and relying on publicly available information and on data, material and other information furnished to BDO Persons by Xanadu, its management ('Management'), and other parties, and may assume and rely upon the accuracy and completeness of, and is not assuming any responsibility for independent verification of, such publicly available information and the other information so furnished.

Unless the information we are provided suggests the contrary, we have assumed that the information provided was reliable, complete and not misleading, and material facts were not withheld. The information provided was evaluated through analysis and inquiry for the purpose of forming an opinion as to whether or not the Offer is fair and reasonable to the Non-Associated Shareholders.

We do not warrant that our inquiries have identified or verified all of the matters which an audit, extensive examination or due diligence investigation might disclose. In any event, an opinion as to whether a corporate transaction is fair and reasonable is in the nature of an overall opinion rather than an audit or detailed investigation.

It is understood that the accounting information provided to us was prepared in accordance with generally accepted accounting principles.

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Where we relied on the views and judgement of Management, the information was evaluated through analysis and inquiry to the extent practical. Where we have relied on publicly available information, we have considered the source of the information and completed our own analysis to assist us to determine the accuracy of the information we have relied on. However, in many cases the information we have relied on is often not capable of external verification or validation and on that basis we provide no opinion or assurance on the information.

The Takeover Board Committee represent and warrant to us for the purpose of this Report, that all information and documents furnished by Xanadu (either by Management directly or through its advisors) in connection or for use in the preparation of this Report do not contain any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements therein. We have received representations from the Takeover Board Committee in relation to the completeness and accuracy of the information provided to us for the purpose of this Report.

Under the terms of our engagement, Xanadu has agreed to indemnify BDO Persons against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided, which is false or misleading or omits any material particulars, or arising from failure to supply relevant documentation or information.

3.7 Glossary

Capitalised terms used in this Report have the meanings set out in the glossary. A glossary of terms used throughout this Report is set out in Appendix A.

All dollar ('$' or 'A$') references in this Report are in Australian dollars unless otherwise stated.

3.8 Sources of information

This Report has been prepared using information obtained from sources including the following:

- Xanadu annual report for the year ended 31 December 2021, 31 December 2022, 31 December 2023 and 31 December 2024;
- Khuiten JV management accounts for the period ending 31 December 2024;
- Xanadu ASX announcements;
- Kharmagtai PFS Fin Model V10 Base Case 15_Project _Reviews_SCV10A - silver.xlsx ('Resources Model');
- Kharmagtai PFS Model (Reserves Only).xlsx ('Reserves Model');
- Kharmagtai PFS Model (Simplified Version).xlsx ('Simplified Model');
- Bid Implementation Agreement dated 19 May 2025;
- Target's Statement and Bidder's Statement;
- Capital IQ;
- IBISWorld;
- Consensus Economics;
- Other research publications and publicly available data as sourced throughout this Report;
- Various transaction documents provided by the Management of Xanadu and their advisors; and
- Discussions and other correspondence with Xanadu, Management and their advisers.

3.9 APES 225 Valuation Services

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 *Valuation Services* ('APES 225'). A Valuation Engagement is defined by APES 225 as 'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

3.10 Forecast information

Any forecast financial information referred to in this Report has originated from Management and is adopted by the Takeover Board Committee in order to provide us with a guide to the potential financial performance of Xanadu. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to event(s) and transaction(s) that have not yet occurred and may not occur. Actual results are likely to be different from the forecast financial information since anticipated event(s) or transaction(s) frequently do not occur as expected and the variation between actual results and those forecast may be material.

The Takeover Board Committee's best-estimate assumptions on which the forecast is based relate to future event(s) and/or transaction(s) that Management expect to occur and actions that Management expect to take and are also

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subject to uncertainties and contingencies, which are often outside the control of Xanadu. Evidence may be available to support the Takeover Board Committee best-estimate assumptions on which the forecast is based however, such evidence is generally future-oriented and therefore speculative in nature. In certain circumstances, we may adjust the forecast assumptions provided by Management to complete our valuation work. In this instance, the forecasts we have adopted for our valuation work will not be the same as the forecasts provided by Management.

BDOCF cannot and does not provide any assurance that any forecast is representative of results or outcomes that will actually be achieved. While we have considered the forecast information to the extent we considered necessary to complete the analysis set out in this Report, we have not been engaged to provide any form of assurance conclusion on any forecast information set out in this Report. We disclaim any assumption of responsibility for any reliance on this Report, or on any forecast to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of Management, that all material information concerning the prospects and proposed operations of Xanadu has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

3.11 Qualifications

BDOCF has extensive experience in the provision of corporate finance advice, including takeovers, valuations and acquisitions. BDOCF holds an Australian Financial Services Licence issued by ASIC for preparing expert reports pursuant to the Listing Rules of the ASX and the Corporations Act.

BDOCF and its related parties in Australia have a wide range of experience in transactions involving the advising, auditing or expert reporting on companies that have operations domestically and in foreign jurisdictions. BDO in Queensland and in Australia is a national association of separate partnerships and entities and is a member of the international BDO network of individual firms.

Mark Whittaker and Scott Birkett have prepared this Report with the assistance of staff members. Mr Whittaker, BCom (Hons), FCA, CFA, and Mr Birkett, BBusMan/BCom, CFA are directors of BDOCF. Both Mr Whittaker and Mr Birkett have extensive experience in corporate advice and the provision of valuation and professional services to a diverse range of clients, including large private, public and listed companies, financial institutions and professional organisations. Mr Whittaker and Mr Birkett are considered to have the appropriate experience and professional qualifications to provide the advice offered within this Report.

BDO Corporate Finance Ltd



Mark Whittaker
Director



Scott Birkett
Director

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PART II: INFORMATION SUPPORTING OUR OPINION ON THE OFFER

4.0 Overview of the Offer

This section sets out an overview of the Offer and is structured as follows:

- Section 4.1 summarises the Offer;
- Section 4.2 describes the key parties involved in the Offer;
- Section 4.3 summarises Bastion's intentions in relation to Xanadu;
- Section 4.4 summarises the conditions precedent to the Offer; and
- Section 4.5 details the rationale for the Offer.

This section is a summary only and should not be treated as a complete description of the Offer. The Non-Associated Shareholders should refer to the Bidder's Statement and any subsequent disclosures for additional information relating to the Offer and the key parties involved.

4.1 Summary of the Offer

On 19 May 2025, Xanadu announced it had entered into a Bid Implementation Agreement ('BIA') with Bastion Mining Pte Ltd ('Bastion'), under which Bastion will make an off-market takeover offer to acquire all the fully paid, ordinary shares issued in Xandau which it does not already own for a cash consideration of $0.08 per Xanadu share. Bastion is a special purpose vehicle majority-owned and controlled by Boroo Pte Ltd ('Boroo') and with a minority interest held by Mr Ganbayar Lkhagvasuren ('GBL').

If the Offer is accepted, Non-Associated Shareholders will be entitled to receive the Offer Consideration of $0.08 per Xanadu share. Having regard to the last day Xanadu traded prior to the Announcement Date ('the Undisturbed Date'), the Offer Consideration represents:

- A premium of 57% relative to Xanadu's closing share price as at 16 May 2025 (i.e. the Undisturbed Date) of $0.0510 per share; and
- A premium of 49%[1] relative to the three-month VWAP, as at the Undisturbed Date, of $0.0538 per share.

Shareholders who accept the Offer will receive the Offer Consideration (once the Offer becomes unconditional) and will no longer be exposed to the risks associated with the development and funding of Xanadu's interest in the Kharmagtai Project. The Offer is open until 7:00pm (Sydney time) on 1 July 2025, unless extended or withdrawn in accordance with the Corporations Act.

Non-Associated Shareholders should refer to the Bidder's Statement and subsequent disclosures for more detailed information in relation to the Offer including the conditions of the timeframe for receiving the Offer Consideration once the Offer becomes unconditional.

4.2 Description of the key parties involved in the Offer

This section provides an overview of Bastion. However, due to limitations of information from publicly available sources, we are only able to provide a description of Bastion, and Boroo and GBL. Bastion, a special purpose vehicle jointly owned by the Boroo and GBL, is making the Offer.

4.2.1 Bastion

Bastion is a private company incorporated in Singapore for the sole purpose of making the Offer to acquire all outstanding shares in Xanadu. Bastion is jointly owned by Boroo (75% shareholding) and GBL (25% shareholding). It has no operating history beyond the implementation of the Offer and is structured as a special-purpose acquisition vehicle. The sole director of Bastion is Mr Tan Link Kwok, who also serves as Chief Financial Officer of Boroo. GBL is not a director of Bastion.

On 19 May 2025, Bastion and Xanadu entered into a share subscription agreement ('Subscription Agreement') under which Bastion agreed to provide Xanadu $17.2 million interim funding by subscribing to 286,829,633 Xanadu shares at an issue price of $0.06 per share. The funds raised will be used by Xanadu to continue advancing the Kharmagtai Project towards development and for working capital prior to closing the Offer.

The issue of shares under the Subscription Agreement occurred on 26 May 2025. Immediately following the issue of the subscription shares, Bastion holds a relevant interest in 12.52% of Xanadu's shares on issue.

1 The 49% premium relative to the three-month VWAP may differ from the premium disclosed in the Bidder's Statement due to variations in data sources used for the VWAP calculation. BDOCF has used CapIQ to obtain VWAP data.

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4.2.2 Boroo

Boroo is a Singapore-incorporated private company with operations in the mining and resources sector. Boroo was established in 2018 and principal activities comprises the acquisition, development and operation of major gold and copper projects.

Boroo acquired its first production asset, the Boroo Gold Mine in Mongolia, in October 2018, followed by its flagship asset, the producing Lagunas Norte Gold Mine in Peru, in 2021. After acquiring a controlling stake in TSX-listed Steppe Gold Ltd (TSX:STGO) in 2024, Boroo's portfolio of projects also includes indirect interests in the Ulaanbulag and Altan Tsagaan Ovoo gold mines in Mongolia.

Boroo is majority-owned by Mr Tulga Erdenebileg through his holding entities (TBD Capital Singapore Pte Ltd and Eminent Stride Limited), which together hold a 70% interest in the company. The remaining equity is held by ABC Trading Pte Ltd (20%) and Mr Dulguun Erdenebaatar (10%), the Chief Executive Officer and sole director of Boroo.

4.2.3 GBL

GBL is a co-founder of Xanadu and has been a director since 2006. GBL holds the role of Executive Director and Country Manager for Xanadu, managing day-to-day operations in Mongolia.

GBL currently holds 44,228,329 Xanadu shares, representing 1.93% of the total number of Xanadu shares on issue. GBL also has a 15% interest in Mongol Metals LLC ('MML'), which has a 90% interest in Oyut Ulan LLC, the legal owner of the Kharmagtai Project.

4.3 Bastion's intentions if the Offer is implemented

Bastion has disclosed its intentions in the Bidder's Statement regarding the future operations, structure and governance of Xanadu should the Offer be successful. These intentions vary depending on the level of control Bastion obtains through acceptances under the Offer.

4.3.1 Intentions if Bastion acquires more than 50% but less than 90% of Xanadu shares

If Bastion achieves a relevant interest of more than 50% but less than 90% of the shares in Xanadu:

- Xanadu Board control: Bastion intends to exercise its rights as the majority shareholder to reconstitute the board of directors of Xanadu ('the Xanadu Board'). This is expected to include nominating individuals to the Xanadu Board such that a majority of the directors are Bastion nominees to align with its proportionate interest in Xanadu.
- Operational oversight: Bastion intends to conduct a general review of Xanadu's operations on both a strategic and operational level to evaluate Xanadu's performance, prospects and profitability in relation to the business. Bastion intend to advocate for the development of the Kharmagtai Project and the management of Xanadu's interests under Khuiten JV. Bastion has not formed any current intentions that are inconsistent with the current strategy proposed by the Xanadu Board.
- Corporate strategy and governance: Bastion may initiate a review of Xanadu's business, operations, assets, and corporate structure to assess strategic, operational and governance opportunities, including cost efficiencies, project prioritisation, and capital management initiatives.
- ASX and TSX listing status: If Bastion acquires more than 75% but less than 90% of Xanadu, it may consider whether continued listing on the ASX and/or TSX is in the best interests of the controlled entity. Bastion may cause Xanadu to apply for removal from one or both exchanges if it determines that the benefits of listing do not justify the associated costs. Any such delisting would be subject to compliance with relevant listing rules and regulatory approvals.
- Minority shareholder position: In this scenario, Shareholders who do not accept the Offer would remain as minority shareholders in Xanadu. Depending on the level of liquidity post-Offer, the market for Xanadu shares may become significantly less liquid. Additionally, minority shareholders may have reduced influence over corporate decisions and may be exposed to risks associated with changes to Xanadu's strategic direction under Bastion's control.

4.3.2 Intentions if Bastion acquires 90% or more of Xanadu shares

If Bastion achieves a relevant interest in at least 90% of Xanadu shares, it has stated that it intends to proceed with compulsory acquisition of the remaining Xanadu shares in accordance with the Corporations Act. Under this scenario:

- Full ownership: Following compulsory acquisition, Bastion would become the sole shareholder of Xanadu. This would give Bastion full control over the strategic direction, operational decisions, and financial structure of the Company without the need to consider minority shareholder interests.
- Delisting: Bastion intends to delist Xanadu from the ASX and TSX as soon as practicable following successful compulsory acquisition, subject to compliance with all applicable legal and regulatory requirements.
- Integration and strategic alignment: Bastion would undertake a full review of Xanadu's operations and may seek to align Xanadu's corporate governance, financial reporting, and strategic objectives with those of Boroo and its broader portfolio of mining interests.

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4.4 Key conditions of the Offer

The Offer is subject to a limited number of conditions, which must be satisfied or waived before the Offer can become unconditional. The key conditions of the Offer, as set out in the Bidder's Statement include:

- Minimum acceptance condition: Bastion must achieve a relevant interest in at least 50.1% of Xanadu shares on issue by the end of the Offer Period;
- Put option restriction: Xanadu must not exercise either of the put options granted under the Khuiten JV Agreement, which would otherwise require Zijin Mining Group Co Ltd ('Zijin') to acquire 25% or 50% of Xanadu's interest in Khuiten Metals;
- No prescribed occurrences: No prescribed occurrences (as defined in the Corporations Act) may occur in relation to Xanadu during the Offer Period. This includes actions such as share buybacks, capital reductions, or insolvency events.
- No material adverse change: No material adverse change must occur in relation to Xanadu's business, assets or liabilities;
- No regulatory restraint: There must not be no regulatory or governmental order or intervention that prohibits or materially impedes the completion of the Offer (subject to certain carve-outs, such as actions by the Government of Mongolia to designate the Kharmagtai Project as a 'Strategic Deposit').
- Accuracy of Warranties: The representations and warranties given by Xanadu under the BIA must remain true and correct in all material respects throughout the Offer Period.

Bastion has committed to declare the Offer free of conditions and unconditional if the minimum acceptance threshold of 50.1% is met.

4.5 Strategic rationale for the Offer

4.5.1 Boroo

Bastion has a relevant interest in a total of 286,829,633 Xanadu shares, representing 12.52% of the Xanadu shares on issue. Bastion is seeking to acquire an interest in Xanadu and would be satisfied for the Offer to result in it holding a minimum total interest of 50.1% in Xanadu. As a result, Bastion is making a takeover offer to all Shareholders.

The proposed acquisition of Xanadu through the Offer is consistent with Boroo's strategy to grow its portfolio of assets organically and through the acquisition of businesses which complement its existing operations and projects. Boroo and GBL intent to apply their combined capabilities in mine development, financing and management with their Mongolian expertise to advance the Kharmagtai Project.

4.5.2 Xanadu

The Takeover Board Committee of Xanadu have considered the takeover offer from Bastion. Their rationale for recommending that Non-Associated Shareholders accept the Offer, in the absence of a superior proposal and subject to the Independent Expert concluding (and continuing to conclude) that the Offer is fair and reasonable, includes the following key considerations:

- The Offer is consistent with Xanadu's strategic objective of generating value for Shareholders, while providing a clear and timely liquidity event.
- The Offer provides Shareholders with an attractive premium to recent market trading prices, recognising the inherent value of the Company and its key asset, the Kharmagtai Copper-Gold Project.
- The Offer acknowledges the substantial progress made by Xanadu in advancing Kharmagtai and validates the technical and strategic milestones delivered by the Company to date.
- The Offer provides Shareholders with a straightforward opportunity to realise value in the near term, without the risks and uncertainties associated with long-term project development and market volatility.
- While Xanadu previously entered into exclusivity arrangements with Zijin following receipt of the Zijin NBIO, this did not progress to a binding transaction during the exclusivity period, which concluded on 5 May 2025.
- As at the date of this Report, no competing proposal has been received that is capable of acceptance or considered superior to the Offer.
- Bastion's existing shareholding of approximately 14.45% will enable it to block any other acquirer obtaining 100% of Xanadu (without Bastion support), and its shareholding will likely be determinative on any vote on a competing scheme of arrangement. This may deter potential counterbidders to pursue Xanadu as a potential acquisition target.
- The Takeover Board Committee will continue to monitor for any competing proposals and, if one emerges, will follow the matching rights process outlined in the BIA.

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5.0 Background of Xanadu

This section is set out as follows:

- Section 5.1 provides background information on Xanadu and the Company's key projects;
- Section 5.2 summarises the equity structure of Xanadu;
- Section 5.3 summarises the share market trading in Xanadu shares; and
- Section 5.4 summarises the historical financial information of Xanadu.

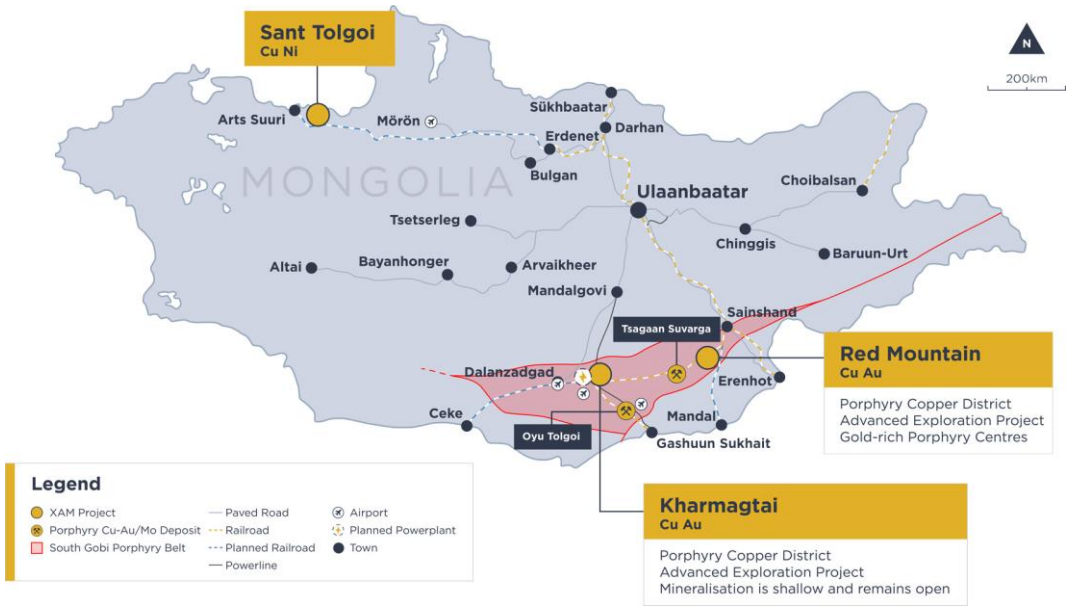
5.1 Background and key projects

Xanadu is a dual-listed exploration company with a focus on the discovery and development of significant porphyry copper-gold deposits in Mongolia. The Company is listed on both the ASX and the TSX.

Xanadu has three current projects in Mongolia being the Kharmagtai Project, the Red Mountain copper-gold project ('Red Mountain') and the Sant Tolgoi copper-nickel project ('Sant Tolgoi').

Figure 5.1 set out below shows the location of these key projects.

Figure 5.1: Location of Xanadu's projects



Source: Xanadu's website

We have set out additional information in relation to Xanadu's key projects below. For further detail in relation to Xanadu's projects, refer to ERM's Independent Technical Specialist's Report, dated 11 March 2025, attached as Appendix B to this Report.

5.1.1 Kharmagtai

Kharmagtai is Xanadu's flagship asset and as such, we have provided additional information below on:

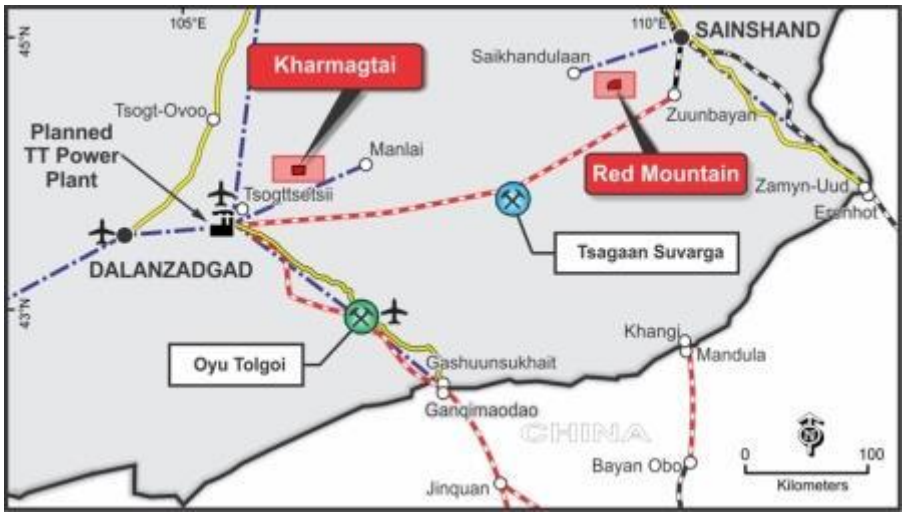
- Overview of the Kharmagtai Project;
- Ownership structure;
- Terms of the Khuiten JV;
- Deposits at Kharmagtai Project; and
- Key events since the scoping study.

Overview of the Kharmagtai Project

The Kharmagtai Project is located in Omnogovi Province, approximately 420km southeast of Ulaanbaatar, the capital of Mongolia. It is within the South Gobi porphyry copper province which hosts most of the known porphyry deposits in the South Gobi region of Mongolia, including the Oyu Tolgoi copper-gold operations (120km south), the Tsagaan Suvarga porphyry copper-molybdenum development (170km east) and Xanadu's Oyut Ulaan porphyry copper-gold exploration project (260km northeast). The Kharmagtai project is 76.5% owned by the Khuiten JV (the project government joint venture, detailed below), 13.5% owned by GBL and 10% owned by Mongol Metals LLC ('MML') (the ownership structure is discussed further below).

Figure 5.2 illustrates the location of the Kharmagtai Project in relation to key landmarks.

Figure 5.2: Location of the Kharmagtai Project



Source: Xanadu's website

Xanadu published a prefeasibility study ('PFS') in October 2024, which confirms the potential of the Kharmagtai Project as a globally significant, long life, low cost, low risk future copper-gold mine. At the time, the PFS indicated that the Kharmagtai Project will require approximately US$890 million in pre-production capital expenditure ('CAPEX'). Xanadu would be required to contribute 50% of the Khuiten JV's capital requirement (i.e. 50% of a 76.5% indirect economic interest). At the time of the announcement of the PFS by Xanadu, this proportional share of pre-production CAPEX exceeds Xanadu's market capitalisation.

Ownership Structure

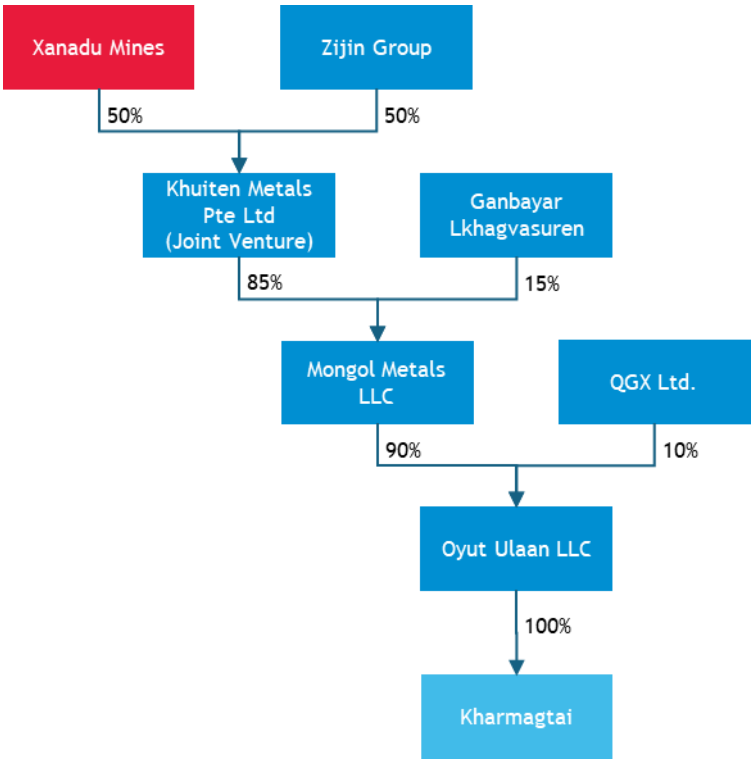
The ownership structure of the Kharmagtai Project is set out in Figure 5.3 below. In the ownership structure, we note:

- Xanadu and Zijin are both parties and shareholders into the Khuiten Metals Pte Ltd Joint Venture ('Khuiten JV'). The Khuiten JV indirectly holds 76.5% of the rights, title and interest in the Kharmagtai Project (85% interest in MML's 90% interest in Oyut Ulaan LLC ('OU')). Via the Khuiten JV, Xanadu and Zijin have agreed to work co-operatively to fund the exploration, development and operations of the Kharmagtai Project;
- Mogol Metals LLC will fund capital expenditure on QGX's behalf until the Kharmagtai Project's first commercial production. The amount will constitute a loan from MML to QGX. QGX will receive 10% of distributions from OU, 90% of which will be used to repay the loan with MML until the loan is fully repaid. The loan accrues interest at 1% + the prime rate of the Bank of Montreal ('Prime Rate') compounding quarterly; and
- GBL has a 5.6% interest without funding risk until the first decision by the Xanadu Board to proceed with a commercial mining development on the licence for the Kharmagtai Project ('Decision to Mine').

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Figure 5.3: Kharmagtai Project ownership



Source: Xanadu Management

Khuiten Metals Pte Ltd Joint Venture Agreement ('the JV Agreement')

On 21 December 2022, Xanadu announced the execution of formal documentation for Phases 2 and 3 of the transaction with Zijin, which included the execution of a 50:50 joint venture ('JV') agreement via the JV Agreement and through Xanadu's previously 100% owned subsidiary Khuiten. Khuiten holds a 76.5% effective interest in the Kharmagtai Project.

Both parties agreed to enter into an incorporated JV, henceforth referred to as the Khuiten JV for clarity, to work co-operatively to fund the exploration, development and operations of the Kharmagtai Project. In relation to the JV Agreement, we understand the following:

- The JV Agreement's commencement date is 21 December 2022 and terminates by unanimous vote of all shareholders or terminates for a shareholder if/when said shareholder no longer holds shares in the Khuiten JV or if the Khuiten JV is wound up or terminated.
- Each Shareholder is entitled to appoint one Director for each 25% of shares held in the Khuiten JV.
- Board meetings are held at least quarterly or at such other intervals as the board of directors of the Khuiten JV ('Khuiten JV Board') may determine. Shareholders who hold, in aggregate, more than a 50% interest can call a board meeting upon notice. For each board meeting, quorum is defined as attendance by at least one Director appointed by each shareholder.
- The JV Agreement is structured around a PFS Delivery Period which is defined as the period from the JV Agreement's commencement date until the earlier of the PFS delivery or 18 months from the commencement date. The PFS was delivered and announced on the ASX on 14 October 2024.
- The JV Agreement includes various clauses which vary before and after the PFS Delivery Period. Since Xanadu announced the delivery of the PFS on 14 October 2024, this summary of the JV Agreement's key terms will focus solely on the definitions and clauses which apply after the expiry of the PFS Delivery Period. For instance, following the expiry of the PFS Delivery Period, Zijin has the right to nominate the Chairperson whereas before the expiry of the PFS Delivery Period, Xanadu held that right.
- The Chairperson does not have a casting vote, in addition to a deliberative vote, at any board meeting.
- All Khuiten JV Board decisions are binding on all the JV Agreement parties and all decisions are determined by a majority vote, defined as more than 50%.
- Following the expiry of the PFS Delivery Period, Zijin has the right to nominate the General Manager and Xanadu, provided that the Company holds at least 25% of the shares in the Khuiten JV, has the right to nominate the Deputy General Manager.

- The JV Agreement defines the General Manager's duties which, broadly, include but are not limited to the following: prepare and submit all development plans and budgets, manage the Khuiten JV's expenditures in accordance with the development plans and budgets, control all management, technical and labour personnel decisions necessary under the JV Agreement, etc.
- The JV Agreement also defines the Deputy General Manager's duties which, after the expiry of the PFS Delivery Period, broadly include but are not limited to the following: coordinate with Xanadu's technical team and facilitate their participation in the development and operation of the Kharmagtai Project and assist the General Manager in the development and operation of the Kharmagtai Project.
- Following the expiry of the PFS Delivery Period, Zijin is the operator of the Khuiten JV.
- The Khuiten JV's development plans and budgets, prior to the expiry of the PFS Delivery Period, are included in the JV Agreement. Subsequent development plans and budgets are to be prepared by the management of the Khuiten JV (i.e. the General Manager and the Deputy General Manager) and endorsed by the Khuiten JV Board. For completeness, the JV Agreement defines and includes a list of critical business matters which cannot be committed to without the prior approval of the Khuiten JV Board by special majority vote or unanimous vote, as the case may be.
- The JV Agreement includes a put option, with key clauses summarised below:
  - Put option granted by Zijin to Xanadu to require Zijin to purchase either;
  - 50% of the Khuiten JV ('the 50% Put Option'); or
  - 25% of the Khuiten JV ('the 25% Put Option');
  - Put option exercise period: six months commencing on the date of the delivery of the PFS;
  - Option fee: $1; and
  - Condition precedent: Xanadu must obtain approval from its shareholders for the purposes of ASX Listing Rule 10.1 or any other Listing Rule of the ASX or the trading rules of the TSX prior to exercising the put option.[2]
- Each of the shareholders must fund the operational and other costs and expenditures of the Khuiten JV in accordance with their respective initial investments in the Khuiten JV, except in the case of the 25% Put Option shares in which case:
  - Zijin must pay Xanadu's respective portion of all funding amounts required on behalf of Xanadu until commencement of commercial production at the Kharmagtai Project;
  - This will constitute a loan, to be drafted, by Zijin to Xanadu secured by Xanadu's entire shareholding in the Khuiten JV at an annual interest rate of Secured Overnight Financing Rate ('SOFR'), based on a six-month term, plus 5%;
  - This will constitute a loan by Zijin to Xanadu, secured against Xanadu's entire shareholding in the JV, at an annual interest rate of SOFR, based on a six-month term, plus 5%-;
  - Xanadu shall have no further funding obligations before commencement of commercial production of the Kharmagtai Project; and

Until such time as the loan is repaid in full, 90% of all dividends and distributions due and payable by the Khuiten JV to Xanadu on Xanadu's shares will be directed to Zijin in repayment of the 25% Put Option loan, first on any interest then on the principal.

- Xanadu no longer expect to exercise the put option[2];
- For completeness, we note that 'the start of commercial production' is not defined in the JV Agreement. Management have advised that Xanadu interprets this term as after commissioning is completed. However, this term would be defined when a loan agreement is signed and agreed by both Xanadu and Zijin reflecting the above terms and conditions.
- The shareholders in the Khuiten JV may agree by unanimous vote that the Khuiten JV's costs be financed through loan funds advanced by the shareholders in accordance with their respective portions.
- If one of the shareholders cannot meet its funding obligations, the other shareholder is entitled to meet the funding obligations of the defaulting shareholder and cause the dilution of the defaulting shareholder via the issuance of new shares.
- The JV Agreement includes mechanisms and definitions to calculate the number of new shares to be issued in various circumstances, including if/when a shareholder defaults on funding requirements. The mechanism to

[2] As announced by Xanadu to the ASX on 5 May 2025, an extraordinary general meeting of members was scheduled for 4 June 2025 to consider a resolution authorising Xanadu to exercise the put option which requires Jinping (Singapore) Mining Pte Ltd to acquire 25% of Xanadu's shareholding in Khuiten Metals ('Put Option Resolution'). However, in light of the Offer and the successful completion of the Subscription Agreement, the Takeover Board Committee had committed to withdraw the Put Option Resolution given the successful completion of the equity funding arrangements. On 26 May 2025, Xanadu announced the formal withdrawal of the Put Option Resolution and cancellation of the EGM.

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calculate the number of shares to be issued in exchange for a joint venture partner funding a defaulting shareholder's funding requirements specifies that the number of new shares issued is calculated as:

  - The number of shares on issue at the time of the default by one of the shareholders multiplied by a ratio which includes:
    - Numerator: The funding obligation that was required to be advanced by the defaulting shareholder (or another amount agreed by the shareholders in the case of other circumstances); and
    - Denominator: An implied amount of US$100 million plus the cumulative total funding that the shareholders have provided after the end of the PFS Delivery Period.

- Management have advised that if/when a shareholder defaults on their funding obligation, the JV Agreement's share dilution mechanism described above is the sole remedy of the other joint venture partner.
- The JV Agreement also includes right of first refusal for the Khuiten JV partners as well as tag along rights and drag along rights allowing both parties to exercise some level of influence over any disposal of shares.
- Furthermore, a shareholder may transfer all or any shares held by that shareholder to any of the following permitted transferees:
  - Another existing shareholder;
  - A related corporation of the transferor (subject to various other clauses); and
  - An entity on seeking and obtaining a unanimous vote of shareholders in favour of such transfer.
- The JV Agreement includes a clause on dispute resolution which includes, but is not limited to:
  - A first dispute notice mechanism and the right to refer the dispute to arbitration and nominate an arbitrator; and
  - A second dispute notice mechanism and the right to reject the nominated arbitrator and the nomination of an arbitrator by the Chairperson of the Singapore International Arbitration Centre whose decision is final and binding on all parties.

Deposits

The Kharmagtai Project hosts six significant deposits: Stockwork Hill, White Hill, Copper Hill, Golden Eagle, Zephyr, and Zaraa[3]. In October 2024, the Kharmagtai Project received an updated Mineral Resource Estimate ('MRE') which reports approximately 1.6 million tonnes ('Mt') of contained Copper Metal ('Cu') and 4.0 million ounces ('Moz') of contained Gold ('Au').

A summary of the total resources can be found in Table 5.1 below.

Table 5.1: Kharmagtai Project total resource

Cutoff (% Copper equivalent ('CuEq'))	Classification	Tonnes (millions) ('Mt')	Grades			Contained Metal			
			CuEq (%)	Cu (%)	Au (g/t)	CuEq pounds 000's ('Mlbs')	CuEq (kt)	Cu (kt)	Au (koz)
0.13(OC)	Indicated	1,300	0.30	0.22	0.17	8,800	4,000	2,900	7,100
0.30(UG)	Inferred	900	0.28	0.21	0.13	5,600	2,500	1,900	4,000
	Total	**2,200**	**0.29**	**0.21**	**0.15**	**14,400**	**6,500**	**4,800**	**11,100**

Source: Xanadu ASX announcements 14 October 2024

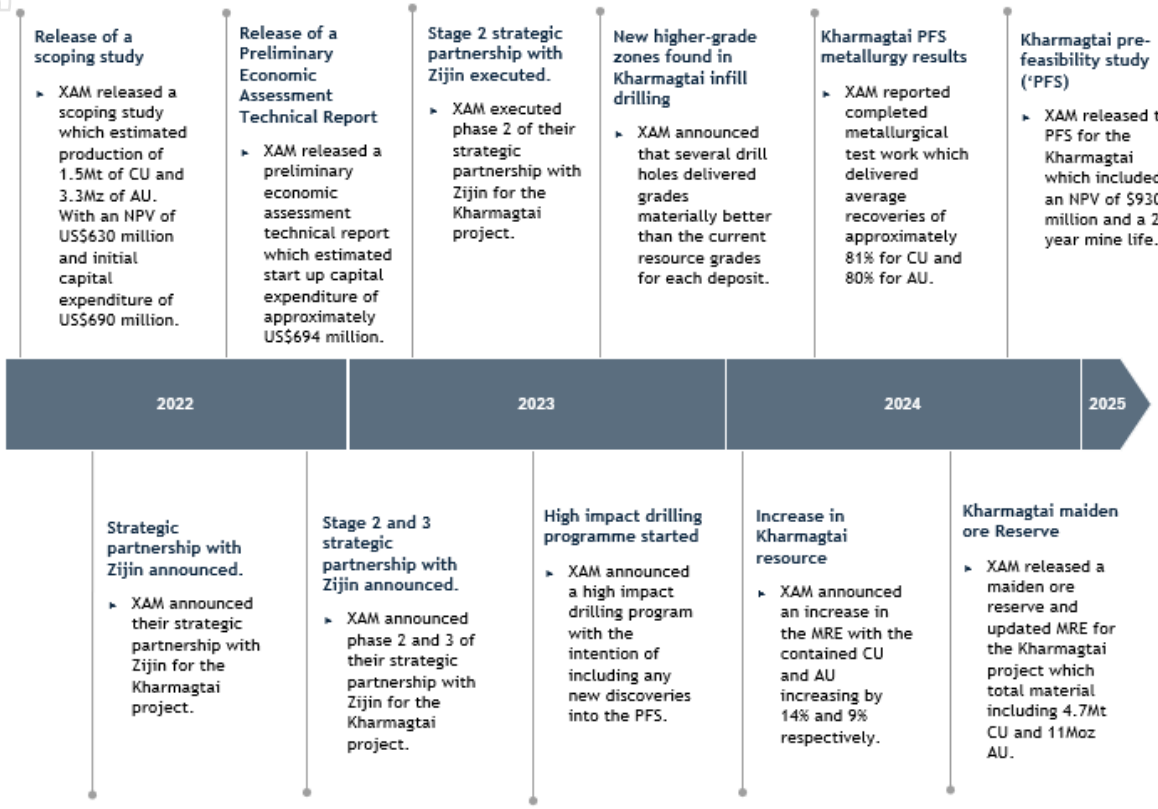
[3] Xanadu Website

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Key Events Since Release of Scoping Study in 2022

Figure 5.4 below outlines the key events relating to the Kharmagtai Project since the release of the 2022 scoping study.

Figure 5.4: Kharmagtai Project key events since 2022



Source: Xanadu ASX announcements

5.1.2 Red Mountain

The Red Mountain project is located within the Dornogovi province of southern Mongolia, approximately 420km southwest of Ulaanbaatar.[4] The Red Mountain project is currently undergoing an exploration program with approximately 4,880 metres of diamond drilling completed to date. This program has successfully identified shallow, high-grade gold and copper-gold mineralisation across four prospects within the project area. Please refer to the ERM Report in Appendix B for more information.

Table 5.2 below details the best intersections found in the drilling program.

Table 5.2: Red Mountain Exploration Program Drilling Summary

Prospect	Best intersections
Target 33	– 41 metres ('m') at 1.07 g/t Au from 38m; and – 29m at 0.54 g/t Au from 4m.
Nowie	– 8m at 1% Cu and 0.12 g/t AU from 267m; and – 14m at 0.75% Cu and 0.26 g/t Au from 113m.
Target 10	– 4m at 0.85% Cu and 1.52 g/t Au from 186m.
Bavuu	– 9.5m at 0.47% Cu and 0.21 g/t Au from 110.3m.

Source: Xanadu ASX announcement 21 June 2024

5.1.3 Sant Tolgoi

The Sant Tolgoi project is a copper-nickel exploration project in Zavkhan Province, Western Mongolia, spanning over 40 km^2 across two exploration licenses. Xanadu has secured a binding agreement with STSM LLC, granting the right to acquire up to an 80% stake in the project. In November 2024, Xanadu reported strong surface copper assay results, with geological mapping, surface rock chip sampling and geophysics confirming the presence of several large

[4] Xanadu website

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anomalies associated with outcropping mafic intrusions. Please refer to the ERM Report in Appendix B for more information.

5.2 Equity structure of Xanadu

5.2.1 Ordinary shares

As at 26 May 2025, Xanadu has 2,291,211,189 ordinary shares on issue. This includes the 92,184,000 ordinary shares issued on 20 May 2025 following the exercise of unlisted options by Xanadu's executive directors (30,054,000 options), non-executive Directors (13,560,000 options) and management (48,570,000 options), and the 286,829,633 shares issued to Bastion on 26 May 2025 under the Subscription Agreement (refer to Section 4.2.1).

The substantial Shareholders are set out in Table 5.3.

Table 5.3: Substantial Shareholders

	Shareholders	Number of shares	Percentage holding
1	Jinping (Singapore) Mining Pte Ltd	359,817,003	15.70%
2	Bastion[1]	286,829,633	12.52%
3	CAAF Ltd	226,665,378	9.89%
4	Harvest Lane Asset Management Pty Ltd	106,875,393	5.33%
	Other Shareholders	1,311,023,782	56.56%
	Total	**2,291,211,189**	**100.00%**

Source: Xanadu share register as at 14 May 2025 and Xanadu's ASX announcement Application for Quotation of Securities dated 26 May 2025

1 As at the date of this Report, Borro, as the parent company of Bastion, has a relevant interest in the 286,829,633 Xanadu shares held by Bastion (since Bastion is controlled by Boroo under section 608(3) of the Corporations Act). Boroo also has voting power of 14.45% in Xanadu, which includes an additional 44,228,329 Xanadu shares in which GBL has a relevant interest, as he is considered an associate of Boroo under section 12 of the Corporations Act. For more information, see sections 2.7 and 2.8 of the Bidder's Statement.

2 The actual number of Xanadu shares held or voting power may differ from that shown above as there is no obligation to publicly disclose changes if the change in voting power is less than 1%.

Having regard to the information set out in Table 5.3 above, we note:

- As at 26 May 2025 Xanadu has 2,291,211,189 fully paid ordinary shares outstanding, of which the top four Shareholders hold 43.44%;
- Jinping (Singapore) Mining Pte Ltd ('Jinping') is a subsidiary of Zijin which is a party to the Khuiten JV shareholder agreement ('the JV Agreement'), owns a 50% interest in the Khuiten JV in addition to its 15.70% interest in Xanadu; and
- As the Subscription Shares were issued on 26 May 2025, all Shareholders have been diluted and immediately following settlement, Bastion holds a relevant interest in 12.52% of Xanadu shares.

In addition to the above analysis, we have set out in Table 5.4 below a summary of the share distribution.

Table 5.4: Share distribution

Range of shares held	No. of Shareholders	No. of ordinary shares	Percentage of issued shares
1 - 10,000	411	2,323,630	0.10%
10,001 - 50,000	674	17,820,913	0.78%
50,001 - 250,000	537	66,699,055	2.91%
250,001 - 750,000	245	111,553,446	4.87%
750,001 - 3,000,000	130	189,117,633	8.25%
3,000,001 - 10,000,000	40	232,804,060	10.16%
10,000,001 - and over	21	1,670,892,444	72.93%
Total	**2,058**	**2,291,211,189**	**100.00%**

Source: Xanadu share register as at 14 May 2025 and Xanadu's ASX announcement Application for Quotation of Securities dated 26 May 2025

Having regard to the information set out in Table 5.4 above, we note the following:

- Xanadu has a relatively concentrated share ownership, with 72.93% of all ordinary shares held by a relatively small group of Shareholders (21); and
- Shareholders with interests between 1 – 50,000 shares represent the majority of Shareholders by number but only own 0.88% of the Company.

5.2.2 Unlisted securities on issue

As at 27 May 2025 there are no unlisted securities on issue for Xanadu.

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5.3 Share trading data of Xanadu

5.3.1 Share trading data

Figure 5.5 displays the daily volume weighted average price ('VWAP') and daily volume of Xanadu shares traded on the ASX over the period between 21 December 2022 and 20 May 2025.

Figure 5.5: Daily VWAP and volume of Xanadu shares traded from 21 December 2022 to 20 May 2025



Source: Capital IQ as at 21 May 2025

Over the period graphed in Figure 5.5 above, Xanadu's daily VWAP displays a period low of $0.029 on 28 December 2022 and a period high of $0.115 on 8 August 2023.

In addition to the share price and volume data of Xanadu shown above, we have also provided additional information in Table 5.5 below to assist readers to understand the possible reasons for the movement in Xanadu's share price over the period analysed.

The selected ASX announcement referenced in Table 5.5 below correspond to those displayed in Figure 5.5 above.

Table 5.5: Selected Xanadu ASX announcements from 21 December 2022 to 20 May 2025

Date	Announcement
21/12/2022	Xanadu announced the formalisation of the formation of the 50% JV for the Kharmagtai Project with Zijin. The deal saw Xanadu raise $7.2 million via placement to Zijin and increased their stake to 19.99%.
22/12/2022	Xanadu announced a gas offtake memorandum of understanding with Jade Gas, under which Jade Gas will have the option to supply gas to Xanadu to power its Kharmagtai Project.
17/01/2023	Xanadu entered a trading halt pending an announcement.
18/01/2023	Xanadu announced a $1.1 million placement issuing 41,887,844 new shares at $0.027, which represents a 7% discount to the last closing price.
30/01/2023	Xanadu released its quarterly activities and cash flow report for the period ending 31 December 2022, highlighting the signing of a strategic partnership deal with Zijin during the quarter. The report also revealed that the company had just $118,000 in cash at the end of the period.
10/03/2023	Xanadu announced that phase 2 and phase 3 of its strategic partnership with Zijin was complete, this provided Xanadu with funding for the Kharmagtai Project.
24/03/2023	Xanadu announced that Zijin has received regulatory approval from the Chinese government for the strategic partnership between Xanadu and Zijin.
28/04/2023	Xanadu released their quarterly activities and cashflows report for the period ending 31 March 2023, wherein they provided an update on the Khuiten JV and share placement with Zijin and an overview of the cashflow for the quarter.
16/05/2023	Xanadu released their first quarter 2023 financial statements and management's discussion and analysis report for the period ended 31 March 2023. This included an update on the financial position, financial performance and included an operational update.
23/05/2023	Xanadu announced an aggressive 18,000m growth and discovery drill programme and the Kharmagtai Project.
07/06/2023	Xanadu announced new higher-grade zones the White Hill Deposit and the Stockwork Hill deposit of the Kharmagtai Project, with several drill holes delivering grades materially better than the current resource grades of each deposit.
19/06/2023	Xanadu responded to an ASX price query, noting that the Company was not aware of any information concerning it that had not been announced which could explain the recent trading events.
19/07/2023	Xanadu announce that infill drilling at the White Hill Deposit defined a new zone of high-grade copper and gold mineralisation.
31/07/2023	Xanadu released their quarterly activities and cashflows report for the period ended 30 June 2023 in which they provided an summary of the key operational announcements throughout the quarter including the commencement of a full scale pre-feasibility programme at the Kharmagtai Project along with an update on their cash position.

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Date	Announcement
09/08/2023	Xanadu announced new infill drilling at the Stockwork Hill deposit of the Kharmagtai Project which returned strong higher-grade results.
06/09/2023	Xanadu released their quarterly financial statements and management discussions for the period ended 30 June 2023, in which they disclosed their three and six month financial performance and provided an update on their projects highlights over the quarter.
04/10/2023	Xanadu provided an update on infill drilling at the White Hill deposit at the Kharmagtai Project, with updated drill hole results which demonstrated the potential to enhance the 2021 MRE.
26/10/2023	Xanadu announced that drilling had an intersected 205.3m at 0.44 g/t Au and 0.14% Cu from 37.7m new gold zone at the Golden Eagle Deposit of the Kharmagtai Project.
31/10/2023	Xanadu released their quarterly activities and cashflows report for the period ended 30 September 2023. They provided an update on the pre-feasibility programme and discovery exploration activities of the Kharmagtai Project and a reported net decrease in cash for the period.
16/11/2023	Xanadu entered a trading halt pending the release of an announcement.
16/11/2023	Xanadu released an update on the discovery drilling at the Kharmagtai Project which intersected mineralisation across multiple largely unexplored porphyry clusters, including high density stockwork, breccia and gold only mineralisation.
20/11/2023	Xanadu announced a $4.3 million placement totalling 78,181,818 shares issued at $0.055 which represented a 19.1% discount to last closing price.
08/12/2023	Xanadu released an updated mineral resource estimate which increased the contained copper equivalent (CuEq) by 13% and included a 25% increase in the higher-grade component to 125Mt.
22/01/2024	Xanadu announced that they had agreed to earn up to an 80% interest in the Oytu and Sant Tolgoi projects.
30/01/2024	Xanadu announced their latest drilling results from the Kharmagtai Project, with a new higher grade copper and gold mineralisation at the White Hill deposit.
31/01/2024	Xanadu released their quarterly activities and cash flow report for the period ending 31 December 2023 summarising the key updates on the Kharmagtai Project resource and reporting an increase in cash due to the issue of new equity.
04/03/2024	Xanadu released an update on the sulphide rougher process recoveries at the Kharmagtai Project, with rougher flotation tests delivering recovering up to 98% copper and 95% gold at head grades up to 1.6% Cu and 2.0 g/t Au.
06/03/2024	Xanadu released an update on the metallurgical test work for the Kharmagtai Project, with recent column leaching tests on the mineralised oxide portion of Kharamagtai Project, with metallurgical extraction peaking at 93% copper and 46% gold.
23/04/2024	Xanadu provided an update on metallurgical test work for the Kharmagtai Project, noting up to 95% copper and 92% gold recovered in the hydrofloat stage.
29/04/2024	Xanadu released their quarterly activities and cash flow report for the period ending 31 March 2024.They provided an update on both the Red Mountain and Kharamgtai projects and reported a net increase in cash driven by the issue of equity securities.
21/06/2024	Xanadu announced near surface coper and gold results from all four prospects at the Red Mountain project, with the best intersections returning 41m at 1.07 g/t Au from 32m and 8m at 1.00% Cu and 0.12g/t Au from 267m.
31/07/2024	Xanadu released their quarterly activities and cash flow report for the period ending 30 June 2024. They provided updates on their existing projects and cash position. Most notably they provided an update on the Red Mountain project.
21/08/2024	Xanadu announced an increase in the mineral resource estimate for the Kharmagtai Project. Which increased the contained copper by 14% and contained gold by 9%.
10/09/2024	Xanadu announced that field operations are underway at the Sant Tolgoi Copper-Nickel project.
18/09/2024	Xanadu announced pre-feasibility metallurgical test work results for the Kharamgtai Project, which included recoveries of approximately 81% copper and 80% gold from sulphide feed.
14/10/2024	Xanadu released a maiden ore reserve & updated mineral resource update for the Kharmagtai Project which increased the contained copper and gold in the project from 3.8 Mt to 4.7 Mt and from 9.3 Moz to 11Moz respectively.
14/10/2024	Xanadu released a pre-feasibility study relating to the Kharmagtai Project, noting a post-tax NPV of $930 million and mine life on 29 years.
14/10/2024	Xanadu announced a trading halt pending an announcement.
31/10/2024	Xanadu released its quarterly activities and cash flow report for the period ending 30 September 2024, including updates on existing projects and its cash position. Notably, the report featured an updated NPV for the Kharmagtai Project based on the revised mineral resource estimate.
01/11/2024	Xanadu entered into a trading halt pending the release of an announcement.
05/11/2024	Xanadu announced a $5.5 million placement at $0.055 per share, reflecting a 14.1% discount to its most recent closing price before the announcement.
14/11/2024	Xanadu announced that it had expanded its placement originally announced on 4 November 2024 from $5.5 million to $7.5 million on the same terms.
31/01/2025	Xanadu released their quarterly activities and cash flow report for the period ending 31 December 2024. They provided updates on their existing projects and cash position. Most notably, they delivered a PFS and Maiden Ore Reserve for the Kharmagtai Project and transitioned operatorship to Zijin.

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Date	Announcement
07/04/2025	Xanadu announced that it had withdrawn a resolution from its upcoming extraordinary general meeting ('EGM') that was to obtain shareholder approval to allow Xanadu to sell a 25% interest in Khuiten Metals Pte Ltd to Zijin. This followed the signing of an exclusivity agreement with Zijin to explore a range of potential corporate transactions. The put option term was extended to preserve flexibility while discussions continue.
30/04/2025	Xanadu released its quarterly activities and cash flow report for the period ending 31 March 2025. The report detailed the transition of operatorship of the Kharmagtai Project to Zijin, who will lead the next phase of development including a Bankable Feasibility Study ('BFS') and negotiations with the Mongolian government. Xanadu also noted the extension of exclusivity with Zijin and confirmed it is reviewing strategic options including exercising the put option, selling down its project interest, or securing funding for its 50% JV share.
05/05/2025	Xanadu announced that it had not been able to finalise a control transaction with Zijin during the exclusivity period. As a result, the exclusivity arrangement has ended, and the Company is now seeking shareholder approval to exercise the put option. If approved, Xanadu will retain a 25% interest and will not be required to contribute further development funding, which will instead be loaned by Zijin and repaid from future dividends. The announcement included details of the shareholder vote, which will be held at an EGM on 4 June 2025.
19/05/2025	Xanadu announced that it had entered into a Bid Implementation Agreement with Bastion, under which Bastion intends to make an off-market takeover offer to acquire all Xanadu shares at A$0.08 cash per share. The Offer represents a premium of 57% to Xanadu's last closing price and is unanimously supported by Xanadu's Takeover Board Committee, and its largest independent shareholder, in the absence of a superior proposal and subject to the independent expert concluding the Offer is fair and reasonable. The Offer is conditional on Bastion acquiring at least 50.1% of Xanadu. Xanadu is restricted from exercising the 25% Put Option with Zijin during the Offer Period. To support Xanadu's near-term funding needs, Bastion also agreed to invest A$17.2 million through a share placement at A$0.06 per share, giving it a 13.04% holding (based on the shares on issue when the announcement was made).

Source: Xanadu ASX Announcements

5.3.2 Liquidity of Xanadu shares on the ASX

The rate at which equity instruments are traded is generally referred to as the 'liquidity' of the equity instruments. Changes in liquidity may impact the trading price of equity instruments. This is particularly dependent on the number of equity instruments required to be bought and/or sold and the time period over which the equity instrument holder needs to buy and/or sell those equity instruments. Depending on the circumstances, a movement in market price may or may not represent a shift in value of either the equity instruments or a shift in value of the company to which the equity instruments relate as a whole.

Table 5.6 summarises the monthly liquidity of Xanadu shares from 1 May 2024 until 23 May 2025. Liquidity has been summarised by considering the following:

- Volume of Xanadu share trades per month;
- Value of total trades in Xanadu shares per month;
- Number of Xanadu shares traded per month as a percentage of total Xanadu shares outstanding at the end of the month;
- The monthly low daily VWAP and high daily VWAP of the Company; and
- Volume weighted average price per month.

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Table 5.6: Liquidity of Xanadu shares on the ASX between 1 May 2024 and 23 May 2025

Month	Volume	Shares Outstanding	Volume / Shares Outstanding	Monthly Low Daily VWAP ($)	Monthly VWAP ($)	Monthly High Daily VWAP ($)
May 2025 (17th to 23rd)	170,050,800	2,004,381,560	8.48%	0.0771	0.0790	0.0810
Total Post-Transaction Announcement	**112,114,930**	**2,004,381,560**	**8.48%**	**0.0771**	**0.0790**	**0.0810**
May 2025 (1st to 16th)	33,495,760	1,912,197,560	1.75%	0.0477	0.0504	0.0591
April 2025	63,015,480	1,912,197,560	3.30%	0.0529	0.0575	0.0621
March 2025	32,542,400	1,912,197,560	1.70%	0.0471	0.0517	0.0532
February 2025	29,475,310	1,912,197,560	1.54%	0.0453	0.0508	0.0534
January 2025	19,779,240	1,907,146,980	1.04%	0.0456	0.0471	0.0491
December 2024	33,229,860	1,855,425,010	1.79%	0.0469	0.0497	0.0550
November 2024	77,021,620	1,811,269,170	4.25%	0.0495	0.0530	0.0564
October 2024	59,380,350	1,716,006,010	3.46%	0.0603	0.0693	0.0787
September 2024	32,541,770	1,716,006,010	1.90%	0.0507	0.0564	0.0643
August 2024	26,674,410	1,716,006,010	1.55%	0.0550	0.0573	0.0593
July 2024	23,710,590	1,716,006,010	1.38%	0.0553	0.0578	0.0599
June 2024	18,910,480	1,716,006,010	1.10%	0.0544	0.0576	0.0657
May 2024	37,365,680	1,716,006,010	2.18%	0.0632	0.0682	0.0756
Total	**487,142,950**	**1,802,462,780**	**27.03%**	**0.0453**	**0.0567**	**0.0787**

Source: Capital IQ as at 25 May 2025

Assuming a weighted average number of 1,802,462,780 Xanadu shares on issue over the period, approximately 27.03% of the total shares on issue were traded over the period 1 May 2024 and 16 May 2025. In our view, this indicates that Xanadu shares display a moderate level of liquidity.

5.4 Historical financial information of Xanadu

This section sets out the historical financial information of Xanadu. As this Report contains only summarised historical financial information, we recommend that any user of this Report read and understand the additional notes and financial information contained in Xanadu's annual reports, including the full Statements of Profit or Loss and Other Comprehensive Income, Statements of Financial Position and Statements of Cash Flows.

Xanadu's full-year financial statements have been audited by Ernst & Young. BDOCF has not performed any audit or review of any type on the historical financial information of Xanadu and we make no statement as to the accuracy of the information provided. However, we have no reason to believe that any of the information provided is false or misleading.

In financial year ('FY') 2023 Xanadu recorded a net loss of $7.6 million, net cash outflows from operating activities of $3.7 million and a cash balance of $7.3 million at the reporting date of 31 December 2023. In FY24, Xanadu recorded a net loss of $7.0 million, net cash outflows from operating activities of $3.5 million and a cash balance of $6.2 million at the reporting date of 31 December 2024. Despite the continued net loss and reduced cash balance, Management believes that there are reasonable grounds to believe that Xanadu will continue as a going concern considering the following factors:

- Xanadu's past success in raising equity funds in capital markets;
- The potential to raise capital in debt markets on the basis of the Kharmagtai PFS outcomes if Xanadu chooses not to sell all its interest in Khuiten;
- The deferral of discretionary corporate operating and administrative costs and exploration expenditures; and
- Exercising one of the put options under the JV Agreement to sell 100% of Xanadu's remaining ownership in Khuiten to Zijin for US$50 million or 50% for US$25 million; available for a 6 month period commencing on the date of PFS Delivery which is 14 October 2024.

Ernst & Young's FY24 audit opinion includes reference to a material uncertainty related to going concern but, ultimately, Ernst & Young noted that their audit opinion is not modified in respect of this matter.

5.4.1 Statements of profit or loss and other comprehensive income

Table 5.7 summarises the consolidated statement of profit or loss and other comprehensive income of Xanadu for the 12 month periods ended 31 December 2021, 2022, 2023 and 2024.

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Table 5.7: Xanadu's consolidated statement of profit or loss and other comprehensive income

AUD ($'000)	Ref	12 Months Ended 31 December 2021 Audited	12 Months Ended 31 December 2022 Audited	12 Months Ended 31 December 2023 Audited	12 Months Ended 31 December 2024 Audited
Gain on de-consolidation of subsidiary	A	-	-	1,155	-
Other income	B	1	61	3,013	2,836
Total other income		**1**	**61**	**4,168**	**2,836**
Expenses					
Other expenses	C	(3,450)	(4,483)	(7,670)	(6,297)
Share based payment expense	D	(815)	(397)	(1,523)	(1,491)
Exploration and evaluation		-	-	-	(57)
Depreciation and amortisation expenses		(55)	(69)	(64)	(75)
Finance costs		(35)	(36)	(77)	(30)
Loss on disposal of assets		-	-	-	(59)
Share of loss of a JV	E	-	-	(2,412)	(1,803)
Impairment of exploration and evaluation assets	F	(4,637)	-	-	-
Loss before income tax expense from continuing operations		**(8,991)**	**(4,924)**	**(7,578)**	**(6,976)**
Income tax expense		-	-	-	-
Loss after income tax expense from continuing operations		**(8,991)**	**(4,924)**	**(7,578)**	**(6,976)**
Loss after income tax expense from discontinued operations	G	(127)	(167)	-	-
Loss after income tax expense for the year		**(9,118)**	**(5,091)**	**(7,578)**	**(6,976)**
Other comprehensive income					
Foreign currency translation		2,681	(5,378)	(329)	263
Foreign currency translation reclassified to profit or loss	A			12,508	-
Share of other comprehensive loss of a JV	E			(18)	4,198
Other comprehensive income for the year, net of tax		**2,681**	**(5,378)**	**12,161**	**4,461**
Total comprehensive income for the year		**(6,437)**	**(10,469)**	**4,583**	**(2,515)**

Source: Xanadu Annual Reports FY22, FY23 and FY24

Notes to Table 5.7

A

- In FY22, Xanadu entered into a series of agreements with Zijin to issue new shares, increasing Zijin's ownership in Khuiten, the owner of Xanadu's Kharmagtai Project, to 50%. The transaction was completed on 10 March 2023, following regulatory approval. Upon completion, Xanadu de-consolidated Khuiten, recognising a gain of AU$1.2 million in FY23. This gain represents the difference between the fair value of the consideration received, the fair value of the retained interest, and the carrying value of the net assets derecognised.
- As part of the de-consolidation in FY23, AU$12.5 million previously recognised in the foreign currency translation reserve was reclassified to profit and loss. This adjustment reflects the transfer of accumulated foreign exchange differences, previously recorded in equity, to the income statement upon the disposal of the subsidiary.
- The gain on de-consolidation and the reclassification of foreign currency reserves significantly impacted Xanadu's FY23 total comprehensive income.

B

- Other income includes operator overhead, rental income, interest income, and net gains on the disposal of property, plant, and equipment.
- In FY23, with the inception of the Khuiten JV, Xanadu began receiving operator overhead and rental income. These were the primary components of other income, totalling AU$3.0 million in FY23 and AU$2.8 million FY24. This income reflected Xanadu's role as operator of the Khuiten JV and covers costs associated with the motor vehicle fleet used for the project.
- Under the terms of the Khuiten JV agreement, the operator is entitled to recover overhead costs incurred. Xanadu managed the Khuiten JV from its inception until 10 September 2024, when the transition of operatorship to Zijin commenced. From this date, Xanadu will no longer be entitled to operator overhead recoveries.

C

- Other expenses include administration expenses, wages and management fees, consulting fees, and net foreign currency gains and losses.
- Other expenses increased from AU$3.5 million in FY21 to AU$7.7 million in FY23, primarily as FY23 incurred extra costs in relation to the Khuiten JV transaction and promotion, including legal, marketing, audit and mining conference expenses.

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D

- The share-based payments expense relates to the issuance of unlisted options to key management personnel as part of remuneration packages.
- The Xanadu Equity Incentive 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 Xanadu 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 Xanadu Board. The options were granted in the period from 2021 to 2024.
- In FY23, 85.5 million options were granted, 4.6 million exercised, and 3.0 million expired, leaving a total of 124.9 million options outstanding. The share-based payment expense increased significantly, rising from AU$0.4 million in FY22 to AU$1.5 million in FY24, driven by the additional options issued to management.

E

- In FY23, following the transaction with Zijin, Xanadu lost control of Khuiten. From 10 March 2023, Xanadu's remaining 50% interest in Khuiten has been accounted for using the equity method in the consolidated financial statements.
- The share of other comprehensive loss from the Khuiten JV reflects the foreign currency translation gain or loss recognised for the Khuiten JV.

F

- In FY21, an impairment loss of Exploration and Evaluation ('E&E') assets for AU$4.6 million was recognised. This impairment related to the Red Mountain exploration asset and was triggered by the exit of the Japan Oil Gas and Metals National Corporation ('JOGMEC') from a joint exploration agreement.

G

- Xanadu classified the assets and liabilities of Khuiten as held for sale at 31 December 2022, with the transaction completing on 10 March 2023. This classification reflects that the disposal of Khuiten represents the divestment of a separate major line of business for Xanadu, significantly altering the composition of the Group's operations.
- The transaction resulted in Khuiten being treated as a discontinued operation in the consolidated financial statements, as it constitutes a distinct and significant component of Xanadu that has been disposed of.

5.4.2 Statements of financial position

Table 5.8 summarises Xanadu's statements of financial position as at 31 December 2021, 2022, 2023 and 2024.

Table 5.8: Xanadu's summarised consolidated statements of financial position

AUD ($'000)	Ref	As at 31 December 2021 Audited	As at 31 December 2022 Audited	As at 31 December 2023 Audited	As at 31 December 2024 Audited
Current assets					
Cash and cash equivalents	A	3,321	61	7,324	6,162
Other receivables		86	52	506	182
Prepayments and other assets		15	-	-	-
Assets of disposal groups classified as held for sale	B	-	42,803	-	-
Total current assets		**3,422**	**42,916**	**7,830**	**6,344**
Non-current assets					
Investments accounted for using the equity method	B	-	-	50,608	54,958
Deposit		-	-	-	254
Property, plant and equipment		559	84	212	151
Right-of-use assets		323	401	271	339
Deferred exploration and evaluation expenditure	C	50,328	6,975	7,193	9,273
Total non-current assets		**51,210**	**7,460**	**58,284**	**64,975**
Total assets		**54,632**	**50,376**	**66,114**	**71,319**
Current liabilities					
Trade and other payables	D	253	95	1,481	989
Employee benefits		9	17	107	194
Lease liabilities		40	67	61	80
Liabilities directly associated with assets of disposal groups classified as held for sale	B	-	32	-	-
Total current liabilities		**302**	**211**	**1,649**	**1,263**
Non-current liabilities					
Employee benefits		-	-	62	30
Lease liabilities		192	256	134	171
Total non-current liabilities		**192**	**256**	**196**	**201**

AUD ($'000)	Ref	As at 31 December 2021 Audited	As at 31 December 2022 Audited	As at 31 December 2023 Audited	As at 31 December 2024 Audited
Total liabilities		**494**	**467**	**1,845**	**1,464**
Net assets		**54,138**	**49,909**	**64,269**	**69,855**
Equity					
Issued capital		145,659	151,671	163,083	169,693
Reserves	B	(3,580)	(8,431)	5,334	11,286
Accumulated losses		(92,005)	(96,570)	(104,148)	(111,124)
Non-controlling interest	B	4,064	3,239	-	-
Total equity		**54,138**	**49,909**	**64,269**	**69,855**

Source: Xanadu Annual Reports FY22, FY23 and FY24

Notes to Table 5.8

A

- Cash and cash equivalents increased between FY21 and FY23 due to the issue of new capital. However, In FY24 cash and cash equivalents decreased due to operational funding requirements. Section 5.4 details Management's basis for assessing Xanadu as a going concern, including funding options and cost management strategies. Ernst & Young considered these factors and did not modify their review conclusion despite noting a material uncertainty.

B

- In FY22, Xanadu entered into a series of agreements with Zijin to issue new shares, increasing Zijin's ownership in Khuiten to 50%.
- As of 31 December 2022, Xanadu reclassified AU$42.8 million of assets, AU$32k of liabilities, AU$11.7 million in foreign currency translation reserves, and AU$3.2 million in non-controlling interest related to Khuiten as held for sale.
- In FY23, following the transaction with Zijin, Xanadu lost control of Khuiten. From 10 March 2023, Xanadu's remaining 50% interest in Khuiten has been accounted for using the equity method in the consolidated financial statements. As set out in the table above, Xanadu's 50% share in the Khuiten JV was initially recognised at a value of approximately AU$50 million.

C

- Xanadu capitalises E&E expenditure as an asset when tenure rights are current, and recovery is expected through successful development, sale, or ongoing exploration. If significant uncertainty arises about recoverability, the asset is impaired in the year the decision is made.
- In FY21, an impairment of AU$4.6 million was recognised for the Red Mountain project, triggered by the exit of JOGMEC from a joint exploration agreement.
- In FY22, the deferred E&E for Khuiten was recognised as held for sale, as mentioned in point B. Following the transaction with Zijin, Xanadu ceased consolidating E&E costs, instead accounting for Khuiten JV results through the equity method. Deferred E&E expenditure beyond this period reflects Red Mountain only.
- As of FY24, capitalised Red Mountain and Sant Tolgui expenditure, net of AU$6.0 million in accumulated impairments, totalled AU$9.3 million. Impairments were recognised in Mongolian currency and vary with the exchange rate.

D

- Trade and other payables consist of trade payables, accrued expenses, and other payables. These liabilities are non-interest-bearing and are typically settled within 30 days.
- Between FY21 and FY24, Xanadu's trade and other payables fluctuated, notably in FY23 to AU$1.5 million, decreasing to AU$1.0 million in FY24.

5.4.3 Statements of cash flows

Table 5.9 summarises Xanadu's Statement of Cash Flows for the 12 month periods ended 31 December 2021, 2022, 2023 and 2024.

Table 5.9: Xanadu's summarised consolidated statements of cash flows

AUD ($'000)	Ref	12 Months Ended 31 December 2021 Audited	12 Months Ended 31 December 2022 Audited	12 Months Ended 31 December 2023 Audited	12 Months Ended 31 December 2024 Audited
Cash flows from operating activities					
Payments to suppliers and employees	A	(3,618)	(4,761)	(6,672)	(6,299)
Receipts from JV	B	-	-	3,004	2,714
Interest received		1	41	9	122
Interest and other finance costs paid		(35)	(44)	(77)	(30)
Net cash used in operating activities		**(3,652)**	**(4,764)**	**(3,736)**	**(3,493)**
Cash flows from investing activities					
Payments for property, plant and equipment		(422)	(9)	(66)	(2)
Payments for exploration and evaluation expenditure	C	(9,529)	(3,772)	(220)	(1,972)

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AUD ($'000)	Ref	12 Months Ended 31 December 2021 Audited	12 Months Ended 31 December 2022 Audited	12 Months Ended 31 December 2023 Audited	12 Months Ended 31 December 2024 Audited
Payments for exploration and evaluation on behalf of JOGMEC	D	(2,082)	-	-	-
Proceeds from JOGMEC Red Mtn earn-in payments	D	1,776	-	-	-
Proceeds from JOGMEC Red Mtn option payments capitalised	D	162	-	-	-
Payments for investments - Khuiten Metals JV		-	-	-	(1,955)
Payments for St Tolgio Farm-in Agreement		-	-	-	(254)
Proceeds from disposal of property, plant and equipment		-	33	-	-
Payments for additional investment in subsidiary		(477)	-	-	-
Net cash used in investing activities		**(10,572)**	**(3,748)**	**(286)**	**(4,183)**
Cash flows from financing activities					
Net Proceeds from issue of shares	E	9,531	5,560	11,412	6,610
Repayment of lease liabilities		(49)	(50)	(127)	(96)
Net cash used in financing activities		**9,482**	**5,510**	**11,285**	**6,514**
Net decrease in cash and cash equivalents	F	**(4,742)**	**(3,002)**	**7,263**	**(1,162)**
Cash and cash equivalents at the beginning of the financial year		7,687	3,321	61	7,324
Effects of exchange rate changes on cash and cash equivalents		376	(201)	-	-
Cash and cash equivalents at the end of the financial year		**3,321**	**118**	**7,324**	**6,162**

Source: Xanadu Annual Reports FY22, FY23 and FY24

Notes to Table 5.9

A

- Xanadu has consistently had cash outflows from operations, as payments to suppliers and employees exceed income generated, which is typical for a mining explorer. Section 6.5 details Management's basis for assessing Xanadu as a going concern, including funding options and cost management strategies. Ernst & Young considered these factors and did not modify their review conclusion despite noting a material uncertainty.

B

- Receipts from the Khuiten JV were AU$3.0 million in FY23 and AU$2.7 million in FY24, representing operator overhead and rental income.

C

- In FY22, Xanadu recorded E&E outflows of AU$3.8 million, with AU$2.8 million allocated to Kharmagtai and AU$1.0 million to Red Mountain.
- The reduction in outflows from FY23 to FY24 is due to the Khuiten JV being accounted for under the equity method.
- In FY23, cash outflows were directed to other exploration and development, with AU$0.2 million in FY23 and AU$2.0 million in FY24. Exploration was limited in FY23 due to operational reasons, with activities set to resume in FY24.

D

- In March 2020, Xanadu entered into an earn-in agreement with JOGMEC to fund up to AU$7.1 million in exploration over four years for a 51% interest in the Red Mountain project. The agreement was terminated in November 2021 before the earn-in conditions were met.
- In FY21, cash flows included payments for exploration expenditure on behalf of JOGMEC, along with proceeds received from JOGMEC.

E

- In FY21, Xanadu raised AU$9.5 million (net of costs) by issuing 163.8 million shares at AU6.2 cents per share.
- In FY22, Xanadu raised AU$5.6 million by issuing 139.0 million shares to Zijin at AU4.0 cents per share under Phase 1 of the investment agreement.
- In FY23, Xanadu raised AU$11.4 million (net of costs) through two equity placements and Phase 2 of the Zijin agreement, issuing 284.0 million shares.
- In FY24, Xanadu raised AU$6.6 million by issuing 115.2 million shares at AU5.5 cents per share.

F

- Between FY21 and FY24, Xanadu operated with net cash outflows from operating and investing activities. These outflows were funded through share issuances in each period.

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6.0 Industry Overview

Xanadu's largest asset is its economic ownership of 38.25% of the Kharmagtai copper-gold project. This section is an overview of the copper and gold industry globally.

The information presented in this section has been compiled from a range of publicly available sources, together with information taken from various databases to which we subscribe. BDOCF has not independently verified any of the information and we recommend that users of this Report refer to the original source of any information listed in this section. This section should be referred to as a guide only.

6.1 Copper

6.1.1 Overview

Copper is a soft, malleable, ductile metal used primarily for its electrical and thermal conductive properties and corrosion resistance. After iron and aluminium, it is the third most consumed industrial metal worldwide.[5] Similar to other metals, primary production is the output from ores, and secondary production is produced from recycled scrap. Copper is one of the most recycled metals because recycling extends the efficiency of use, resulting in energy savings and contributing to a sustainable source of metal for future generations.[6] Further, the metal is one of the few raw materials which can be recycled repeatedly without any loss of performance; primary and secondary copper can be used interchangeably.[7]

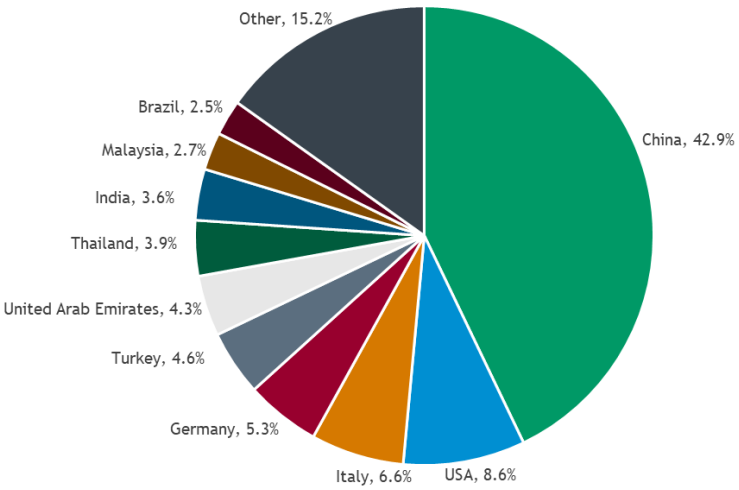
Copper is highly versatile with various applications across many industries, including construction, communication, equipment, transport and infrastructure. Due to its ability to conduct heat and electricity, it is widely used in electronic devices and electrical wiring. For example, renewable energy sources such as solar, wind, geothermal, fuel cells and other technologies are all heavily reliant on copper due to its excellent conductivity.[8] Another use of copper is in the semiconductor industry where it is used for circuitry in silicon chips. Not only are copper wires more durable and reliable, but they also conduct electricity with about 40% less resistance than aluminium wires – resulting in an additional 15% burst in microprocessor speed.[9]

6.1.2 Global Demand for Copper

According to statistics from the International Copper Study Group ('ICSG'), global usage of refined copper grew from approximately 18.6 million tonnes in 2009 to 26.6 million tonnes in 2023.[10] This growth in demand is expected to be supported by existing uses for its transmission of electricity such as in industries involving construction and electronics. Other factors that will drive demand are population growth, product innovation and economic development. McKinsey & Company forecasts that annual copper demand will grow to 36.6 million metric tonnes by 2031.[11]

Figure 6.1 set out below shows the distribution of total refined copper imports in 2023. China dominates as the largest importer, bringing in over US$32.2 billion worth of refined copper. The United States follows with US$6.8 billion, and Italy ranks third at US$5.2 billion. The remaining countries collectively account for 42% of the total imports.

Figure 6.1: Percentage share of total refined copper imports in 2023[12]



Source: Trend Economy

[5] *"Copper Statistics and Information", U.S. Geological Survey*
[6] *"Copper Recycling", International Copper Study Group 2024*
[7] *"Copper Recycling", International Copper Association 2022*
[8] *"Mineral requirements for clean energy transitions", International Energy Agency 2021*
[9] *"Copper interconnects", IBM*
[10] *"The World Copper Factbook 2024", International Copper Study Group, 2024*
[11] *"Bridging the copper supply gap", McKinsey & Company, 17 February 2023*
[12] *"Refined Copper Imports and Exports 2023", Trend Economy, 7 November 2024*

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6.1.3 Global Supply for Copper

According to the US Geological Survey, the global mine production of copper has increased from 15.9 million tonnes in 2010 to 22.4 million tonnes in 2023. The ratio between production and capacity is called the capacity utilisation rate and in 2023, the global copper mining capacity utilisation rate was around 81.4%. This implies a total copper mining capacity of 27.5 million tonnes, which is estimated to increase by 1.7% in 2024 and 3.5% in 2025.[13]

The oceans represent around 70% of the world's surface, and the ocean floor is believed to contain important mineral resources, including copper.[14] In order to meet increasing copper demand, seafloor deposits could represent an important opportunity for additional supply. However, the challenge is to be able to extract these ores while respecting all environmental standards and turning them into sustainable operations.

Table 6.1 below shows the breakdown of global mined copper production by the top six countries in 2022, recent trends in their production from 2022, and their forecasted production for 2023. In 2022, Chile was the largest producer, accounting for 24% of all mined copper production worldwide, followed by Peru, which accounted for 11%. Copper production in Congo has ramped up due to investment from Chinese companies, with a further $7 billion of investment from Chinese construction companies expected in Congo as a part of copper mines.[15]

Table 6.1: Global mined production

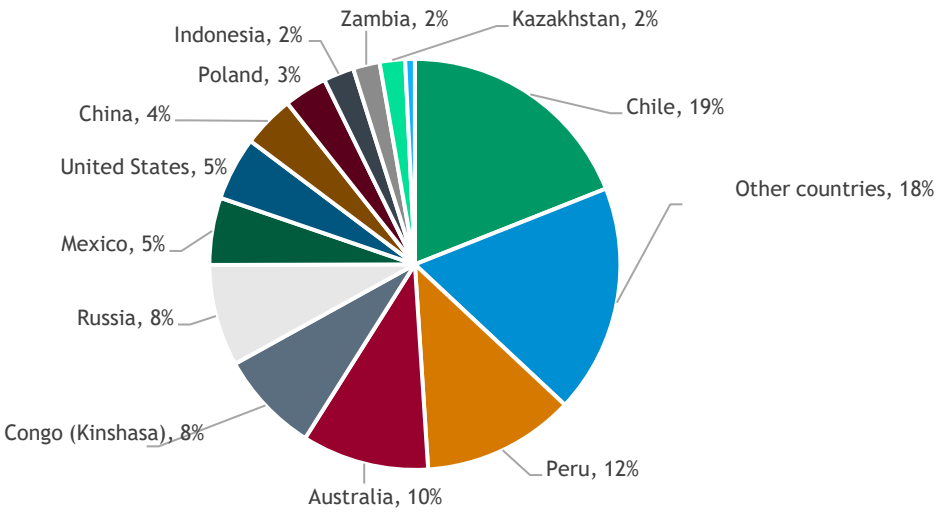
'000 tonnes	2020	2021	2022	2023 (estimate)	CAGR (%)
Chile	5,730	5,620	5,330	5,000	-3.35%
Peru	2,150	2,300	2,450	2,600	4.87%
China	1,720	1,910	1,940	1,700	-0.29%
Congo (Kinshasa)	1,600	1,740	2,350	2,500	11.80%
United States	1,200	1,230	1,230	1,100	-2.15%
Australia	885	813	819	810	-2.19%
Other countries	7,271	7,587	7,781	8,290	3.33%
World total (rounded)	**20,600**	**21,200**	**21,900**	**22,000**	**1.66%**

Source: US Geological Survey

In the 2024 Copper Mineral Commodity Summary by the Geological Survey, global copper reserves are estimated to total 1 billion metric tonnes. A 2015 survey estimated that undiscovered resources contained an estimated 3.5 billion tons. Collectively, Chile, Australia and Peru account for 42% of the global reserves.

The distribution of known reserves is depicted graphically in Figure 6.2 below.

Figure 6.2: Distribution of known copper reserves



Source: US Geological Survey, Mineral Commodities Summaries 2024

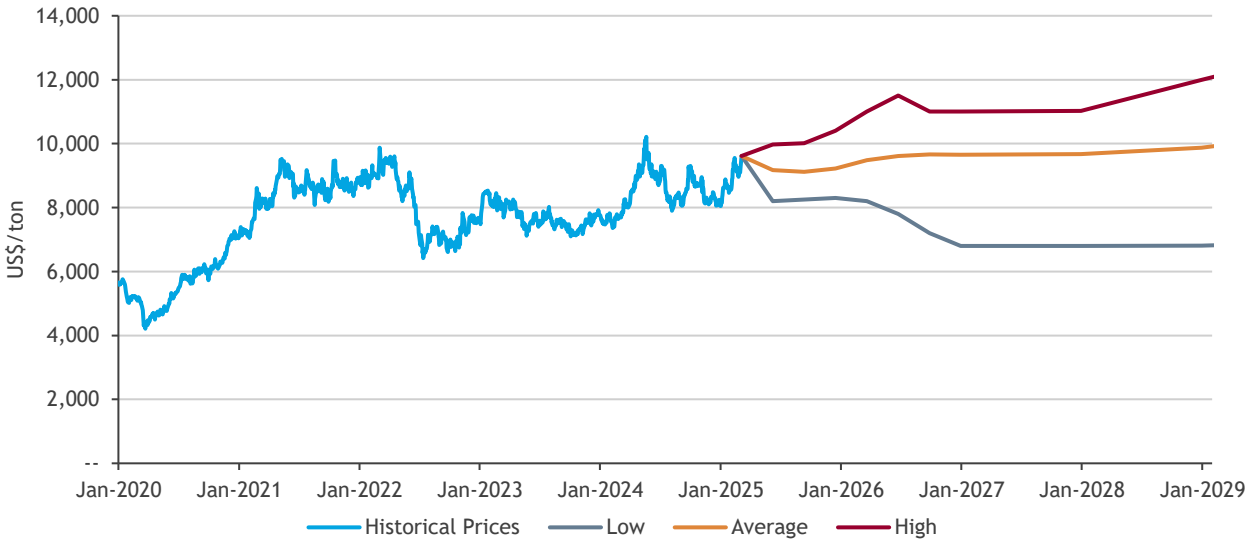
[13] *"Copper Market Forecast 2023/2025", International Copper Study Group, 26 September 2024*
[14] *"An Overview of Seabed Mining Including the Current State of Development, Environmental Impacts, and Knowledge Gaps", K.Miller et.al 2017*
[15] *"Chinese companies to invest up to $7 billion in Congo mining infrastructure", Reuters, 28 January 2024*

6.1.4 Copper Prices

A COVID-19 induced economic slowdown decreased the global copper price to a 3-year low in late March 2020. Between this low and April of 2021, prices recovered quickly, supported by improving economic conditions and the ongoing Russia-Ukraine conflict. Throughout 2022, copper prices declined significantly, driven by a decline in demand from China due to the Chinese zero-COVID policy and high inflation rates within the US. In 2023, the price of copper rebounded due to a swell of green manufacturing and a supply shortage of 178,000 tonnes[16]. In 2024, copper prices reached record highs with The Commodity Exchange ('COMEX') price climbing to US$5.11 per pound in Q2, driven by increased demand from sectors tied to the energy transition and expectations of tightening supply.

Figure 6.3 below shows the historical trading price for copper in the last 5 years based on the quoted price on the COMEX in USD per pound, as well as the forecasted spot price of copper to 2029 (in nominal terms, free on board).

Figure 6.3: Historical and forecast copper prices and Consensus Economics forecast prices (in nominal terms)



Source: Capital IQ - High Grade Copper (COMEX) (2 January 2020 to 6 March 2025), Consensus Economics April 2025 (Survey Date: 17 April 2025), BDOCF analysis

6.1.5 Copper Outlook

Global demand for copper is expected to increase due to the development of renewable energy infrastructure and increased uptake of electric vehicles, two areas that require greater copper volumes than their fossil fuel counterparts.[17] In November 2023, Mongolia's Minister of Mining and Heavy Industries, Ganbaatar Jambal, stated that the country is currently exporting about 1.4 million tonnes of copper concentrate annually, with the potential to increase this to 2 to 2.5 million tonnes in the future.[18] The ICSG also expects sustained growth in copper demand as it remains an essential commodity to economic activity, particularly in today's technological society. This is because copper is the most widely used metal in energy generation, transmission infrastructure, and energy storage.[19]

6.1.6 Chinese Market

China has significant reliance on imported copper with 70% of their total copper sourced from overseas resources according to a Reuters report from November 2024.[20] According to a 2024 report by Wood Mackenzie, China's total copper mine output, including overseas mining assets, accounts for just 20% of global copper production. This is significantly lower than the country's share of global demand, which stands at 50%.[21] Further to this, Chinese mining enterprises have increasingly turned to overseas markets to secure near-production or at-production projects. This shift has been driven by an unexpected supply deficit in early 2024 and limited domestic resource availability.[22]

[16] *"Review of important factors affecting the copper market in 2023", Shanghai Metals Market, 10 January 2024*
[17] *"Copper Ore Mining in Australia", IBIS World 2023*
[18] *"Interview, Ganbaatar Jambal", Global Business Reports, 27 November 2023*
[19] *"Copper Market Forecast 2023/2024", International Copper Study Group 2023*
[20] "China should use more aluminium and recycled copper, industry says" Reuters, 13 November 2024
[21] "Securing copper supply, no China, no energy transition" Wood Machenzie, August 2024
[22] "China Copper seeks to acquire overseas mines amid tight supply, chairman says" Mining.com, 11 March 2024

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6.2 Gold

6.2.1 Overview

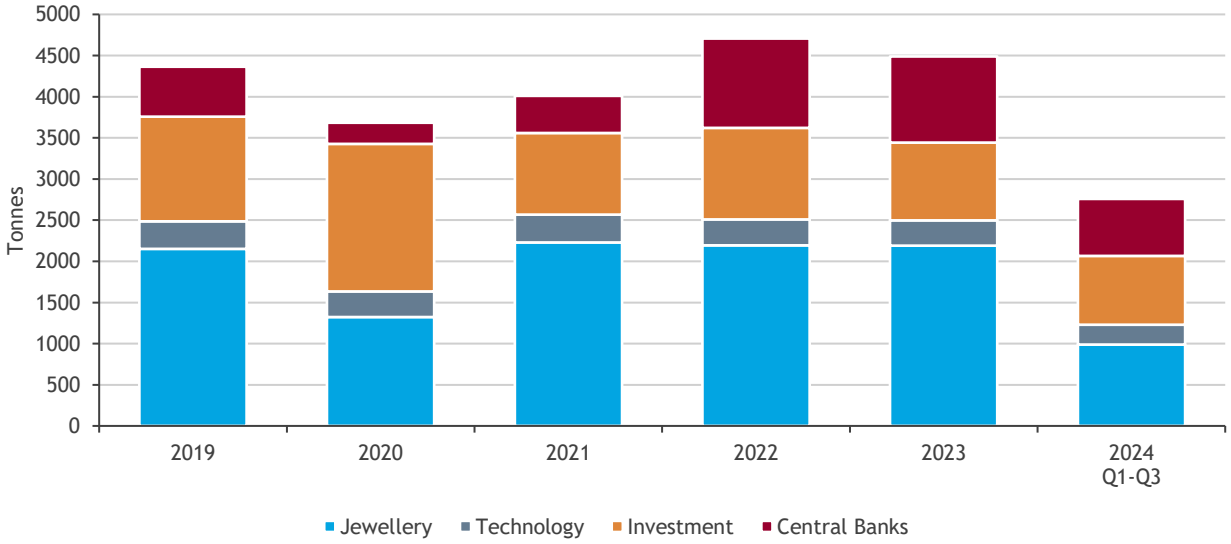
Gold is a ductile and malleable precious metal that provides a sustainable store of value because it does not corrode. The metal has been primarily used as money for exchange, as a store of value, and for valuable jewellery and other artefacts. Due to its properties, there are also many other uses. For example, its ability to conduct heat and electricity makes it highly suitable in modern electronics. Its resilience to corrosion makes it ideal as a coating for contacts and connections in electrical circuits. Further, its durability and non-toxic state make it a material of choice for implants in medicine and dentistry. Today, most of the world's gold is mined from large open-cut pits or extensive underground operations.

6.2.2 Global Demand for Gold

Ongoing demand for gold is derived from four core sectors: jewellery, investment, reserves, and technology. Technology is a growing segment and is closely related to advances in electronics and sensors including smartphones, nanotechnology, and drugs.

Figure 6.4 set out below illustrates the breakdown of global gold demand by sector from 2019 to Q3 2024. Between 2019 and Q3 2024, demand patterns across these sectors have shown notable shifts. Demand from central banks has increased in recent years, due to economic uncertainties and diversification strategies.

Figure 6.4: Breakdown of demand by sector



Source: World Gold Council

As gold carries no credit or counterparty risks, it is one of the most crucial reserve assets worldwide because it serves as a source of trust in a country and in all economic environments. Currently, central banks hold approximately 35,500 metric tons of the metal – about a fifth of all the gold ever mined.[23] One of gold's primary roles for central banks is to diversify their reserves since a nation's currency can swing in value depending on the perceived strength or weakness of the underlying economy.

6.2.3 Global Supply for Gold

Mine production accounts for approximately three-quarters of the gold supply each year with the remainder from recycling.[24] Due to the size and magnitude of mining operations, gold producing mines are slow to respond to commodity price changes. On the other hand, recycling is highly responsive to changes in price and economic shocks, 90% of recycled gold is made up from jewellery with the remainder being accounted for from technology.[25] The top five producers of gold are China, Australia, Russia, United States and Canada.[26]

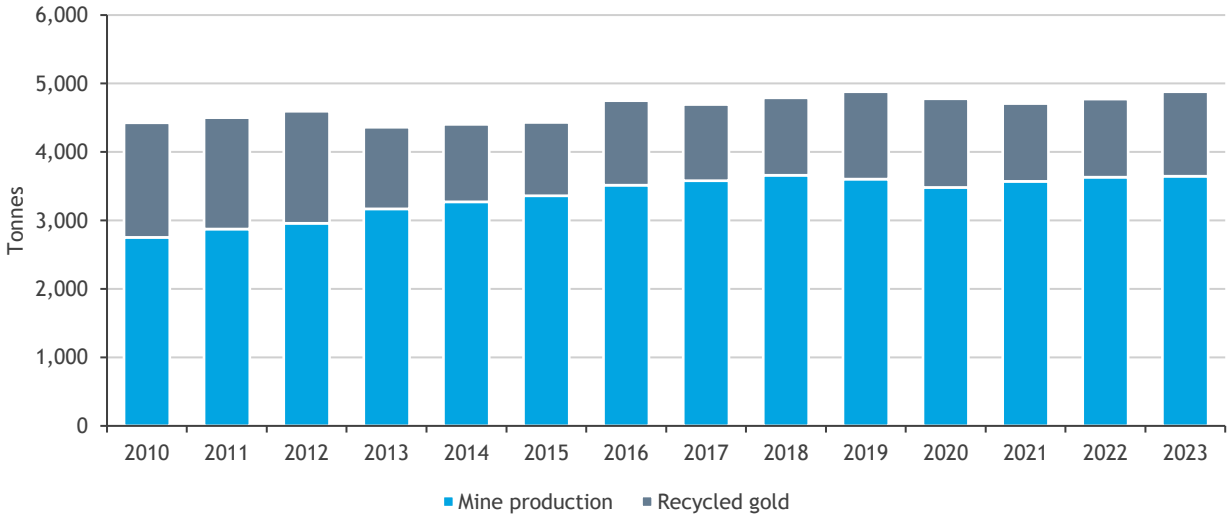
Figure 6.5 illustrates the supply of gold from mine production and recycled gold from 2013 to 2023.

[23] *"Central Banks Gold Reserves by Country", World Gold Council, 4 December 2024*
[24] *"Historical demand and supply", World Gold Council, 30 October 2024*
[25] *"Gold Supply", World Gold Council*
[26] *"Gold", US Geological Survey, January 2024*

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Figure 6.5: Global supply of gold

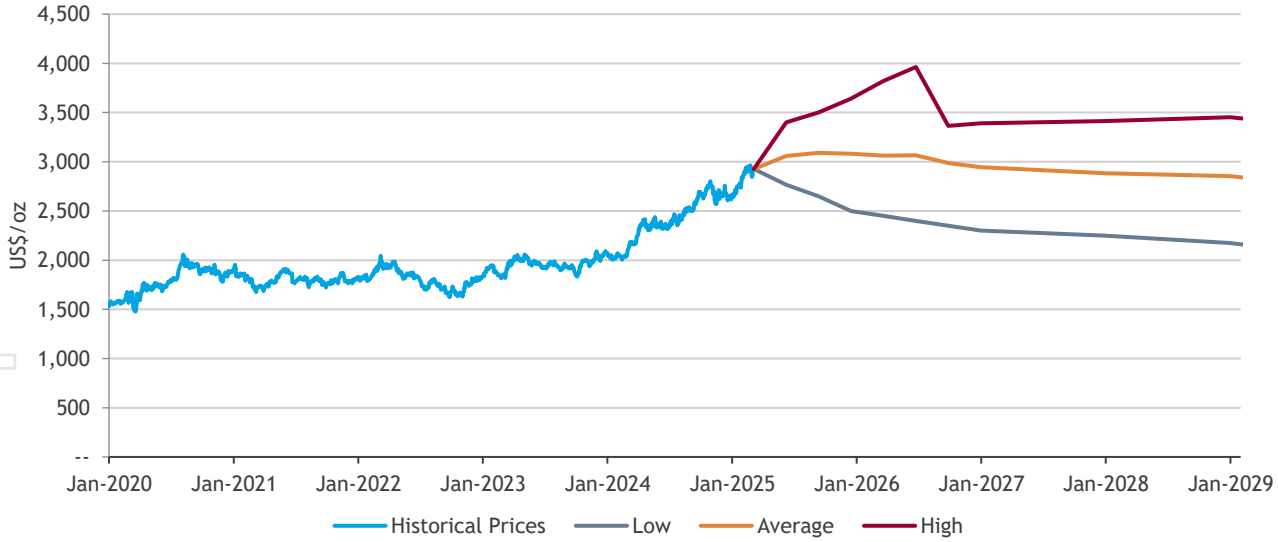


Source: World Gold Council

6.2.4 Gold Prices

Figure 6.6 below shows the historical trading price for gold in the last 5 years based on the quoted price on COMEX in USD per ounce, as well as the forecasted spot price of gold to 2028 (in nominal terms, free on board). We note that the ongoing impacts of the COVID-19 pandemic, coupled with persistent global inflationary pressures and the prolonged Russia-Ukraine conflict, have sustained high demand for gold, pushing prices to record levels in the years following 2020. Additionally, central bank purchases and fluctuating interest rate environments have further influenced price dynamics through to 2024.

Figure 6.6: Historical gold prices and Consensus Economics forecast prices (in nominal terms)



Source: Capital IQ - Gold (COMEX) (2 January 2020 to 6 March 2025), Consensus Economics April 2025 (Survey Date: 17 April 2025), BDOCF analysis

6.2.5 Gold Outlook

Movements in gold are typically correlated with economic downturns. Generally, there will always be demand for safe-haven assets, but during times of economic expansion, gold prices generally will decrease. Further, long-term gold price forecasts are often unpredictable because several factors need to be considered, such as mining supply or geopolitical tensions.

Gold is likely to remain an essential part of central bank reserves worldwide which can assist put a floor on prices while growing affluence in China is also likely to support demand. Despite the risk that changes in the global economy can cause short-term gold fluctuations, gold is forecasted to maintain its reputation as a portable store of value throughout Asia and other parts of the world.[27]

[27] *"Gold Ore Mining in Australia", IBIS World, November 2024*

7.0 Common Valuation Methodologies

7.1 Overview

RG 111 states that an expert should use its skill and judgment to select the most appropriate methodology or methodologies. The expert must have a reasonable (or tenable) basis for choosing its valuation methodologies. However, RG 111 does not prescribe which methodology should be used by the expert, but rather notes that the decision lies with the expert based on the expert's skill and judgement and after considering the unique circumstances of the securities or assets being valued.

For the purposes of this Report we have had regard to the International Valuation Standards published by the International Valuation Standards Council ('IVSC').

There are three overarching valuation methodologies described by the IVSC as follows:

- Income approach methods
- Market approach methods
- Cost approach methods.

7.2 Basis of value

The basis of valuation we have adopted is 'market value'. Market value is defined by the IVSC as:

"…the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

The valuation work set out in this Report assumes this relationship.

7.3 Income approach

7.3.1 Discounted cash flow ('DCF') method

The DCF method is widely used in cases where future cash flows, while uncertain, can be reasonably forecast based on available data, industry trends, or strategic projections. This approach is particularly applicable when an asset or business may experience initial cash outflows (e.g. during development or expansion phases) with anticipated positive cash flows in later years as it matures or achieves commercialisation. The DCF method captures these varying cash flow profiles by discounting projected future cash flows to present value, enabling a comprehensive valuation of entities with both stable and dynamic cash flow expectations.

The DCF method involves several key steps:

- Select the appropriate type of cash flow (e.g., pre-tax or post-tax, total cash flows or cash flows to equity, real or nominal) based on the nature of the subject asset.
- Determine the explicit forecast period, if applicable, over which cash flows will be projected. For assets at a stabilised level of growth and profits at the valuation date, an explicit forecast period may not be necessary, and a terminal value alone may form the basis of value (sometimes referred to as an income capitalisation method).
- Prepare cash flow projections for the explicit forecast period, aligning them with the asset's expected economic and operational performance.
- Calculate the terminal value, if appropriate, based on the asset's residual value or long-term growth rate beyond the forecast period.
- Determine the discount rate to reflect investor expectations of return, taking into account the specific risk characteristics of future cash flows and financing costs.
- Discount the projected cash flows and terminal value to present value using the selected discount rate.
- Adjust for non-operating assets or liabilities to ensure the final valuation reflects the entity's full financial position.

7.4 Market approach

7.4.1 Guideline comparable method

The guideline comparable method is a common market approach that values an asset by reference to market-based metrics from comparable companies or transactions. This method is particularly applicable when there is reliable data on similar businesses or transactions in the relevant market.

The guideline comparable method involves several key steps:

- Identify relevant valuation metrics or comparable evidence that reflect how participants in the market value similar assets. Common metrics in business valuation include revenue, Earnings Before Interest, Taxes, Depreciation and Amortisation ('EBITDA'), Earnings Before Interest and Taxes ('EBIT'), net profit after tax ('NPAT'), and book values, with the choice depending on the industry and characteristics of the business.

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- Select comparable publicly traded companies and relevant transactions, calculating key valuation metrics for each. When limited comparable information exists, we may also consider prices of similar businesses listed or offered for sale.
- Conduct a comparative analysis of qualitative and quantitative similarities and differences between the selected comparable companies and the subject asset to identify relevant adjustments.
- Make necessary adjustments to valuation metrics, if required, to account for differences between the subject asset and comparable companies (e.g. size, growth prospects, or risk profile).
- Apply the adjusted valuation metrics to the subject asset to arrive at an estimated value.

Additional adjustments may be appropriate to reflect differences between actual historical cash flows and those expected by a buyer on the valuation date.

Where earnings-based metrics (e.g. EBIT or EBITDA) are used for comparison, this is often referred to as the capitalisation of maintainable earnings ('CME') method.

7.4.2 Share transactions

The share transactions approach values an entity based on recent transactions of its securities, providing an indication of market value when transaction data is available. This approach is particularly relevant in the following scenarios:

- For publicly traded entities, where share prices on an exchange can indicate market value, provided there is sufficient trading volume and a consistent trading history over time; and/or
- For entities with recent share issuances, such as rights issues or private placements, which can provide insight into the entity's perceived value.

Share market prices typically reflect transactions for minority interests and may not incorporate a premium for control.

7.4.3 Industry specific metrics

Industry-specific valuation metrics can be relevant when market participants commonly rely on alternative measures of value specific to the industry. For resource companies, it is common for market analysts to have regard to multiples related to resources and tenement size.

7.5 Cost based method

7.5.1 Replacement cost method

The replacement cost method values an asset based on the economic principle that a buyer would pay no more than the cost to acquire an asset with equivalent utility, either by purchase or by construction, assuming no undue time, inconvenience, or risk factors. This method calculates value by estimating the current replacement or reproduction cost of an asset and deducting allowances for physical deterioration and any other relevant forms of obsolescence.

The key steps in the replacement cost method are:

- Calculate all costs that a typical participant would incur to create or acquire an asset with equivalent utility.
- Assess depreciation due to physical, functional, or external obsolescence associated with the subject asset.
- Deduct total depreciation from the replacement cost to determine the asset's value.

When the replacement cost method is applied based on the book value of an entity's assets, it is often referred to as an asset based valuation ('ABV') methodology.

7.5.2 Summation method

The summation method is useful for valuing entities whose overall value primarily depends on the individual values of different assets at various stages of development, or with different risk profiles.

The key steps in the summation method are:

- Value each component asset within the entity individually, using appropriate valuation approaches and methods for each type of asset.
- Aggregate the values of all component assets to determine the total value of the entity.

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8.0 Valuation of Xanadu

This section sets out our valuation of Xanadu prior to the Offer and is structured as follows:

- Section 8.1 sets out our valuation approach for valuing Xanadu;
- Section 8.2 set out our valuation approach for valuing Xanadu's interest in the Khuiten JV;
- Section 8.3 sets out an overview of the ERM Independent Technical Specialist Report;
- Section 8.4 sets out our cash flow assumptions in relation the Kharmagtai Project;
- Section 8.5 sets out our conversion of the Kharmagtai Project cashflows to the cashflows associated with Xanadu's interest in the Khuiten JV;
- Section 8.6 sets out our valuation of the Khuiten JV cashflows to Xanadu;
- Section 8.7 sets out our valuation of Xanadu's interest in the Khuiten JV;
- Section 8.8 sets out our implied valuation of Xanadu after considering Xanadu's other assets and liabilities;
- Section 8.9 sets out our implied valuation cross check utilising a market-based valuation methodology; and
- Section 8.10 sets out our conclusion for our adopted value of Xanadu.

8.1 Our valuation methodology for valuing Xanadu

8.1.1 Overview

We have considered each of the valuation methodologies outlined in Section 7 above and, in our view, it is appropriate to value Xanadu with reference to the summation method. We consider this method appropriate as Xanadu's value is derived from multiple assets including Xanadu's interest in the Khuiten JV, mineral resources held outside of the Khuiten JV and other assets and liabilities. The summation method provides the flexibility to value each asset having regard to their individual characteristics.

We have then cross checked our valuation using a market-based valuation methodology based on recent share transactions in Xanadu.

Having regard to both our summation valuation and our consideration of the market valuation cross check, we have formed a view on the most appropriate value to adopt for the value of Xanadu.

8.1.2 Summation approach

We have applied the summation method, commonly used for entities where value is primarily derived from individual assets. Under this approach, each of the Xanadu's assets are valued separately on a market value basis, then aggregated to determine a total enterprise value. From this, liabilities and any other adjustments are deducted to derive an equity value.

Table 8.1 below summarises our summation valuation approach.

Table 8.1: Summary of valuation methodologies utilised in our summation valuation

Category	Description
Valuation of Xanadu's interest in Khuiten JV	To determine the value of Xanadu's interest in the Khuiten JV, we have applied a summation valuation methodology. The details of our summation valuation methodology applied to value Xanadu's interest in the Khuiten JV is set out in Section 8.2.
Valuation of Xanadu's mineral resources held outside of the Khuiten JV	We relied on the report provided by the technical expert, ERM Consultants Australia Pty Ltd ('ERM'), to provide a market value for Xanadu's mineral resources held outside of the Khuiten JV.
Valuation of Xanadu's corporate overheads	We have utilised a DCF methodology to value the ongoing liability of Xanadu's corporate overheads.
Valuation of Xanadu's other assets / liabilities	We have valued Xanadu's remaining assets and liabilities utilising a cost-based valuation methodology that makes reference to the book value of each individual item. We consider it standard industry practice to adopt the book value of items like cash and debt as their market value.

Source: BDOCF analysis

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8.1.3 Share transactions valuation cross check

To cross check our valuation of Xanadu utilising the summation methodology, we have considered a valuation approach based on underlying share transactions for Xanadu. In relation to this approach we note:

- This approach is generally possible to complete when there is a readily observable market for the trading of the Company's shares. The shares of Xanadu are listed on the ASX and TSX and it is possible to observe the market price of trades in Xanadu shares prior to date of this Report. An approach based on share transactions generally provides information relating to a valuation of Xanadu shares on a minority interest basis; and
- We consider Xanadu's underlying share trading to be moderately liquid (as discussed in Section 5.3.2).

8.2 Approach to Value Xanadu's interest in the Khuiten JV

To value Xanadu's interest in the Khuiten JV, we have applied the summation method. Our valuation of Xanadu's interest in the Khuiten JV utilising a summation method is one component which feeds into the larger summation valuation of Xanadu.

Table 8.2 below summarises our summation valuation approach for Xanadu's interest in the Khuiten JV.

Table 8.2: Summary of summation valuation of Xanadu's interest in the Khuiten JV

Category	Description
Valuation of Xanadu's share of cash flows from the Khuiten JV	To determine the value of Xanadu's interest in the Khuiten JV, we have applied a DCF valuation methodology, estimating the present value of Xanadu's share of future cash flows from the Khuiten JV. This includes: ▸ Estimating the cash flows attributable to Xanadu, derived from its ownership in the Khuiten JV. We note this ultimately relies on the assumed cash flows from the Kharmagtai Project, which have been calculated based on the assumptions within the life-of-mine ('LOM') pre-feasibility model provided by Management ('the Financial Model'). The assumptions underlying the Financial Model have been confirmed by ERM along with our own internal research; ▸ Adopting an appropriate discount rate, reflecting the appropriate risk-adjusted return for the asset; ▸ Adopting a reasonable valuation range, based on the DCF valuation outcomes; and ▸ Conducting a sensitivity analysis, assessing how key variables (such as discount rates, commodity prices, and cost assumptions) impact the valuation.
Mineral resource outside of the cash flows	We relied on ERM to provide a market value for the mineral resources outside of the cash flow model and added this value to the summation value of Xanadu's interest in the Khuiten JV.
Other assets / liabilities	We have valued Xanadu's proportion of the Khuiten JV's remaining assets and liabilities utilising the book value of each individual item. We consider it standard industry practice to adopt the book value of items like cash and debt as their market value.

Source: BDOCF analysis

We note that the figures and assumptions underlying our valuation of Xanadu's interest in Khuiten JV are all largely set out in USD. As such, we have completed our valuation of Xanadu's interest in the Khuiten JV in USD and subsequently translated the USD value to AUD at the relevant foreign exchange rate.

8.3 Overview of ERM's technical expert report ('ERM Report')

In completing our work, we have had regard to the ERM Report dated 26 May 2025 which, broadly, sets out:

- ERM's view on inputs adopted in the cash flow model provided by Xanadu;
- ERM's view of the appropriate market values of the Kharmagtai Project resources which are excluded from the Financial Model;
- ERM's view of the appropriate market values on the Red Mountain project; and
- ERM's view of the appropriate market values on the Sant Tolgoi project.

Mr Andrew Waltho of ERM supervised ERM's valuation of Xanadu's Kharmagtai, Red Mountain and Sant Tolgoi projects. Mr Andrew Waltho was assisted in completing the ERM Report by various ERM team members. Based on our enquiries and the information provided to us, we regard ERM and the authors of the ERM Report to be *Independent Specialists* as referred to in the code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Specialist Reports ('the VALMIN Code').

Regarding the ERM Report we note the following:

- ERM has prepared the Report in accordance with
  - the VALMIN Code; and
  - the JORC Codes;

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- ERM is independent with respect to Xanadu and confirms that there is no conflict of interest with any party involved in the Offer and neither Xanadu nor any of its personnel involved in the preparation of the ERM Report have any material interest in Xanadu;
- Neither ERM nor the authors of the ERM Report have (or have had previously) any material interest in Xanadu or the properties in which Xanadu has an interest. No member or employee of ERM has (or has had) any material shareholding in Xanadu; and
- The statements and opinions contained in the ERM Report are given in good faith and in the belief that they are not false or misleading.

Based on our enquiries and the information provided to us, we regard ERM to be an independent specialist and in our view, it is appropriate for us to consider the work of ERM in completing this valuation work. ERM understand the purpose of the valuation work set out in this Report.

We confirm that we have been provided with express written consent by ERM to refer to and rely on the ERM Report for the purposes of our valuation work in this Report. We have made reasonable enquiries of ERM and are satisfied that the work and valuations in the ERM Report are suitable for use in this Report. Notwithstanding this, we do not take responsibility for the work of ERM.

Any references to ERM's work set out in this Report are in a summary form only and does not substitute for a complete reading of the ERM Report. Our summary does not include all the information that may be of interest to Non-Associated Shareholders. The ERM Report is attached to this Report as Appendix B. We recommend that Non-Associated Shareholders read the ERM Report in full and in conjunction to this Report and related statements.

8.4 Cashflow assumptions in relation to the Kharmagtai Project

Our cashflow assumptions in relation to the Kharmagtai Project are set out as follows:

- Section 8.4.1 sets out the basis of the Financial Model adopted for the DCF valuation;
- Section 8.4.2 sets out the revenue assumptions of the Financial Model;
- Section 8.4.3 sets out the expenditure assumptions of the Financial Model;
- Section 8.4.4 sets out the other cashflow assumptions within the Financial Model; and
- Section 8.4.5 sets out a summary of the cashflows in relation to the Kharmagtai Project.

8.4.1 Basis of the Financial Model adopted for the DCF valuation

We have been provided with three cash flow models from Management summarising the forecasted LOM cashflows derived from the Kharmagtai Project:

- The Resources Model, which incorporates a production schedule from the estimated mineral resources;
- The Reserves Model, which incorporates a production schedule from the estimated ore reserves; and
- The Simplified Model, prepared by BACCHUS Capital Advisers, to simplify the calculations in the Resources Model.

We used the Simplified Model as the basis for our valuation purposes (previously defined as 'the Financial Model'). The Financial Model estimates the future cash flows expected from production and was prepared based on estimated production profiles, operating costs and capital expenditure. The Financial Model was prepared in real terms (rather than nominal) on a yearly basis. We have discounted all cash flows to mid-year 2025.

We have assessed the reasonableness of the Financial Model provided to us and the material assumptions that underpin it. We have made certain adjustments to the Financial Model where it was considered appropriate.

We undertook the following analysis on the Financial Model:

- Analysed the Financial Model to confirm its integrity and mathematical accuracy (to a material level);
- Appointed ERM as technical expert to review, and where required, provide changes to the technical assumptions underpinning the Financial Model;
- Conducted independent research on certain economic and other inputs such as commodity prices, exchange rates, and the discount rate applicable to the future cashflows; and
- Performed a sensitivity analysis on the value of the Kharmagtai Project by varying selected key assumptions and inputs in isolation.

We have not undertaken a review of the cashflow forecasts in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information* and do not express an opinion on the achievability of the forecast. However, nothing has come to our attention as a result of our procedures to suggest that the assumptions on which the Financial Model has been based have not been prepared on a reasonable basis.

Several of the assumptions adopted in the Financial Model are subjective and may be subject to material change in short periods of time. Changes in these assumptions may have a material impact on the overall value determined in

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this Report. There can be no guarantee that the cashflow forecasts or valuation calculations will remain reliable for any length of time as circumstances are continually changing.

8.4.2 Revenue assumptions of the Financial Model

Production and development timing

The Financial Model initially assumed a total ore mined of 1,262 million tons, including both indicated and inferred resources. In consulting with ERM, we consider it more appropriate to base production assumptions on ore reserves alone. Regarding this, we adopted the production assumptions from the Reserves Model, which assumes a total ore mined of approximately 732 million tons, and incorporated them into the Financial Model. The Financial Model forecasts to commence production in calendar year ('CY') 2028 with a processing rate up to 26.0 million tonnes per annum ('Mtpa') to process the sulphide ore during the first eight years. The production is expected to increase the processing rate to 52.0 Mtpa in CY36 and continue until completion in CY47. The Financial Model also includes processing of oxide ore at a rate of 0.5 Mtpa during the first eight years, with no further oxide production expected beyond CY35.

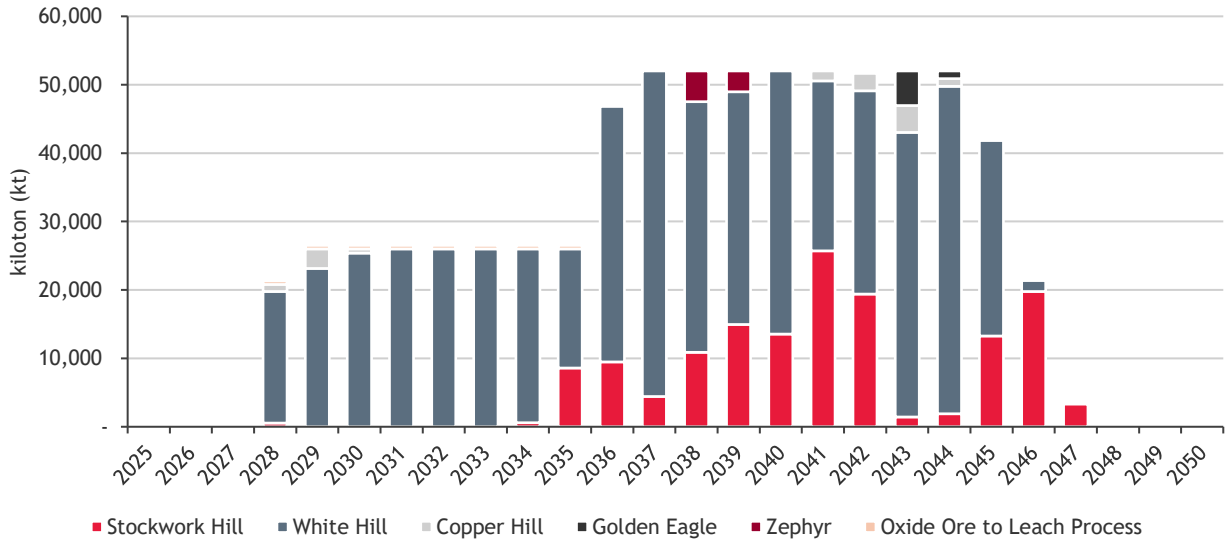
The total ore mined for each deposit is set out below:

- Stockwork Hill is forecasted to produce approximately 233 Mt between CY27 and CY47;
- White Hill is forecasted to produce approximately 447 Mt between CY28 and CY44;
- Copper Hill is forecasted to produce approximately 22 Mt between CY27 and CY45;
- Golden Eagle is forecasted to produce approximately 13 Mt between CY42 and CY44; and
- Zephyr is forecasted to produce approximately 16 Mt between CY38 and CY39.

In addition, a total of 4 Mt oxidised ore is forecasted between CY28 and CY35.

ERM have considered the proposed mining and processing schedule and have not identified any material issues. In line with the mining schedule set out above, the forecast processing production per year is presented in Figure 8.1 below.

Figure 8.1: Forecast ore processed per year



Source: The Financial Model, ERM report

Regarding Figure 8.1, we note that the ore grade varies within each deposit. In general, the proposed schedule processes higher-grade ore in the early years and lower-grade ore in later years. Management advised that the targeted recovery of high-grade ore early in the LOM is a common practice in mine planning to allow for a faster payback period. We note that, while ore processing doubles between 2035 and 2037, the average grade of the processed material declines substantially during the same period. This results in the net smelter return ('NSR'), set out in Figure 8.4 below, increasing only slightly relative to the years prior to 2036, as opposed to doubling.

Commodity prices

We adopted the average commodity price forecasts sourced from Consensus Economics for gold and copper on a real basis in the Financial Model. Consensus Economics provided nominal annual price forecasts from CY25 to CY29 and both nominal and real price forecasts for the long term (2030–2034). We derived the implied inflation rate from the long-term forecasts and used it to calculate the real annual price forecasts for CY25 to CY29. The long-term price forecasts were adopted for the rest of the LOM. A summary of the price forecast on a real basis is presented in the Table 8.2 below.

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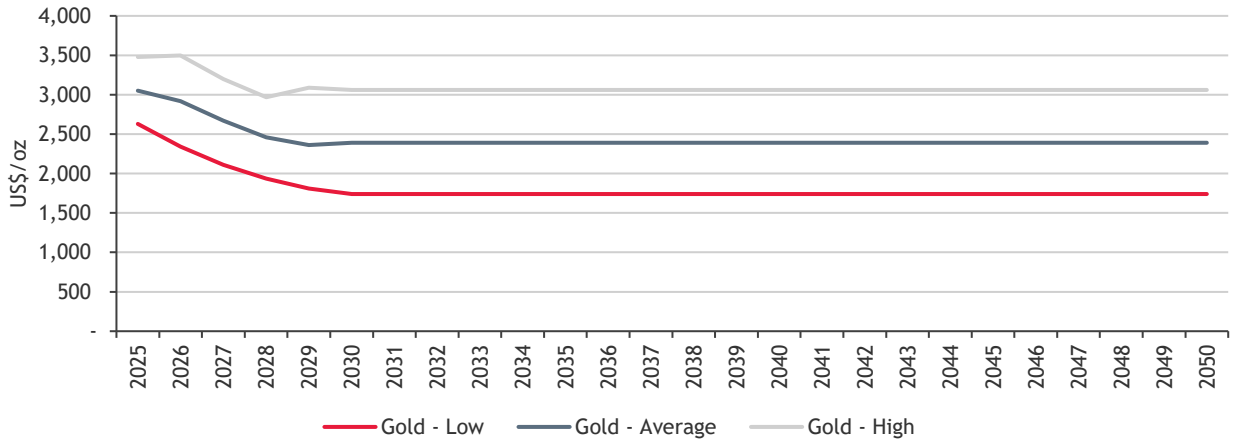
Table 8.2: Average commodity price forecasts

Commodity (real)	Spot	2025	2026	2027	2028	2029	2030+
Gold (US$/oz)	2,997	3,051	2,916	2,671	2,458	2,361	2,391
Copper (US$/lb)	4.2	4.2	4.3	4.3	4.4	4.4	3.9

Source: Consensus Economics as of April 2025

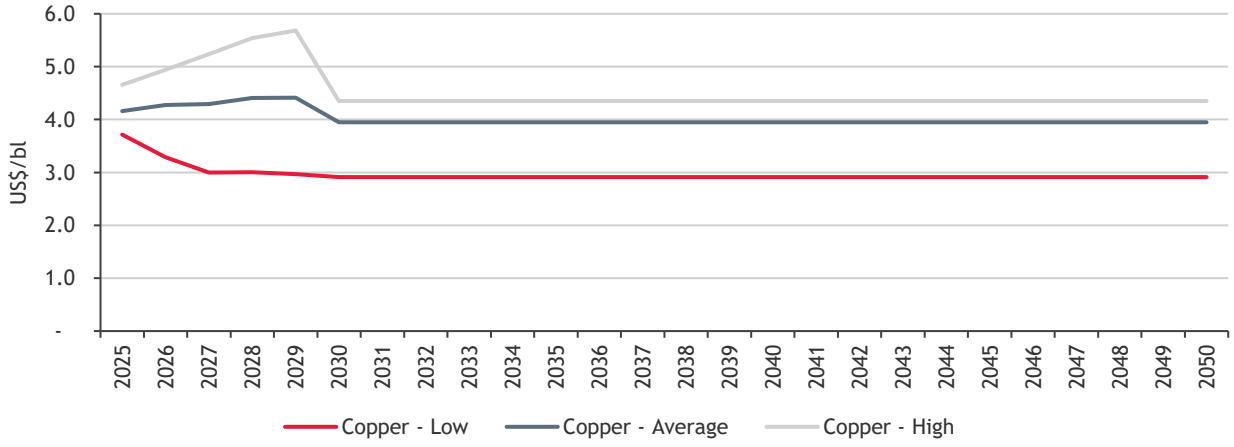
The high, average and low price forecasts as provided by Consensus Economics for gold and copper are presented in Figures 8.2 and 8.3 respectively.

Figure 8.2: Gold commodity price forecasts



Source: Consensus Economics as of April 2025

Figure 8.3: Copper commodity price forecasts



Source: Consensus Economics as of April 2025

Other assumptions related to revenue

The Financial Model users NSR to calculate the revenue generated from the sale of the metals after accounting for:

- Smelting and refining costs;
- Shipping costs, and
- Marketing costs.

A summary of assumptions regarding the smelting and refining costs is presented in Table 8.3.

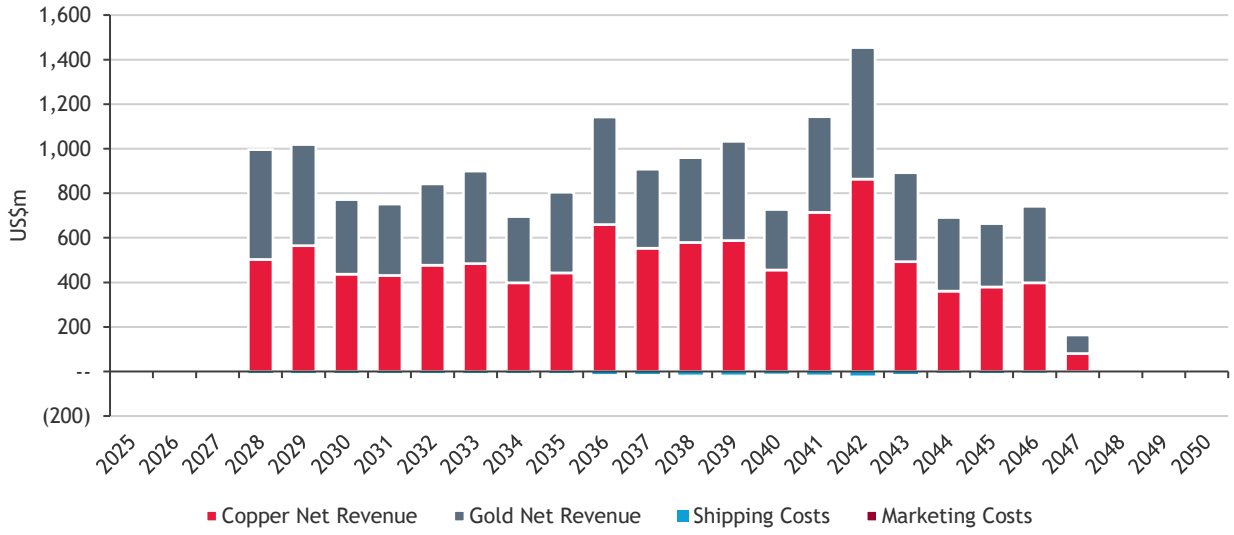
Table 8.3: Smelting and refining costs

Smelting and refining costs	Average
Copper concentrate smelting (US$/ton)	72.02
Copper refining (US$/lb)	0.07
Gold refining (US$/oz)	4.5
Dore Gold refining (US$/oz)	2.27

Source: The Financial Model

A summary of the NSR breakdown is presented in Figure 8.4 below. We note that although production volume is scheduled to increase significantly from 2036, the impact on revenue is offset by the decline in ore grade.

Figure 8.4: Net smelter return per year



Source: The Financial Model

8.4.3 Expenditure assumptions of the Financial Model

CAPEX

The CAPEX breakdown is set out below in Table 8.4 on a real term basis.

Table 8.4: CAPEX breakdown

Category	US$m
Sulphide plant	636
Infrastructure	163
Overheads	12
Carbon in leach	73
Initial CAPEX	**884**
Sulphide plant	541
Infrastructure	162
Overheads	1
Expansion CAPEX	**704**
Total development CAPEX	**1,589**
Sustaining Capital Expenditure	277
Total Capital Expenditure	**1,866**

Source: The Financial Model

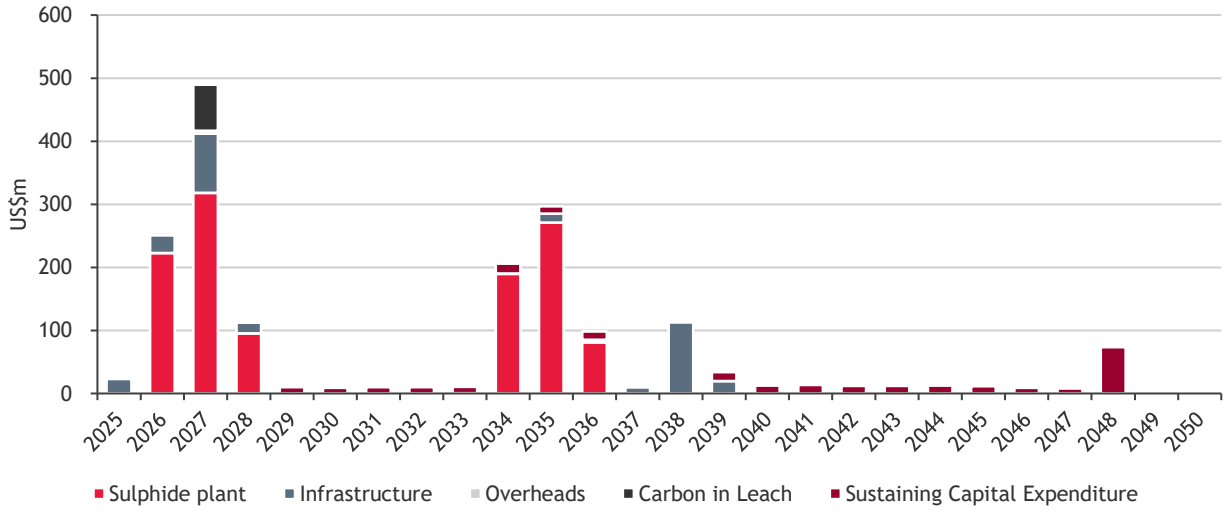
The Financial Model assumes an initial development CAPEX of US$884 million from CY25 to CY28 to develop initial mining activities and the 26.0 Mtpa processing plant. This is followed by a further US$704 million from CY33 to CY39 to expand processing capacity to 52.0 Mtpa. Sustaining CAPEX remains stable throughout the LOM, with relatively high CAPEX near the end of the mine driven by the closure costs.

ERM have critically analysed the CAPEX assumptions for the Kharmagtai Project. ERM consider the cost estimates for the Kharmagtai Project are significantly lower than those of comparable projects in the region. To address their concern, ERM held discussions with the technical experts who prepared the PFS and found that the approaches adopted in the preparation of the PFS represented sound industry practice. For further details, please refer to the ERM Report in full attached in Appendix B.

The CAPEX over the LOM is presented in Figure 8.5 below.

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Figure 8.5: Annual CAPEX breakdown



Source: The Financial Model

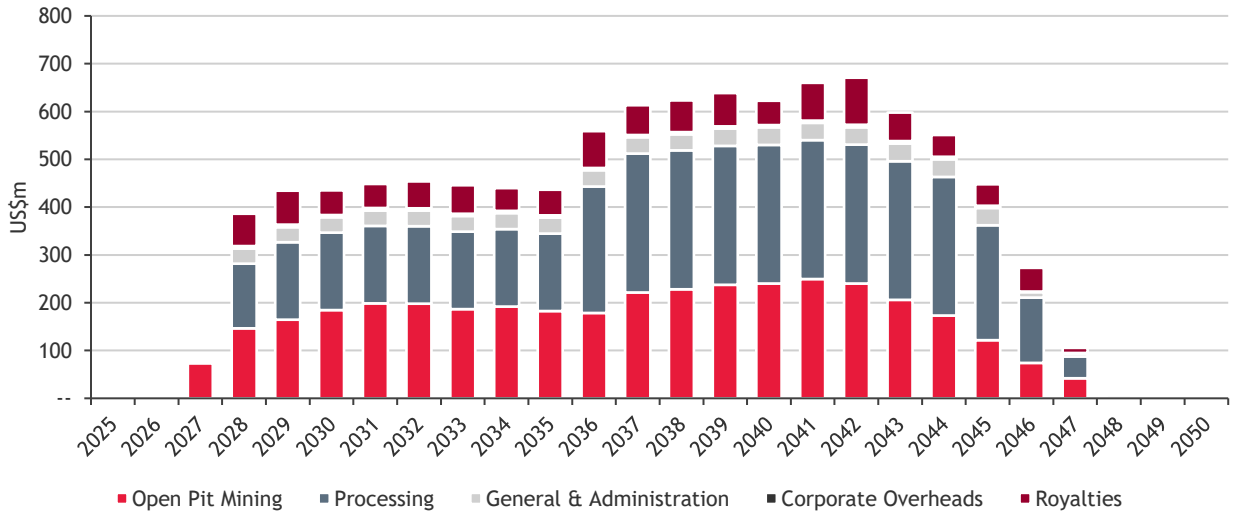
Operating expenditure ('OPEX')

OPEX includes mining, processing, general and administration, corporate overheads, and royalties.

OPEX over the LOM is presented in Figure 8.6 below. For completeness we note that that we have further discussed royalties in Section 8.4.4.

ERM consider that the mining expenses are low but have been rigorously estimated and are supported by ERM while the remaining expenses are considered reasonable.

Figure 8.6: Annual OPEX breakdown



Source: The Financial Model

8.4.4 Other cashflow assumptions within the Financial Model

Working capital

The Financial Model includes working capital assumptions for:

- Accounts Payable: the accounts payable closing balance is derived from accruing eight weeks of the trailing annual OPEX; and
- Accounts Receivable: the accounts receivable closing balance is derived from accruing four weeks of the trailing annual NSR.

We note that, based on our experience valuing projects similar to the Kharmagtai Project, we do not believe any of the above assumptions are unreasonable.

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We removed the inventory level assumptions of processed concentrate as the Financial Model assumes that the concentrate is produced and sold in the same period.

Royalties

In Mongolia, mining companies are required to pay royalties based on the sales value of the minerals and the royalty rate is referenced to the commodity price. According to the current legislation, the price forecast assumptions adopted in the Financial Model would result in a royalty rate of 20% for copper and a royalty rate of 5% for gold.

We note that the PFS considered a draft royalty legislation published in 2023 which implies a copper rate of around 8.34% based on the price forecast in the PFS, as opposed to the current 20% royalty.

ERM considers royalty rates for copper to be low. However, ERM accepts that, based on the precedents set by other similar projects in Mongolia, companies have the ability to negotiate royalty rates with the Mongolian government in establishing investment agreements for major projects. On this basis, ERM supports the use of the 8.34% royalty rate in the Financial Model.

We adopted the royalty rates as referenced to the draft legislation in the Financial Model and also set up a sensitivity analysis to test the impact of the royalty on our valuation. The sensitivity analysis is discussed in more detail in Section 8.5.3.

For completeness, we note that there are no formal agreements between OU (the holding entity of the Kharmagtai Project) and the local government. The royalty rates will ultimately be negotiated along with other key taxes and commercial topics as part of an investment agreement in the next phase of the Kharmagtai Project's development.

Management of Xanadu confirmed that there is no private royalty agreement in place for OU.

Depreciation

Depreciation is allowed for in the Financial Model as a deduction in the income tax calculation. The Financial Model uses the straight-line method for deprecation which means that some fixed assets have remaining useful life at the end of the mine's life. The useful life assumptions are:

- 40 years for buildings, facilities and landscape;
- 10 years for vehicles, machineries, mechanisms, production equipment;
- 2 years for computers, accessories and software;
- 20 years for intangible assets, including minerals exploration and mining licenses; and
- 10 years for other assets.

Tax

The Financial Model incorporates assumptions for company income tax, value added tax ('VAT') and import duties. The income tax calculation assumes a 10% tax rate for the first six billion Mongolian Tugriks of taxable income and a tax rate of 25% for the taxable income above six billion Mongolian Tugriks. The income tax was calculated on a nominal basis and then converted to a real basis. To convert the income tax to nominal figures, we adopted an assumed 2% inflation rate as referenced to the US Federal Reserve's long-term target[28]. Tax losses were also assumed to be carried forward to offset future profits.

The Financial Model assumed a 10% VAT and a 5% customs duty. We note that the customs duty is assumed to be applicable to 34% of project CAPEX, 3.2% of sustaining CAPEX and 44.6% of OPEX.

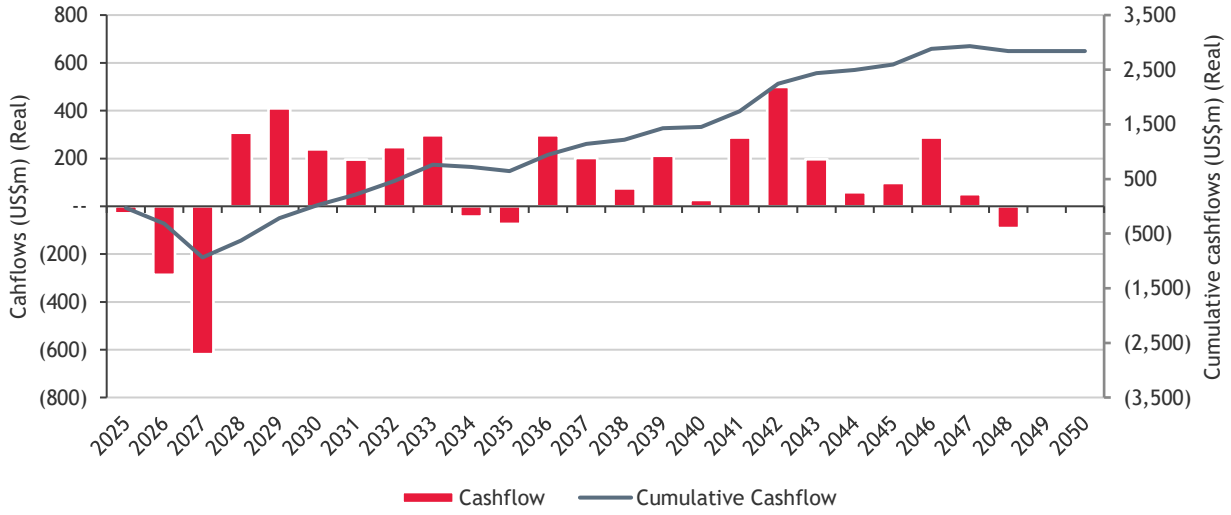
8.4.5 Summary of the assumed cash flows for the Kharmagtai Project

The annual cashflow and the cumulative cashflow over the LOM are presented in Figure 8.7.

[28] US Federal Reserve: https://www.federalreserve.gov/faqs/economy_14400.htm

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Figure 8.7: Kharmagtai Project annual cashflows



Source: *The Financial Model*

8.5 Conversion of Kharmagtai Project cash flows to Xanadu's cashflows

To complete a DCF valuation of Xanadu's cash flows, we must first convert the 100% Kharmagtai Project cashflows into the cashflows attributable to Xanadu's interest in the Khuiten JV. We have set out these adjustments below separately for the construction phase and operating phase, with a corresponding diagram to illustrate the process.

8.5.1 Construction Phase Adjustments

During the construction phase, specific adjustments are required to account for CAPEX funding and the Khuiten JV's ownership structure. The key adjustments include:

- Calculating the funding requirement for MML, as it provides 100% of the CAPEX funding (noting QGX's 10% interest has no funding obligations). The starting point aligns with the cashflows summarised in Section 8.4 for the Kharmagtai Project;
- Assuming a loan between MML and QGX. MML will contribute cash on QGX's behalf, and the loan will be repaid once the Kharmagtai Project starts operating. An interest rate of 1% + Prime Rate, compounding quarterly, is assumed on the loan[29]; and
- Calculating the funding requirement for the Khuiten JV, as it contributes 85% of MML's funding. We assumed the Decision to Mine is reached before the forecast construction time[30]. Accordingly, GBL must fund the remaining 15% of MML's funding.
- Calculating Xanadu's funding requirement which is equal to 50% of Khuiten JV's funding requirement.

8.5.2 Operating Phase Adjustments

As the Kharmagtai Project transitions into operations, the adjustments made during the construction phase begin to reverse. Cash flows attributable to the Khuiten JV are now impacted by the ownership structure, the repayment of any funding arrangements from the construction phase, and the distribution of operating cash flows between the Khuiten JV partners. The key adjustments include:

- Allocating the cash flows summarised in Section 8.4 for the Kharmagtai Project between MML and QGX. Once the Kharmagtai Project begins production, MML will receive 90% of the distribution, and QGX will receive 10%. Within QGX's 10% share, 90% will be used to repay the loan to MML until it is fully repaid;
- Applying tax adjustments to cash distributions from MML. The Khuiten JV receives 85% of the distribution from MML. However, a 5% withholding tax is assumed to be applicable to the dividends paid to Khuiten JV, as Mongolia imposes this tax on distributions paid by companies which are at least a 25% owned by Singaporean companies, which applies in this case as the Khuiten JV (a Singaporean company) has an 85% interest in MML; and
- Calculating cash distributions to Xanadu. Xanadu will receive 50% of the distributions from the Khuiten JV. When dividends are distributed from the Khuiten JV (a Singaporean company) to Xanadu, the dividend will be considered as non-assessable non-exempt income and no income tax is payable on receipt of the dividend.

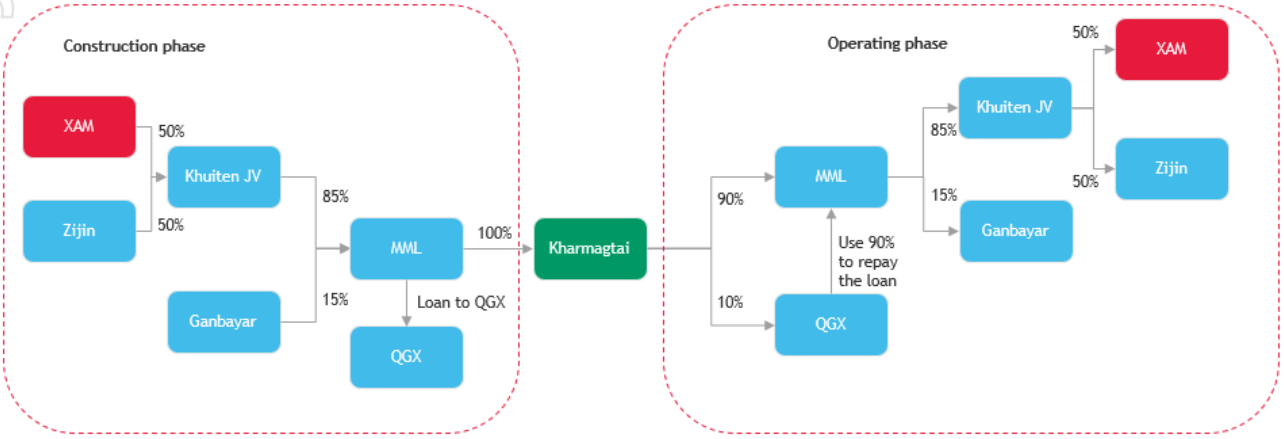
[29] The project agreement states that the loan to QGX accrues and compounds quarterly at the Prime Rate +1% per annum.
[30] Management advised that the Decision to Mine will be reached in the Financial Investment Decision ('FID') phase which is before the construction phase. There might be a small portion of CAPEX in the Financial Model over which Mr Lkhagvasuren is not exposed to funding risk, but the impact on the cashflow is not material based on Management's instructions.

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8.5.3 Diagram of the adjustments

Figure 8.8 below illustrates the key steps in converting the 100% Kharmagtai Project cash flows into the cash flows attributable to the Khuiten JV across both the development and operational phases.

Figure 8.8: Cash flow movements

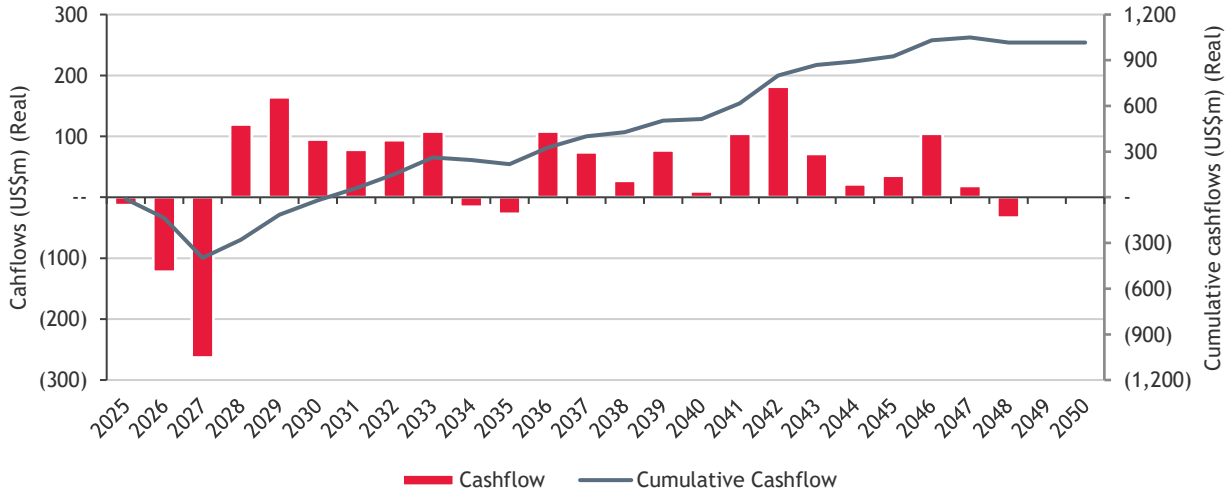


Source: BDOCF analysis

8.5.4 Summary of the Xanadu's share of the annual cashflows from the Kharmagtai Project

Xanadu's share of the annual cash flows and the cumulative cash flows on a real term basis over the LOM for Khuiten JV are set out below in Figure 8.9.

Figure 8.9: Cash flows over the LOM for Xanadu



Source: BDOCF analysis

8.6 Value of the Khuiten JV cash flows to Xanadu

To determine the value of Xanadu's interest in Khuiten JV, we have applied a DCF valuation methodology. In doing so, we estimated the present value of Xanadu's share of future cash flows related to the Khuiten JV. This section outlines:

- The discount rate applied, reflecting the appropriate risk-adjusted return for the cash flow attributable to Xanadu, derived from its ownership in the Khuiten JV;
- The value adopted, based on applying our adopted discount rate to the cash flows attributable to Xanadu; and
- A sensitivity analysis, assessing how key variables (such as discount rates, commodity prices, and cost assumptions) impact the valuation.

8.6.1 Discount rate adopted

The discount rate represents the rate of return that capital providers expect from their capital contribution and is typically based on the weighted average cost of capital ('WACC') for the asset being valued. In broad terms, the WACC considers the rate of return required by capital providers given the riskiness of the future cash flows and the cost of financing using debt instruments for the relevant asset. We have selected a real discount rate of 13.0% to

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16.0% to discount the free cash flows of the Khuiten JV which are attributable to Xanadu, to calculate a present value. In selecting a discount rate, we have considered the following:

- The required rate of return of comparable companies in the mining sector, with copper and gold exposure;
- The capital structure of comparable mining companies;
- The cost of equity derived from applying the capital asset pricing model ('CAPM') methodology (a commonly used methodology for deriving the cost of equity). In relation to CAPM, we note the cost of equity capital is determined by multiplying the market risk premium by an appropriate beta and adding the risk-free rate. Our view on the appropriate inputs to the CAPM to apply in the circumstances are as follows:
  - a risk-free rate of 4.17% based on the US Treasury 10-year spot rate, as at 30 April 2025;
  - an unlevered beta in the range of 0.9 to 1.1. To determine an appropriate beta, we have considered the equity and asset betas of broadly comparable companies;
  - an equity market risk premium of 6.0%. To assess an appropriate market risk premium, we have considered equity risk premiums of companies that operate in developed markets. We have had regard to numerous empirical studies that indicate that market risk premiums can be estimated within the range of 4.5% to 7.0% and that the average tends to vary between countries. For the purposes of this Report we considered it appropriate to adopt a market risk premium of 6.0%;
  - a country risk premium of 4% - 5% for Mongolia. We note that Professor Damodaran at New York University's Stern School of Business published a country risk premium of 7.34% in January 2025. However, we consider that the ability to sell the Kharmagtai Project's commodities to global markets could mitigate the country risk premium by diversifying revenue exposure and reducing reliance on the Mongolian's domestic economy.
- The CAPM framework assumes that investors are well-diversified and, therefore, primarily concerned with systematic risk rather than the specific risks of individual investments. However, in our view, certain risks unique to a project, and particularly those that are difficult to quantify or incorporate into base case cash flows, may lead investors to apply a company-specific risk premium. In this case, we believe the risk factors identified by ERM (e.g. CAPEX, OPEX and royalty negotiations) justify the inclusion of such a premium in the discount rate to appropriately reflect these additional risks.
- The cost of debt capital which is the expected future borrowing cost. We have assumed a required return on debt having regard to:
  - the comparable companies' borrowings rates;
  - 10-year BBB rated corporate bonds;
  - 30-year BBB rated corporate bonds; and
  - country credit default rate of 5.45%.
- The highest Mongolian corporate tax rate of 25%; and
- A long-term inflation rate of 2% as referenced to the target set by the US central bank to convert nominal discount rate to a real term basis.

Taking the above factors into consideration as well as the nature of the Kharmagtai Project and its exposure to macroeconomic factors, we believe it is appropriate for the purposes of the analysis set out in this Report to adopt a real discount rate in a range of 13.0% to 16.0%.

We have set out a sensitivity analysis on the discount rate in Section 8.6.3 to assist users of this Report that may have an alternative view on an appropriate discount rate or who would like to understand the impact of applying an alternative discount rate.

8.6.2 DCF valuation

We have determined a value for Xanadu's cashflows in the Khuiten JV using a DCF valuation methodology, as represented in the Financial Model across the LOM, using the assumptions stated in the preceding sections.

Table 8.5 below sets out a summary of our valuation of the cashflows. For clarity, the only difference between the low and high scenario is the discount rate applied. The low scenario uses the upper end of our discount rate range while the higher scenario uses the lower end of our discount rate range.

Table 8.5: Xanadu's value attributable to the Khuiten JV's cash flows

Khuiten cashflow value to Xanadu (US$'m)	Low	High
DCF Value adopted for the mine	70	130

Source: BDOCF analysis

8.6.3 Sensitivity analysis of the DCF valuation

We have conducted a sensitivity analysis under different discount rates for the valuation of Xanadu's share of the cash flows from the Khuiten JV. This is presented in Table 8.6. We have flexed several variables to test the sensitivity of

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the cash flows to those variables. The following variables have been adjusted in isolation, holding all other variables consistent:

- A ±10% increase/decrease in gold prices;
- A ±10% increase/decrease in copper prices;
- A ±10% increase/decrease in OPEX;
- A ±10% increase/decrease in CAPEX; and
- A ±5 percentage points change in copper royalty.

Users of this Report should note that:

- The variables described above may have compounding or offsetting effects and are unlikely to move in isolation;
- The variables for which we have performed sensitivities are not the only variables that are subject to deviation from the forecast assumptions; and
- The sensitivities we have performed do not cover the full range of possible variances from the base case assumptions assumed (i.e. variances could be greater than the percentage increase or decreases set out in this analysis).

The sensitivity analysis of the value of the cash flows associated with Xanadu's interest in the Khuiten JV is summarised below in Table 8.6.

Table 8.6: Scenario analysis of the valuation of cashflows associated with Xanadu's interest in the Khuiten JV

Xanadu NPV prior to Transaction (US'm)	16.0%	13.0%
Base Case	66	129
Scaling by a percentage		
Gold Pricing (+10%)	121	197
Gold Pricing (-10%)	12	60
Copper Pricing (+10%)	108	181
Copper Pricing (-10%)	25	77
OPEX (+10%)	14	62
OPEX (-10%)	118	195
CAPEX (+10%)	59	121
CAPEX (-10%)	74	137
Change by percentage points		
Copper Royalty (+5%)	38	92
Copper Royalty (-5%)	95	166

Source: BDOCF analysis

8.7 Value of Xanadu's Interest in the Khuiten JV

To determine the value of Xanadu's interest in the Khuiten JV, we have:

- Derived the net present value ('NPV') of Xanadu's attributable cash flows from the Khuiten JV, based on the Financial Model and projected LOM assumptions (refer Section 8.6 above);
- Considered additional value for Xanadu's proportionate interest in mineral resources that are outside the current LOM plan, reflecting potential future economic upside;
- Adjusted for Xanadu's proportionate share of other assets and liabilities within the Khuiten JV that are not explicitly captured in the DCF model; and
- Considered practical constraints that may impact the realisable value of Xanadu's 50% interest in the Khuiten JV including discounts for the non-controlling nature of the interest, liquidity and marketability constraints, and funding and dilution risks.

8.7.1 The Kharmagtai Project's resources value outside of the Financial Model

We have relied on the ERM Report to value the Kharmagtai Project's resources value that is not incorporated in the Financial Model. We have then attributed that value to Xanadu based on the ownership structure of the Kharmagtai Project. Based on ERM's assessed value, the value attributed to Xanadu is between US$21.0 million to US$36.0 million.

Non-Associated Shareholders should refer to the ERM Report in Appendix B for further information on the values ERM have calculated.

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8.7.2 Value of Khuitens's other assets and liabilities

As at 31 December 2024 (the latest financial information available to us), the Khuiten JV has AU$0.6 million (US$0.4 million[31]) cash on hand. We have considered this and made relevant adjustments when valuing Xanadu's interest in the Khuiten JV.

We have also considered the ongoing cost of the Khuiten JV's corporate overheads. Management advised that the Khuiten JV will serve as a holding company and the expenses charged to the Khuiten JV will be passed on to OU, the holding company of the Kharmagtai Project. Regarding this, we consider the corporate overheads incurred by the Khuiten JV to be immaterial to the analysis set out in this Report.

8.7.3 Value of Xanadu's Interest in the Khuiten JV before adjustments for marketability and control

Table 8.7 sets out our valuation of Xanadu's interest in Khuiten JV before adjustments for marketability and control.

Table 8.7: Xanadu's interest in the Khuiten JV before adjustments for marketability and control

US$'m	Reference	Low	High
Xanadu's Khuiten JV DCF value	Section 8.5.2	70.0	130.0
Other resources not incorporated in the DCF model	Section 8.6.1	21.0	36.0
Enterprise Value		**91.0**	**166.0**
Add/(less) surplus assets/(liabilities)			
Cash @ 50%	Section 8.6.2	0.2	0.2
Khuiten Equity Value		**91.2**	**166.2**

Source: BDOCF analysis

8.7.4 Adjustments to Xanadu's pro rata valuation of Khuiten JV for marketability and control

In valuing Xanadu's 50% interest in the Khuiten JV, we have derived a DCF-based valuation of the future cashflows attributable to Xanadu along with Xanadu's proportionate share of other assets and liabilities. However, given that this valuation represents a pro-rata share of the Khuiten JV's value, adjustments are required to be considered to reflect constraints on liquidity, marketability, and funding risks. We have discussed these further in Table 8.8 below.

Table 8.8: Qualitative considerations in relation to the control, marketability and liquidity of Xanadu's interest in the Khuiten JV

Category	Description
Non-controlling nature of the interest	The Khuiten JV has an interest in the Kharmagtai Project of approximately 76.5%. Xanadu has an interest of 50% in the Khuiten JV and, therefore, an indirect interest in the Kharmagtai Project of 38.25%. Xanadu's 50% stake in the Khuiten JV does not confer control over the underlying Kharmagtai Project. The JV Agreement specifies that since the expiry of the PFS Delivery Period: ▸ Zijin has the right to appoint the Khuiten JV's Board Chairperson; ▸ Zijin is the operator of the Khuiten JV; ▸ Zijin has the right to appoint the Khuiten JV's General Manager; and ▸ The General Manager has significant influence over the direction of the Khuiten JV via his/her ability to prepare development plans and budgets, hire key personnel, enter into and manage key contracts, etc. Xanadu does retain significant influence in the Khuiten JV through: ▸ The appointment of two Directors giving Xanadu and Zijin equal voting rights on the Khuiten JV's Board; ▸ Xanadu has the right to appoint the Deputy General Manager whose duties confer significant influence in the development and planning of the Kharmagtai Project. For completeness, we understand that the Deputy General Manager is subordinate to the General Manager; and ▸ Xanadu can effectively block the Khuiten JV's costs to be financed through loans advanced by shareholders because this decision requires a unanimous vote by the Khuiten JV Board. On balance, given the facts listed above, our view is that Xanadu is limited in its ability to: ▸ Influence project development plans, budgets and timelines and capital allocation; and ▸ Control potential exit pathways, as Zijin remains the dominant strategic partner and Zijin (like Xanadu) has a first right of refusal that somewhat limits Xanadu's ability to dispose of its shares in the Khuiten JV. In our view, the lack of control over cash flow realisation and project execution necessitates a minority interest discount albeit one that reflects Xanadu's significant influence over key decisions.

[31] All conversions from AUD to USD use the average AUD:USD exchange rate in March 2025 from the Reserve Bank of Australia.

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Category	Description
Illiquidity and marketability constraints	Unlike a 100% direct ownership interest in the Kharmagtai Project, Xanadu's stake in the Khuiten JV represents a private, non-traded equity interest, which is more difficult to monetise. Key liquidity constraints include: ▸ Absence of an active secondary market for mining JV stakes; ▸ Dependence on Zijin as a potential buyer, given both parties' rights of first refusal, tag along and drag along rights which may limit any competitive sale process; and ▸ Restrictions within the JV agreement that may influence transferability of shares including specific clauses pertaining to a shareholder's ability to transfer shares to a related corporation and the requirement of a unanimous vote of Shareholders on transfer of shares to another entity.

Source: BDOCF analysis

Having regard to Table 8.8 above, we consider that a discount in the range of 10% to 20% would be appropriate. For the purposes of the analysis set out in this Report, we have adopted the midpoint of 15% to apply as the discount to Xanadu's pro rata valuation of the Khuiten JV for lack of marketability and lack of control.

8.7.5 Valuation of Xanadu's interest in the Khuiten JV

Table 8.9 sets out our valuation of Xanadu's interest in the Khuiten JV.

Table 8.9: Xanadu's interest in Khuiten JV

	Reference	Low	High
Khuiten Equity Value ($USm)	Section 8.7.3	91.2	166.2
Marketability and (lack of) control discount	Section 8.7.4	15%	15%
Xanadu's Interest in Khuiten JV ($US'm)		**77.5**	**141.3**
AUD:USD Exchange Rate[1]		0.63	0.63
Xanadu's Interest in Khuiten JV (AU$'m)		**123.5**	**225.0**

Source: BDOCF analysis

3 Conversion from AUD:USD uses the average daily exchange rate for March 2025, as published by the Reserve Bank of Australia.

8.8 Xanadu's other assets and liabilities and implied valuation

In this section we set out the valuation of Xanadu's remaining assets and liabilities outside of Xanadu's interest in the Khuiten JV. After considering Xanadu's remaining assets and liabilities, we have calculated the implied value of Xanadu based on the details set out in the sections above.

8.8.1 Valuation of Xanadu's remaining assets and liabilities

Xanadu's other exploration projects

Aside from its interest in the Khuiten JV, Xanadu holds exploration-stage projects, including Red Mountain and Sant Tolgoi, which have been independently valued by a technical specialist. These assets contribute to Xanadu's total market value and must be deducted from its market capitalisation to isolate the market's implied valuation of Khuiten JV.

ERM's valuation of Xanadu's Red Mountain and Sant Tolgoi projects are summarised in Table 8.10 below. Red Mountain is valued between US$1.5 million to US$6.1 million while Sant Tolgoi is not attributed any value. Refer to the ERM Report in Appendix B for further information

Table 8.10: Xanadu's value in other exploration projects

	Low	High
Red Mountain (US$'m)	1.5	6.1
Sant Tolgoi (US$'m)	-	-
Total (US$'m)	**1.5**	**6.1**
AUD:USD Exchange Rate	0.63	0.63
Total (AU$'m)	**2.4**	**9.7**

Source: BDOCF analysis, ERM Report

Impact of corporate overheads

The summation valuation methodology reflects the aggregate value of Xanadu's assets without considering the practical operational costs that may be incurred by an acquirer.

Based on Xanadu's historical financials, along with our discussions with Management, we have assumed that any hypothetical acquirer of Xanadu would incur corporate expenses at a rate of US$1.5 million per annum on the basis they would already have relevant operations or assets across which they could realise synergistic benefits.

The adopted annual corporate overheads have then been discounted at a rate of 14.5% (being the mid-point of our adopted discount rates). On this basis, the capitalised value for the necessary corporate costs is approximately US$10.3 million (AU$16.4 million).

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Other assets and liabilities

As at 31 March 2025, being the latest financial information available to us, Xanadu holds cash and cash equivalents of approximately AU$3.73 million. We have been instructed that the expected cash balance as at 31 May 2025 will be approximately AU$19.4 million. For completeness, this includes the AU$17.2 million in cash from the share placement.

We have assumed that all other assets and liabilities set out in Xanadu's financial statements (Section 5.4.2) are related to the operations of assets or liabilities which have already valued in the prior sections. As such, no further adjustments have been made.

8.8.2 Value of Xanadu under summation valuation approach

Utilising the summation methodology and the information set out in the preceding sections, we have calculated the value of Xanadu on a controlling interest basis, in Table 8.11 below.

Table 8.11: Value of Xanadu on a controlling interest basis

AU$'m	Reference	Low	High
Khuiten Equity Value	Section 8.7.5	123.5	225.0
Other Exploration Projects	Section 8.8.1	2.4	9.7
Capitalised Corporate Overheads	Section 8.8.1	(16.5)	(16.5)
Enterprise Value		**109.4**	**218.2**
Cash and Equivalents	Section 8.8.1	19.4	19.4
Equity Value		**128.8**	**237.6**

Source: BDO Analysis

As set out in the table above, we have calculated an implied value of Xanadu on a controlling interest basis to be between AU$128.8 million and AU$237.6 million.

We have calculated the implied per share value of Xanadu in the table below based on the controlling interest value of Xanadu set out in Table 8.11 above.

Table 8.12: Implied value of Xanadu per share on a controlling interest basis

AU$'m	Reference	Low	High
Xanadu Equity Value	**Section 8.8.2**	**128.8**	**237.6**
Shares on Issue		2,004,381,556	2,004,381,556
Subscription Agreement		286,829,633	286,829,633
Fully diluted shares on issue		**2,291,211,189**	**2,291,211,189**
Controlling Interest Value per Share (AU$)		**0.056**	**0.104**

Source: BDO Analysis

8.9 Cross check against Xanadu's share transactions

To cross check our valuation of Xanadu utilising a summation methodology, we have compared our per Xanadu share valuation (on a controlling interest basis) based on the summation valuation methodology to the share trading data of Xanadu shares.

To do this, we have:

- Observed data from Xanadu's historical share trading across periods of time which we would consider to be most relevant to the valuation work set out in this Report;
- Formed a view on an appropriate value to adopt under the share transactions valuation methodology on a minority interest basis; and
- Assessed whether the control premium implied by our summation valuation (on a controlling interest basis) is reasonable when compared to the value derived from the share transactions methodology (on a minority interest basis), and considered any discrepancies between the two approaches, including potential reasons for these differences.

8.9.1 Xanadu's share price trading range

Xanadu's ordinary shares are listed on the ASX under the ticker 'XAM' and a small portion of its shares is also listed on the TSX Venture Exchange (TSXV) in Canada under the same ticker. Information relating to recent share trading data and an analysis of recent ASX announcements is provided in Section 5.3. As outlined in Section 5.3, Xanadu shares exhibit a moderate level of liquidity which is appropriate for considering a share transaction valuation methodology.

We consider the VWAP trading over the period 14 October 2024 (the date Xanadu announced the PFS to the ASX) to 16 May 2025 (the last date before the Offer was announced) to be the most relevant for our analysis, as it reflects trading activity following the release of the PFS. The 12-month VWAP is considered less relevant due to the potential impact of outdated market conditions however is presented for completeness.

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Whilst there will be entities listed on the ASX which demonstrate a higher degree of liquidity than Xanadu, we are of the view that the trading price in Xanadu shares on the ASX present relevant and useful information in relation to the market's view of a minority holding in Xanadu. For example, we note the increase in share price on and around 14 October 2024, when the Company announced the results of the PFS. In our view, this represents evidence of the market incorporating new information into the pricing of Xanadu shares.

Nothing in the data from the trading prices of Xanadu indicates that trading prices have been materially and persistently impacted by illiquidity relative to the supply and demand through the period shown in Table 5.6 above. In no period, through the historical period we have analysed for our transaction valuation cross-check, has there been significant gaps without trading activity.

In our view:

- There is consistent trading in the Company's securities;
- We have no information to suggest that specific trades have unduly de-coupled the trading data relative to the value of a minority parcel of shares in Xanadu; and
- While there is a degree of volatility in the trading prices of Xanadu shares, this volatility is not outside the relativities of our range.

A summary of the share price analysis, including VWAPs and adjusted prices on a non-controlling basis, is presented in Table 8.13 below.

Table 8.13: Share price analysis – periods up to 16 May 2025

AU$	1-month	3-month	14 Oct 2024 to 16 May 2025	12-month
Lowest daily VWAP in period	0.0477	0.0462	0.0453	0.0453
Highest daily VWAP in period	0.0621	0.0621	0.0787	0.0787
Period VWAP	0.0535	0.0538	0.0544	0.0564
Volume of shares traded in period/shares outstanding	2.71%	7.43%	17.28%	26.20%

Source: BDOCF analysis

8.9.2 The Subscription Agreement

In addition to observed market trading, we have also considered the issue price under the Subscription Agreement between Xanadu and Bastion as a relevant data point in our share transaction cross-check.

Under the Subscription Agreement, Bastion subscribed to 286,829,633 Xanadu shares at an issue price of $0.06 per share, which was conditional on certain events. Specifically, while the Subscription Agreement was linked to the broader Offer, it was structured to proceed independently even if the Offer had not yet become unconditional, provided that no competing proposal was received or supported by the Xanadu Board prior to 26 May 2025. As at the date of this Report, no competing proposal has been received and the shares under the Subscription Agreement have now been issued.

While the Subscription Shares are issued under Xanadu's placement capacity (and therefore not requiring shareholder approval), the size of the placement and Bastion's resulting interest of 12.52% may carry an element of strategic or partial control, and should be considered in conjunction with the Offer price of $0.08 per share.

In our view, the $0.06 subscription price falls within the observed range of recent trading and may represent a negotiated, pre-bid price that reflects Bastion's strategic positioning. While it is not a market transaction in the ordinary course of unrelated party share trades, the agreed price provides additional information relevant to the value at which a significant shareholder is prepared to invest, under somewhat specific circumstances.

8.9.3 Conclusion on value from share transactions (minority basis)

Having regard to the information set out above, in our view it is appropriate to adopt a value of $0.045 to $0.065 per Xanadu ordinary share on a minority interest basis having regard to a share transactions valuation methodology. In relation to our valuation range we note:

- The low end of our range of $0.045 reflects low daily VWAPs from 14 October 2024 (the PFS announcement date) and lower monthly VWAPs from October 2024 (refer Table 5.6);
- The high end of the range of $0.065 reflects the high daily VWAPs for each month from November 2024 to May 2025, the highest of which was $0.0621 in April 2025 (refer Table 5.6). For completeness we note the high daily VWAP in October 2024 was $0.0787 however we have placed less weight on this data point as there was a spike in the share price in October 2024 (refer Figure 5.5). While we have excluded the spike in share trading in October 2024, we have allowed for some upside by considering the monthly VWAP for October 2024 of $0.0693 (refer Table 5.6); and
- The Subscription Agreement issue price of $0.06 per share falls within our adopted valuation range and, while not arising from ordinary market trading, represents a significant, conditional investment by Bastion. While this price is informative, we have not adopted it as the floor of our range as it is subject to conditions and forms part of a broader strategic transaction. In our view, observed trading prices provide a more reliable indicator of market value for a minority interest, absent control or transaction-related considerations.

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8.9.4 Comparison of summation valuation to share trading data

In Section 8.8.2 above we have calculated a value of Xanadu under the summation valuation methodology of $0.056 to $0.104 on a controlling interest basis while under the share transactions approach we have calculated a value of Xanadu of $0.045 to $0.065.

A controlling interest in a company is usually regarded as being more valuable than a minority interest as it provides the owner with control over the operating and financial decisions of the company, the right to set the strategic direction of the company, control over the buying, selling and use of the company's assets, and control over appointment of staff and setting financial policies.

The increase in value for a controlling interest is often observed where an acquirer launches a takeover bid, or some other mechanism for control, for another company. For the purposes of our research on control premiums, we have defined a controlling interest to be an interest where the acquirer has acquired a shareholding of greater than 50% in the target company.

Generally, control premiums may be impacted by a range of factors including the following:

- Specific acquirer premium and/or special value that may be applicable to the acquirer;
- Level of ownership in the target company already held by the acquirer;
- Market speculation about any impending transactions involving the target and/or the sector that the target belongs to;
- The presence of competing bids; and
- General market sentiment and economic factors.

To form our view of an appropriate range of control premium applicable for the purposes of this Report, we have considered information which includes:

- Recent independent expert's reports which apply control premiums in the range of 20% to 40%;
- Various industry and academic research, which suggests that control premiums are typically within the range of 20% to 40%;
- Our own research on control premiums implied by the trading data of ASX listed companies. The average and median control premium found in our research are approximately within the range of 20% and 40%, based on one-day, one-week, and one-month prior trading prices;
- Various valuation textbooks; and
- Industry practice.

In relation to the control premium implied from our summation valuation methodology (control value) relative to our valuation based on share transactions (minority value), we note:

- Comparing the low end of the valuation ranges implies a control premium of 24.4%;
- Comparing the midpoint of the valuation ranges implies a control premium of 45.5%; and
- Comparing the high end of the valuation ranges implies a control premium of 60.0%.

In our view, the implied control premiums are within a range that we would expect. Lower control premiums would be relevant in circumstances that an acquirer of Xanadu believes they have limited operational ability to influence the direction of the Khuiten JV and is not prepared to pay a premium for funding flexibility. Higher control premiums are going to be relevant where the marginal acquirer is prepared to pay a premium to control the pace, structure, or source of funding for Xanadu's share of development costs.

8.10 Conclusion on the Value of Xanadu Shares

In our view, for the purpose of our assessment of the Offer set out in this Report, it is appropriate to adopt a value in the range of $0.056 to $0.104 per Xanadu share on a controlling interest basis. This valuation range was determined having regard to our summation valuation methodology. We believe this value is appropriate having regard to the work of ERM and the other information available for us to utilise for our summation valuation.

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Appendix A: Glossary

Reference	Definition
25% Put Option, the	Put option granted by Zijin to Xanadu Mines Ltd to require Zijin to purchase 50% of all shares owned by Xanadu in the Khuiten Joint Venture in exchange for $25 million
50% Put Option, the	Put option granted by Zijin to Xanadu Mines Ltd to require Zijin to purchase all shares owned by Xanadu in the Khuiten Joint Venture in exchange for $50 million
Au	Gold metal
AU$ or $	Australian dollar
ABV	Asset-based valuation
AFCA	Australian Financial Complaints Authority
APES 225	Accounting Professional and Ethical Standards Board professional standard APES 225 *Valuation Services*
ASIC	Australian Securities and Investment Commission
ASX	Australian Securities Exchange
BDO Persons	The partners, directors, agents or associates of BDO
BDOCF	BDO Corporate Finance Ltd
BFS	Bankable Feasibility Study
BIA	Bid Implementation Agreement announced by Xanadu on 19 May 2025
Bastion	Bastion Pte Ltd, a special purpose bid vehicle, with 75% owned by Boroo and the remaining 25% owned by GBL.
Bidder's Statement, the	The bidder's statement in relation to the Offer dated 27 May 2025
Boroo	Boroo Pte Ltd
CAPEX	Capital expenditure
CAPM	Capital asset pricing model
CME	Capitalisation of maintainable earnings
Company, the	Xanadu Mines Limited
Corporations Act, the	The Corporations Act 2001
COMEX	The Commodity Exchange
Cu	Copper Metal
CuEq	Copper equivalent grade
CY	Calendar year ended on 31 December
DCF	Discounted cash flow
Decision to Mine	The first decision by the Board to proceed with a commercial mining development on the licence for the Kharmagtai Project
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
E&E	Exploration and evaluation
EGM	Extraordinary General Meeting

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Reference	Definition
ERM	ERM Consultants Australia Pty Ltd
ERM Report, the	ERM's technical expert report
EV	Enterprise value
FID	Financial Investment Decision
Financial Model, the	The financial model adopted for our valuation purposes
FSG	Financial Services Guide
FY	The financial year or 12-month period ended on 30 June
ICSG	International Copper Study Group
IVSC	International Valuation Standards Council
Jinping	Jinping (Singapore) Mining Pte Ltd
JOGMEC	Japan Oil Gas and Metals National
JV	Joint venture
JV Agreement	The formation of a 50:50 JV via the JV Agreement and through Xanadu's previously 100% owned subsidiary Khuiten
Kharmagtai Project, the	The Kharmagtai copper-gold project located in Omnogovi Province, approximately 420km southeast of Ulaanbaatar in Mongolia
Khuiten	Khuiten Metals Pte Ltd
Khuiten JV	The 50/50 JV between Zijin and Xanadu
Khuiten JV Board	The board of directors of the Khuiten JV
LOM	Life-of-mine
Management	Xanadu management
M	Metre
Mlbs	Million pounds
Moz	Million ounces
MML	Mogol Metals LLC
GBL	Mr Ganbayar Lkhagvasuren
Mt	Million tonnes
Mtpa	Million tonnes per annum
Non-Associated Shareholders	The non-associated Xanadu shareholders.
NPAT	Net profit after tax
NPV	Net present value
NSR	Net smelter return
Offer, the	The off-market takeover bid made by Bastion for all the ordinary shares in Xanadu that it does not already own for a cash consideration of $0.08 per Xanadu share.
Offer Period, the	The period from the commencement date of the Offer and ending at 7:00 pm (Sydney time) 1 July 2025, during which the Offer will remain open for acceptance.

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Reference	Definition
OPEX	Operating expenditures
OU	Oyut Ulaan LLC
PFS	The Pre-Feasibility Study released by Xanadu in October 2024
Prime Rate	Prime rate of the Bank of Montreal
Put Option Resolution	The EGM resolution previously proposed for consideration, announced by Xanadu to the ASX on 5 May 2025, which sought shareholder approval to authorise Xanadu to exercise the put option which requires Jinping (Singapore) Mining Pte Ltd to acquire 25% of Xanadu's shareholding in Khuiten Metals. The resolution was subsequently withdrawn, and the EGM cancelled, as announced on 26 May 2025
Red Mountain	Red Mountain copper-gold project
Regulations, the	The Corporation Regulations 2001
Report, this	This independent expert's report prepared by BDOCF and dated 27 May 2025
Reserves Model, the	Kharmagtai PFS Model (Reserves Only).xlsx
Resources Model, the	Kharmagtai PFS Fin Model V10 Base Case 15_Project _Reviews_SCV10A - silver.xlsx
RG 111	Regulatory Guide 111: *Content of Expert Reports*, issued by ASIC
RGs	Regulatory guides published by ASIC
Sant Tolgoi	Sant Tolgoi copper-nickel project
Shareholders, the	The holders of fully paid ordinary shares in the Company
Simplified Model, the	Kharmagtai PFS Model (Simplified Version).xlsx
SOFR	Secured Overnight Financing Rate
Subscription Agreement, the	The share subscription agreement between Bastion and Xanadu announced on 19 May 2025 under which Bastion agreed to provide Xanadu $17.2 million by subscribing to 286,829,633 Xanadu shares at an issue price of $0.06. The shares under the Subscription Agreement were issued on 26 May 2025.
Takeover Board Committee, the	Xanadu's sub-committee of independent directors comprising of each Xanadu Director other than GBL and Mr Shaoyang Shen
Target's Statement, the	The target's statement in relation to the Offer dated 27 May 2025
TSX	Toronto Stock Exchange
Xanadu	Xanadu Mines Ltd
Xanadu Board	The board of directors of Xanadu
US$	United States dollar
VALMIN Code	The code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Specialist Reports
VAT	Value added tax
VWAP	Volume weighted average price
WACC	Weighted average cost of capital

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Reference	Definition
We, us, our	BDO Corporate Finance Ltd
Zijin	Zijin Mining Group Co Ltd
Zijin NBIO, the	The non-binding indicative offer made by Zijin on 7 April 2025 in relation to a potential control transaction, which did not proceed to a binding agreement.

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APPENDIX B: INDEPENDENT TECHNICAL EXPERT'S REPORT – ERM REPORT

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ERM

Independent Technical Assessment and Valuation

Kharmagtai, Red Mountain and Sant Tolgoi Projects, Mongolia

Prepared for

XANADU MINES

Xanadu Mines Limited

Date
26 May 2025

Reference
0762235

ERM REPORT
R102.2025



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Document Details

Document Title	Independent Technical Assessment and Valuation
Document Subtitle	Kharmagtai, Red Mountain and Sant Tolgoi Projects, Mongolia
Project Number	0757180 XAMITV01
Date	26 May 2025
Coordinating Author	Andrew Waltho
Report Number	R102.2025
Filename	R102.2025 ITSR on Xanadu Mineral Assets for BDO (XAMITV01 0757180) v2.2.docx
File Location	OPC 762235 Xanadu Mines Ltd Independent Technical Review and Valuation Mongolia Projects / Shared Documents / Final Report
Last Edited	26-May-25 07:56
Report Status	Final

Document History

Version	Author	Reviewed by	comments
0.1	Andrew Waltho	Graham Jeffress	Initial Draft
0.2	Andrew Waltho	Graham Jeffress	Draft for client review and feedback
0.3	Andrew Waltho	Graham Jeffress	Draft for client review and feedback
0.4	Andrew Waltho	Trivendren Naidoo	Draft incorporating ERM peer review and Expert comments
1.0	Andrew Waltho	Trivendren Naidoo	Final report
1.1	Andrew Waltho	Trivendren Naidoo	Minor edits incorporating changes requested by Expert
1.2	Andrew Waltho	Graham Jeffress	Incorporating additional changes requested by Expert
1.3	Andrew Waltho	Graham Jeffress	Final draft incorporating changes proposed by Xanadu management with which ERM agrees
2.0	Andrew Waltho	Graham Jeffress	Refreshed ITSR with new reference date and updated pricing
2.1	Andrew Waltho	Graham Jeffress	Updated report purpose statement.
2.2	Andrew Waltho	Graham Jeffress	Report effective date refresh

SIGNATURE PAGE

Independent Technical Review and Valuation

Kharmagtai, Red Mountain and Sant Tolgoi Projects, Mongolia

XAMITV01

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EXECUTIVE SUMMARY

Overview

Xanadu Mines Ltd (XAM, "Xanadu" or "the Company") is an ASX listed exploration company focused on discovery and definition of porphyry copper-gold and epithermal-style gold deposits in Mongolia. The Company maintains a multistage portfolio of exploration projects.

This report has been prepared to meet the requirements of a public document for the information of XAM shareholders in considering the off-market takeover bid made by Bastion Mining Pte Ltd ("BidCo) for all the ordinary shares in Xanadu that it does not already own ('Proposed Transaction'). BDO Corporate Finance Ltd (BDO) has been engaged by XAM to prepare an Independent Expert's Report (BDO IER) for inclusion within a Target's Statement to be provided to the shareholders of the Company. The BDO IER is required to provide an opinion on whether the proposed transaction is fair and reasonable to non-associated shareholders. ERM was instructed to prepare an Independent Technical Specialists' Report (ITSR) for the three projects meeting the requirements of the VALMIN Code (2015). ERM's report supports the work of BDO by providing an opinion of the value of the projects, and of parameters used in a financial model for the Kharmagtai project. The Report, or a summary of it, is to be appended to the IER, and as such, will become a public document.

ERM gives consent to BDO to use the report for the purposes stated within the scope. The Report is not to be used for purposes outside of these scope without ERM's written consent.

XAM's three projects comprise one advanced (Kharmagtai) and two earlier stage exploration opportunities (Red Mountain and Sant Tolgoi) in Mongolia. Kharmagtai and Red Mountain are located in South Gobi province. Sant Tolgoi is located in northwestern Mongolia in Zavchan Province close to Mongolia's border with Russia.

This report incorporates:

1. a review of the geology and mineral exploration potential of each of XAM's three projects in Mongolia
2. compliance with the JORC Code in preparing and classifying Mineral Resources and Ore Reserves for the Kharmagtai project
3. a review of mining and metallurgical options examined for the Kharmagtai project Prefeasibility Study (PFS)
4. review and validation of key mining and metallurgical parameters used in financial models prepared as part of the project's PFS
5. estimation of the market value of the Kharmagtai Mineral Resource excluded from Ore Reserves
6. preparation of valuation opinions for XAM's Red Mountain and Sant Tolgoi mineral exploration projects

An income-based valuation for the Kharmagtai project will be completed by BDO Australia, XAM's Expert engaged to assist in informing shareholders of a major transaction for which XAM requires shareholder approval. This valuation will be based on the project's Ore Reserve reported in the

project's PFS. ERM will provide an opinion on additional value contributed by publicly reported Mineral Resources not included in the Ore Reserve.

The Red Mountain and Sant Tolgoi exploration projects have been valued by ERM using several different approaches to provide insight into the impacts of varying parameters used in valuation opinion development.

This report's authors and reviewers have no previous association with XAM. Neither ERM nor the authors and reviewer of this report, have or have had previously, any material interest in XAM or the Company's operations and exploration projects that form the subjects of this report.

The effective date of this report is 21 May 2025. The report uses information provided to ERM by XAM prior to 30 November 2024, in addition to information obtained by ERM from other sources.

Site visits were not conducted in the course of preparing this report due to logistical issues with accessing the three exploration sites during the winter in Mongolia. The limited information that would be obtained by visiting exploration sites with no current activity was also not considered likely to be material to the outcomes of this report.

ERM's valuation opinions are based on both public and non-public information. The information available is the product of reasonable enquiries within the time available, to confirm the authenticity and completeness of the technical data and other relevant information used.

The valuations discussed in the report are opinions as to likely values, not absolute values, which can only be tested by going to the market.

XAM's Red Mountain project is 100% owned. The Kharmagtai project is a joint venture in which XAM is the operator and has equity defined by the agreement. Sant Tolgoi is an exploration project in which XAM has the ability to earn equity by meeting exploration expenditure commitments defined in terms of required expenditures within specified timeframes. XAM's involvement in each project is either direct or through a wholly-owned subsidiary company.

Kharmagtai Project

The Kharmagtai copper-gold project is considered by Xanadu to be the Company's flagship asset. It is located in South Gobi *(Omnogovi)* Province, approximately 420 km southeast of the Mongolian capital, Ulaanbaatar. The project is within the South Gobi porphyry copper province which hosts several major porphyry deposits including the Oyu Tolgoi copper-gold operations (120 km south) and Tsagaan Suvarga porphyry copper-molybdenum development (170 km east).

The Kharmagtai project is owned 38.25% by Xanadu, 38.25% by Zijin Mining Group Co. Ltd (Zijin), 13.5% by Xanadu Executive Director Ganbayar Lkhagvasuren, and 10% by QGX Ltd Through its 50% ownership of the Singaporean holding company Khuiten Metals Pte Ltd, Xanadu shares control of the project with its joint venture (JV) partner Zijin. Xanadu was the operator of the project for the PFS released in October 2024.

Mineralisation at Kharmagtai is porphyry copper-gold style, related to a series of co-genetic porphyry centres. Distal gold-base metal-bearing breccia pipes and complex silicified structurally controlled breccia zones and younger tourmaline breccia also occur. Kharmagtai is a large and complex system, considered to have further, untested exploration potential at its current stage of exploration and development.

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Red Mountain Project

The Red Mountain porphyry copper-gold project (100% XAM) is located within the Dornogovi Province of southern Mongolia, approximately 420 km southeast of Ulaanbaatar.

The porphyry mineralisation at Red Mountain is associated with late-stage monzonite and quartz diorite porphyry dykes and stocks emplaced on the flanks of the Red Mountain Intrusive Complex (RMIC). Alteration and mineralisation at Red Mountain are characterised by multiple co-genetic copper-gold porphyry centres, tourmaline breccia pipes and copper-gold/base metal magnetite skarns. Initial drilling has identified significant, shallow mineralisation spanning four prospects.

Sant Tolgoi Project

The Sant Tolgoi project covers two granted exploration licences, with a combined area of over 40 km², considered by XAM to be highly prospective for new magmatic intrusion-related copper-nickel systems. In early 2024, Xanadu executed a binding agreement with STSM LLC (STSM) granting the right to earn up to an 80% interest in these two exploration licences.

The Sant Tolgoi project is interpreted to lie on the western extension of the deep seated Khangai Fault systems, a metalliferous fault network which hosts several significant mafic and ultramafic intrusions that are considered to be encouraging for intrusion hosted copper and nickel mineralisation.

Kharmagtai Project Technical Assessment

Mineral Resource Review

The geological model and associated MRE are considered by ERM to comprise a suitable basis for estimation of Ore Reserves and the project's PFS. ERM would prefer a resource estimate associated with a greater degree of confidence in the form of some Measured Resources and a greater proportion of Indicated Mineral Resources in the portions of the deposit potentially amenable to open cut mining. This is particularly the case where ore is proposed to be mined during the capital payback period for the project. Additional drilling and sampling required to achieve this should be considered by XAM prior to completion of the project's Feasibility Study.

ERM proposes that the project's Mineral Resource and Ore Reserves have been prepared, classified and reported in accordance with the requirements of the JORC Code (JORC, 2012).

Mining Review

ERM reviewed proposed mining options and plans for the Kharmagtai Project and validated inputs to the project financial model.

From a mining engineering viewpoint

- The Kharmagtai project is a large copper project suitable for open pit mining. In the first few years, the stripping ratio is around 0.65 tonnes of waste per tonne of ore, lowering the operating costs.
- Contractor Mining is favoured by XAM to reduce the project's capital expenditure (CAPEX) requirements, while ensuring efficient execution of a large scale, open cut mining operation.

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Some of the key comments are:

- the overall initial CAPEX for the Kharmagtai project is significantly lower than that estimated for similar projects in the region. ERM was able to determine, however, that costs have been estimated using a rigorous process that conforms with mining industry best practice and accepts the estimate presented in the project's PFS.
- Estimated operating costs (OPEX) for the Kharmagtai project are lower than for comparable open cut porphyry copper mining projects in Mongolia but have been rigorously estimated and are supported by ERM.
- Royalties were assumed at 8.36% for Cu and 5% for Au. Royalty rates in Mongolia, however, depend on metal prices and can, in practice, reach 20% when the Cu price is above US$9,000/t, which is the case in the Kharmagtai PFS. Royalties will also be levied on trace metals present in concentrates exported from Mongolia. This does not appear to have been considered in the project financial model. The royalties payable by the project will ultimately be set by the investment agreement negotiated between XAM and the Mongolian government. The royalty rate proposed in the PFS is considered by ERM to be achievable.
- There is an apparent mismatch between the shovel size selected for the project and the proposed mining bench height of 10m. A higher bench height would be more efficient and reduce operating costs with the equipment selected.
- Options for reducing the quantity of ore moved to and from stockpiles over the life of the mine needs to be reduced to improve project economics. This needs to be addressed during a future Feasibility Study for the project.

ERM was concerned that the capital cost estimate for the project was significantly lower than for comparable projects in the region, with the apparent difference not adequately explained by the use of contract vs owner-operated mining. Discussions with consultants engaged by XAM to complete the Kharmagtai project alleviated these concerns, with the process followed in preparation of the PFS considered by ERM to follow industry best practice.

ERM agrees with the mining operating cost estimate provided by the Kharmagtai project PFS.

Royalty rates assumed by the Kharmagtai PFS are lower than those published in the Mineral Law of Mongolia, but ERM recognises that royalty rates are negotiable in investment agreements between developers and the government, and the Mongolian government is focused in growing the country's mining industry. No current copper mine in Mongolia is subject to the royalties set out in the current Mineral Law.

A closure cost of US$106 million is used in the Kharmagtai financial model. ERM considers this appropriate. Closure costs, however, will require closer consideration in the project's Feasibility Study.

Metallurgy and Processing

The Kharmagtai project is the only one of XAM's three projects in Mongolia with metallurgical testing and development and an associated processing flow sheet. The metallurgical test work conducted both by XAM and previous owners has been quite extensive over the period of development from 2008 to 2024. The many ore types identified have been observed to be represented over the years of development.

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The test work conducted, and metallurgical knowledge observed around the project is of a high standard for this stage of study.

Metallurgical test work on treating the oxide components of the orebody and tailings stream from the sulphide flotation plant has focused around predominately Au recovery.

ERM considers CAPEX estimates for the Kharmagtai metallurgical plant to be robust. Construction direct costs outside of equipment costs appear to be lower than those observed in western countries, and it is believed to be due to lower labour rates for construction. Operating costs appear to be relatively low for a metallurgical flow sheet of the complexity proposed for Kharmagtai. Power and reagents are the largest costs.

The general philosophy and methodology of the documented estimate is in line with industry standards.

ERM find that the manning estimates are in line with expectations of an operation of this size and complexity with experienced operators.

Some maintenance costs appear to be lower than would be expected, but the overall impact of these issues would be within levels of accuracy required of PFS studies.

Plant operations have been included in the financial model using a yearly schedule. Mine to stockpile, Mine to plant and stockpile to plant have been incorporated. On a PFS stage of the project this level of definition (yearly) is more than adequate to assess the overall financial state of the project.

Smelting and refining costs included in the Kharmagtai financial model are considered reasonable by ERM. These costs, however, represent negotiated agreements between miners and individual smelters and are not exclusively related to smelting and refining costs.

Valuation Opinion

At the effective date of this report (21 May 2025):

- The Consensus Economics reported a spot copper price of US$9,249 per tonne. Forecast prices between March 2025 and December 2026 ranged from US$9,201 and US$9,590 per tonne. This compares with the London Metals Exchange (LME) official copper bid price of US$9,188.25 per tonne (LME, 2025) for 19 May 2025.
- ERM has used the Consensus Economics price for 22 April 2025 throughout this report.
- The spot gold spot price reported by Consensus Economics was $US3,073 per ounce. Forecast gold prices between March 2025 and December 2026 published in the February 2025 survey report ranged from US$2,681 to US$2,767 per ounce. This compares with a gold spot price of US$3,073 per ounce (Trading Economics, 2025) for 22 April 2025.
- Again, the Consensus Economics price reported in their February 2025 survey has been used throughout this report.
- The US-Australian dollar exchange rate was 0.6341 (Reserve Bank of Australia, 2025).

The copper price is predicted to exceed US$9,000 per tonne by Consensus Economics throughout 2025 and 2026.

A search for comparable copper project transactions for porphyry-style mineralisation was conducted using the S&P Capital IQ^{pro} database. ERM elected to confine the search to Mongolia and Kazakhstan, and between 2000 and 2024, the period for which ERM has data available and

which coincided with these countries' transition to market economies from centrally planned, Soviet-style systems.

The identified transactions are concentrated between 2014 and 2017, which represent a period of intense interest in mining investment in central Asia, which has declined noticeably in subsequent years due to changes in royalty and company taxation regimes in Mongolia and investment conditions in Kazakhstan (Meja & Aliakbari, 2024). This results in most comparable transactions falling within this period. Changes to the Mining Law and other economic legislation and regulations have been implemented in Mongolia since then but their impact on the potential market value of projects is difficult to assess.

Mongolia was ranked 63 and Kazakhstan 79 for mining investment attractiveness, and 82 and 69 for government policy perception of 86 countries covered by the 2023 Fraser Institute survey. This is despite both countries being ranked favourably in terms of mineral potential (31 and 58 for Mongolia and Kazakhstan respectively of 58 countries for which survey submissions were received). These events have influenced the availability of comparable transactions able to be used in valuing XAM's mineral assets in Mongolia.

The Kharmagtai project Ore Reserve represents the most significant source of potential value in XAM's project portfolio. ERM is satisfied capital and operating costs (mining and processing) have been estimated with appropriate rigour.

Comparable Transactions

Projects with comparable contained metal contents to Kharmagtai, with both Ore Reserves and Mineral Resources in Mongolia and Kazakhstan since 2007 have changed ownership for between approximately US$13.0 million and US$79 million in 2024-dollar terms. ERM proposes that, empirically, using the limited comparable transaction information available, the Kharmagtai project would attract investment of around US$49 million (±25%, or between US$37 million and US$61 million) on a 100% equity basis.

ERM proposes a value of US$2.0 million for Red Mountain, which is at the top of the comparable transactions range but is considered to reflect the advanced status of the project. This valuation would be superseded by valuations based on exploration results and identified Mineral Resources when a Mineral Resource Estimate (MRE) is released for the project by XAM.

Prospectivity Enhancement Multiplier Valuation Opinions

For Kharmagtai, ERM proposes a Prospectivity Enhancement Multiplier (PEM) of 2.5 for the project, consistent with drilling outside the area where an Ore Reserve has been identified leading to delineation of areas where additional drilling is expected to result in recognition of additional Mineral Resources able to form the basis of additional Ore Reserves. This provides a valuation opinion of US$26.8 million in which XAM has 38.25% equity following the recent acquisition of a 38.25% interest in the project by Zijin Mining by diluting XAM's equity, equivalent to US$10.3 million (between $10.1 million and $10.4 million).

The Red Mountain project is considered to have a prospectivity multiplier valuation opinion of between US$5.5 and US$6.1 million using a PEM approach. The project is considered by ERM to be highly prospective with continued exploration expected to permit release of Mineral Resource estimates for several prospects, which would further enhance project value.

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Valuation Opinion—Sant Tolgoi

Sant Tolgoi is subject to a newly formed JV between XAM and STSM in January 2024 (Xanadu Mines Ltd, 2024a) to earn up to 80 per cent of the project by meeting the requirements of several agreed stages (Philipps, 2024). XAM is, essentially, in the first stage of the agreement which will entitle it to a 51% interest in the project upon expenditure of US$2 million on exploration within two years (by January 2026). Initial exploration results were released by XAM to the ASX in November 2024 (Xanadu Mines Ltd, 2024c).

At the date of this report, although XAM is progressing towards securing a 51% interest in the Sant Tolgoi project, the Company has no interest that can be preserved and traded with third parties until the initial JV milestone is achieved. The agreement is also yet to be formalised through a formal JV agreement executed by both XAM and STSM.

ERM is unable to attribute value to XAM's interest in the project until the requirements of the first stage of the JV are achieved.

Valuation Opinion Summary

A summary of valuation opinions for XAM's exploration assets are presented in the following table below.

The Kharmagtai Ore Reserve, to be valued by BDO, is expected to represent the greatest source of value for the project.

Project valuation opinions based on comparable transactions are considered to represent market values. These are considerably lower than the technical values obtained using the Exploration Prospectivity Enhancement Approach, interpreted to reflect negative sentiment towards exploration and mining investment in Mongolia. The surveys that provide evidence of this are surveys of exploration and mining managers and investors in western countries, especially Canada, USA and Australia, which may express different sentiment to their counterparts in Mongolia, Kazakhstan and China. Companies based in western countries, however, are major sources of capital for investment in exploration and mining projects. Investment attractiveness has an undeniable influence on the market value of projects.

There is upside in the valuation opinions expressed in the table that will be realised on the public reporting of Mineral Resources for the Red Mountain project and successful completion of the initial stage of the Sant Tolgoi JV.

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Value Source	Equity (%)	Low (US$M)	Preferred (US$M)	High (US$M)	Notes
Kharmagtai comparable transactions	100.0	56	75	94	XAM has entered a JV with Zijun Mining that distributed XAM's former 76.5% equity in the project between the two groups. Shareholdings of other JV participants were not affected. The value quoted is based on the project's Mineral Resource exclusive of Ore Reserves.
	38.25	21	29	36	
Kharmagtai Prospectivity Enhancement Multiplier	100.0	26.4	26.8	27.1	XAM were contributing all exploration funds prior to the Zijin Mining agreement.
	38.25	10.1	10.3	10.4	
Red Mountain comparable transactions	100.0	1.5	2.0	3.2	Pre-resource exploration project, opinion based on limited suitable transactions.
Red Mountain Prospectivity Enhancement Multiplier	100.0	5.5	5.8	6.1	XAM is contributing all exploration funds.

ERM considers the PFS prepared for the Kharmagtai project to be an effective and accurate description of development options for the Kharmagtai project. Inputs to the financial models prepared for the project are also considered to be defensible and a suitable basis for further studies. Uncertainty exists regarding several important factors, including royalties and the project's cost of capital. The assumptions made in the PFS are considered to be well considered by ERM and able to be revised as necessary prior to completion of the project's FS.

Red Mountain is able to be valued as an exploration using market value and expenditure approaches. ERM expects that modest additional exploration will provide a basis for public reporting of a Mineral Resource Estimate for the project which will provide additional valuation options and enhance project value.

XAM have yet to reach a stage in the Sant Tolgoi JV agreement to secure equity in the project. Reaching this milestone will enable value to be ascribed to the project.

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ACRONYMS AND ABBREVIATIONS

Abbreviation / Acronym	Description
AIG	Australian Institute of Geoscientists
AusIMM	Australasian Institute of Mining and Metallurgy
ASX	Australian Securities Exchange Ltd
BAC	Base Acquisition Cost—financial basis of the GFM valuation approach
bcm	Bank cubic metres (material as it lies in its natural bank state)
BDO	BDO Corporate Finance Ltd
CAGR	Compound annual growth rate
CIL	Carbon-in-leach
CuEq	Copper Equivalent
DCF	Discounted Cash Flow
EEA	Exploration Expenditure Approach (appraised value mineral asset valuation method for projects without Mineral Resources and Ore Reserves)
ERM	ERM Australia Consultants Pty Ltd
GFM	Geoscience Factor Method (mineral asset valuation method for projects without Mineral Resources and Ore Reserves)
HME	Heavy mining equipment
IER	Independent Expert's Report
IMMI	Ivanhoe Mines Mongolia
IMVAL	International Mineral Valuation Committee
IP	Induced Polarisation
IRR	Internal rate of return
ITSR	Independent Technical Specialist's report
JICA	Japan International Cooperation Agency
JORC	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code, 2012 edition)
JV	Joint venture
KGR	Kilburn Geoscience Rating (synonymous with GFM)
KIC	Kharmagtai Igneous Complex
km^2	square kilometre
koz	Thousand (Troy) ounces
LME	London Metals Exchange
LOM	Life of Mine
MEE	Multiple of Exploration Expenditure
ML	Mining Licence/Mining Lease
MMAJ	Metal Mining Agency of Japan
MMP	Mine management plan
Moz	Million (Troy) ounces
MRE	Mineral Resource Estimate
Mt	Million tonnes
Mtpa	Million tonnes per annum
NPV	Net Present Value
OPEX	Operating expenditure
PEM	Prospectivity Enhancement Multiplier, component of EEA valuations

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Abbreviation / Acronym	Description
PFS	Prefeasibility Study
RMIC	Red Mountain Intrusive Complex
ROM	Run of Mine
RPGeo	Registered Professional Geoscientist
RC	Reverse circulation (non-cored) drilling
SAG	Semiautogenous grinding
SGC	Spiers Geological Consultants
STSM	STSM LLC
TMC	Temujin Mining Corp
TMI	Total magnetic intensity (geophysical survey)
tpa	tonnes per annum (mining, production rate)
TSX	Toronto Stock Exchange
TTRC	True Technological Research Centre (metallurgical research and testing laboratory in Mongolia)
USGS	United States Geological Survey
VALMIN	Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (The VALMIN Code 2015 edition)
WRD	Waste rock dump(s)
wt%	Weight per cent
XAM	Xanadu Mines Ltd

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1. INTRODUCTION

1.1 Scope of Work

Xanadu Mines Ltd (XAM, "the Company") is an Australian Securities Exchange (ASX) listed exploration company focused on discovery and definition of porphyry copper-gold deposits in Mongolia. The Company maintains a multistage portfolio of exploration projects.

The Company's three projects comprise one advanced (Kharmagtai) and two earlier stage exploration opportunities (Red Mountain and Sant Tolgoi) in Mongolia. Kharmagtai and Red Mountain are located in South Gobi province. Sant Tolgoi is located in northwestern Mongolia in Zavchan Province close to Mongolia's border with Russia.

BDO Corporate Finance Ltd (BDO) has been engaged by XAM to prepare an IER for inclusion within a Notice of Meeting to be provided to the shareholders of the Company. The Notice of Meeting is to provide shareholders with the information they require to make an informed decision on an off-market takeover bid made by Bastion Mining Pte Ltd ("BidCo") for all of the ordinary shares in Xanadu that it does not already own. The BDO IER is required to provide an opinion on whether the proposed transaction is fair and reasonable to non-associated shareholders.

BDO has in turn requested that ERM prepare an Independent Technical Specialists' Report (ITR) for the three projects meeting the requirements of the VALMIN Code (2015). ERM will be supporting BDO Corporate Finance (BDO) who require ERM's opinion of the value of the projects, and of parameters used in a financial model for the Kharmagtai project.

BDO required a review of the technical project assumptions of the Kharmagtai project, to provide BDO with an assessment on the reasonableness of each of the assumptions used in the cash flow model ('Model'), including the:

1. Mineral Resources and Ore Reserves incorporated into the Model, and the treatment of any residual
2. mining physicals (including tonnes of ore mined, quality, waste material and mine life)
3. processing physicals (including ore processed and produced)
4. production and operating costs (including but not limited to drilling, blasting, mining, haulage, processing, transport, general administration, distribution and marketing, contingencies and royalties or levies)
5. CAPEX (including but not limited to pre-production costs, project capital costs, sustaining CAPEX, salvage value, rehabilitation and contingency)
6. any other relevant technical assumptions not specified above

In addition, ERM will provide BDO with ERM's independent opinion on the value of the value of the Red Mountain and Sant Tolgoi exploration projects.

Exploration project valuations and Mineral Resources excluded from Ore Reserves will be valued using more than one technique to provide a level of confidence in the valuation opinions.

Xanadu is liable for payment for ERM's work.

The BDO IER is required to provide an opinion on whether the proposed transaction is fair and reasonable to non-associated shareholders. ERM was instructed to prepare an Independent Technical Specialists' Report (ITSR) for the three projects meeting the requirements of the VALMIN Code (2015). The Report, or a summary of it, is to be appended to the IER, and as such, will become a public document. ERM gives consent to BDO to use the report for the purposes stated

within the scope. The Report is not to be used for purposes outside of these scope without ERM's written consent.

1.2 Effective Date

The effective date of this report is 21 May 2025. The report uses information provided to ERM by XAM through access to a project data room, in addition to information obtained by ERM from other sources.

1.3 Approach

This Independent Technical Assessment is the product of a desktop study.

The valuation of the projects was based on several methodologies including:

- recent comparable transactions
- multiples of previous exploration and resource evaluation expenditure
- Geoscience Factor Method (Kilburn Geoscience Rating) valuation
- Rule of Thumb (Yardstick) valuation and
- a critical review of geological and mining input parameters proposed for use by BDO in preparing an income-based valuation for the project.

An income-based valuation of the project will be presented by BDO in the IER. ERM has examined and validated inputs to the Kharmagtai project's financial model and prepared a valuation opinion of Mineral Resources not included in the project's Ore Reserve. ERM has also prepared an exploration asset valuation for the Red Mountain and Sant Tolgoi projects.

Two financial models were prepared during the project's PFS, based on production schedules that:

1) include both Ore Reserves and Inferred Mineral Resources that occur proximal to Ore Reserves and occur within open pit designs developed for the Kharmagtai deposit; and
2) are based on Ore Reserves only.

ERM's view is that the latter should be used in an income-based valuation of the project. Confidence in Inferred Resource estimates is insufficient for this mineralisation to be valued in conjunction with Ore Reserves, by definition, according to the JORC Code (JORC, 2012). Inferred Mineral Resources are able, however, to be ascribed value using market and cost, rather than income-based valuation approaches.

1.4 Compliance with the JORC and VALMIN Codes

This report has been prepared to meet all the requirements of the VALMIN and JORC Codes for mineral asset valuation (VALMIN, 2015) and public reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC, 2012) respectively.

1.5 Principal Sources of Information

Information required to complete this work was sourced from reports and other information made available by XAM, and other publicly accessible sources identified by ERM documented in the Report.

1.6 Site Visit

Site visits were not conducted in the course of preparing this report due to logistical issues with accessing the three exploration sites during the winter in Mongolia. The limited information that would be obtained by visiting exploration sites with no current activity was also not considered likely to be material to the outcomes of this report.

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1.7 Commodity Prices

Commodity prices used by this study are based on the April 2025 forecasts published by Consensus Economics Inc. (Consensus) (Consensus Economics, 2025).

The Consensus Economics April 2025 survey reported a spot copper price of US$9,213 per tonne. Forecast prices between June 2025 and December 2026 ranged from US$9,170 and US$9,650 per tonne.

The copper price is predicted by Consensus Economics survey data to remain above US$9,000 per tonne which would trigger the application of the maximum copper royalty rates specified in the Minerals Law of Mongolia, were the rate not to be adjusted by negotiation for individual projects.

The April 2025 Consensus Economics survey reported a gold spot price of $US2,996 per ounce. Forecast gold prices between June 2025 and December 2026 published in the April 2025 survey report ranged from US$3,058 to US$2,947 per ounce.

1.8 Exchange Rates

Exchange Rates used in this report are rates published by the Reserve Bank of Australia effective 22 April 2025.

The USD:AUD Exchange Rate at 22 April 2025 was 0.6341.

1.9 Report Authors -Qualifications, Experience and Competence

1.9.1 Report Authors

Max Nind, MSc (Geology), BSc (Geology and Geography), GradDipFinInv, MAIG

Principal Consultant, Geology

Max Nind is an experienced geologist with over 35 years' experience working in exploration, mine geology, financial evaluation and corporate management of assets in Australia, USA, New Zealand and Canada. He has led multidisciplinary study and exploration teams globally in the search for base metals, gold, bulk commodities, cobalt, and industrial minerals (clay and quartz). Max gained a solid foundation in mining during working underground, managing geological departments of various mines. His extensive corporate and financial experience ranges from leading corporate management and project study teams; developing and maintaining strong working relations with stakeholders; leading commercial negotiations with contractors, government agencies and financial institutions; to identifying, assessing and developing business investment opportunities. Max's strong business acumen, combined with a deep understanding of project fundamentals, allows him to provide strategic advice to resource clients.

Khairulla Aben, PhD, MAusIMM CP(Min), MPONEN

Principal Consultant - Mining Engineering

Khairulla is an experienced mining professional who has delivered mining engineering, mine planning and economic evaluation for projects, technical studies and operations. He has delivered open pit and underground projects and studies across multiple commodities, with responsibilities for design, planning, scheduling of mine operations and economic evaluation. Khairulla has focused on preparing mining studies, due diligence and expert opinion reports. He complements these capabilities through the advanced application of modern mining software systems, the implementation of technologies and the application of best practices.

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Experience in projects around the world with wide experience in Kazakhstan, Australia, Kyrgyzstan and Russia.

Robert Kochmanski, BE-(Metal), FIEAust CPEng NER APEC Engineer IntPE(Aus)) P.Eng (Alberta)

Senior Process Engineer (Associate, BHM Process Consultants)

Robert Kochmanski is a Senior Process Engineer who has performed a variety of operational, commissioning and study roles since graduating in 2007. Rob has worked in a wide variety of minerals including gold, base metals, iron ore and industrial minerals. In addition, he has had wide exposure to many unit processes including (but not limited to) comminution, froth flotation, leaching, gravity separation, magnetic separation, filtering thickening, ore sorting, solvent extraction and electrowinning and complex hydrometallurgy. The operational roles have been mostly on newly established processing plants in their commissioning or ramp-up stages. As such there has been a significant focus on developing systems and operational support with operator training. Project Development work has been focused from scoping studies to definitive feasibility studies with technical and preliminary engineering input being given to develop projects.

Andrew Waltho, BAppSc (Hons) FAIG RPGeo (MinExpl, Mining), FAusIMM, FGS, Professional Member SME, GAICD

Consulting Director, Mining Transaction and Corporate Advisory, ERM Mining Technical Services

Andrew has more than 40 years as an exploration and mining geoscientist spanning multiple commodities, deposit styles and settings with major, mid-tier and junior companies and as a consultant. Andrew also has more than 23 years' experience as a director of resources sector companies and not for profit professional organisations. He is a past-President of the Australian Institute of Geoscientists and Chair of the Institute's Ethics and Standards Committee. Andrew was recently appointed to the VALMIN Committee which is responsible for the development of the Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets. He is also an Australian representative on the International Mineral Valuation Committee (IMVAL) that promotes consistency of mineral asset valuation practices globally.

Andrew has more than 40 years of experience in exploration, resource evaluation and due diligence for a range of commodities including phosphates in Australia and overseas. Other career highlights have included deep involvement in the development of the Century zinc-lead-silver mine in northwest Queensland, extending from early exploration through all stages of feasibility to commissioning and the initial years of production. Other highlights have included participation in feasibility studies for the Dugald River zinc project in Queensland, the Jadar lithium-borate project in Serbia and due diligence reviews for multiple projects spanning a broad suite of commodities, including gold, base metals, uranium, potash, phosphates, industrial minerals and mineral sands, again both in Australia and overseas.

Graham Jeffress, BSc (Hons) Geology, MAIG, MAusIMM

Partner, Operations Director ERM Mining Technical Services, Principal Geologist

Graham is a geologist with over 35 years' experience in exploration geology and management in Australia, PNG and Indonesia. He is a Principal Geologist and the Service Lead for the Sustainable Mining Services in Australia. He has worked in exploration (ranging from grassroots reconnaissance through to brownfields, near-mine, and resource definition), project evaluation and mining in a variety of geological terrains, commodities and mineralisation styles within Australia and internationally. He is competent in multidisciplinary exploration, and proficient at undertaking prospect evaluation and all phases of exploration. Graham has completed numerous independent

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technical reports (IGR, CPR, QPR) and valuations of mineral assets. Graham capitalised on his knowledge of exploration to undertake expert technical reviews, valuations and independent reporting services to groups desiring improved understanding of the value, risks and opportunities associated with mineral investment opportunities. Graham was a Federal Councillor/board member (including Company Secretary and Treasurer) of the Australian Institute of Geoscientists for 11 years and joined the Joint Ore Reserves Committee in 2014, where he is currently a member of the executive committee. As the Service Lead for the Sustainable Mining Services team in Australia he is now responsible for managing geoscience and mining engineering in the Australasian region.

1.9.2 Report Author Responsibilities

Max Nind is primarily responsible for the descriptions of project locations, physiography, climate, access to infrastructure, geology and exploration potential for each of XAM's three projects in Mongolia: Kharmagtai, Red Mountain and Sant Tolgoi; examined in this report.

Khairulla Aben undertook review of the Kharmagtai mining strategy and development plan, project infrastructure requirements and development costs associated with the project. This included a detailed review of mining capital and operating expenditure and mining related inputs to the Kharmagtai financial model.

Rob Kochmanski reviewed the metallurgical testwork, and metallurgical concentrate production options for different ore types present in the deposit. Mr Kochmanski also reviewed the metallurgical process and plant design, capital and operating costs for these facilities.

Andrew Waltho examined the assessment of geotechnical and water supply options for the project and reviewed the report to ensure consistency of information used in each aspect of the overall assessment.

Graham Jeffress managed ERM's internal peer review of the draft report and authorised release of a final draft for BDO and XAM review, prior to finalising the study.

1.10 Prior Association and Independence

This report's authors and reviewers have no previous association with XAM. Neither ERM nor the authors and reviewer of this report, have or have had previously, any material interest in XAM or the Company's operations and exploration projects that form the subjects of this report.

ERM's relationship with XAM is solely one of professional association between client and independent consultant.

This report is prepared in return for professional fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this report. ERM's fee for the preparation of this report is approximately A$80,000, excluding Australian goods and services tax (GST).

No employee of ERM is, or is intended to become, a director, officer or other direct employee of XAM. There is no formal agreement between ERM and XAM in relation to ERM conducting further work for the company.

1.11 Disclaimers

The statements and opinions contained in this report are given in good faith and in the belief that they are not false nor misleading. The report is based on information available up to and including the date of this report.

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The statements and opinions are based on a reference date of 21 May 2025 and could alter over time depending on exploration results, mineral resource knowledge, mineral prices and other relevant market factors.

The opinions expressed in the report have been based on information compiled by ERM. The opinions in the report are provided in response to a specific request from XAM to do so. ERM has exercised all due care in reviewing the supplied information. While ERM has compared key supplied data with expected values, the accuracy of the results and conclusions from the review are entirely reliant on the accuracy and completeness of the data assembled by ERM for this report. ERM does not accept responsibility for any errors or omissions in the information and does not accept any consequential liability arising from commercial decisions or actions resulting from them.

ERM's valuation opinions are based on both public and non-public information. The information available is the product reasonable enquiries within the time available, to confirm the authenticity and completeness of the technical data and other relevant information used.

ERM considers that its opinion must be considered as a whole and that selecting portions of the analysis, or factors considered by it, without considering all factors and analyses together could create a misleading view of the process underlying the opinions presented in this report. The timing and context of an independent valuation report is complex and does not lend itself to partial analysis or selective interpretations without consideration of the entire report.

No audit of any financial data has been conducted.

The valuations discussed in the report are opinions as to likely values, not absolute values, which can only be tested by going to the market.

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2. MINERAL ASSET VALUATION PRINCIPLES

2.1 Basic Principles

Valuation of mineral assets is not an exact science, and several approaches are possible, each with varying strengths and shortcomings. While valuation is a subjective exercise, there are several generally accepted methods for ascertaining the value of mineral assets. ERM considers that, wherever possible, inputs from a range of methods should be assessed to inform conclusions about the Market Value of Mineral Assets.

A valuation opinion should always be presented as a range, with the preferred value identified. The preferred value need not be the median value and is determined by the Practitioner based on their experience and professional judgement.

Mineral Assets are defined in the VALMIN Code (VALMIN, 2015) as all property including (but not limited to) tangible property, intellectual property, mining and exploration tenure and other rights held or acquired in connection with the exploration, development of and production from those Tenures. This may include the plant, equipment and infrastructure owned or acquired for the development, extraction and processing of minerals in connection with that tenure.

Business valuers typically define market value as "The price that would be negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arms-length." The accounting criterion for a market valuation is that it is an assessment of "fair value," which is defined in the accounting standards as "the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms-length transaction." The VALMIN Code defines the value of a mineral asset as its market value, which is "the estimated amount (or the cash equivalent of some other consideration) for which the mineral asset should exchange on the date of valuation between a willing buyer and a willing seller in an arms-length transaction after appropriate marketing where the parties had each acted knowledgeably, prudently and without compulsion."

Market Value usually consists of two components, the underlying or technical value, and a premium or discount relating to market, strategic or other considerations. The VALMIN Code recommends that a preferred or most likely value be selected as the most likely figure within a range after considering those factors which might impact on value.

The concept of market value hinges upon the notion of an asset changing hands in an arms-length transaction. Market Value must therefore consider, inter alia, market considerations, which can only be determined by reference to "comparable transactions." Generally, truly comparable transactions for mineral assets are difficult to identify due to the infrequency of transactions involving producing assets and/or Mineral Resources, the great diversity of mineral exploration properties, the stage to which their evaluation has progressed, perceptions of prospectivity, tenement types, the commodity involved and so on.

For exploration tenements, the notion of value is very often based on considerations unrelated to the amount of cash which might change hands in the event of an outright sale, and in fact, for the majority of tenements being valued, there is unlikely to be any "cash equivalent of some other consideration." While acknowledging these limitations, ERM identifies what it considers to be "comparable transactions" (i.e. transactions that are useful to consider) to be used in assessing the values to be attributed to mineral assets.

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2.2 Valuation Methods for Mineral Assets

The choice of valuation methodology applied to mineral assets, including exploration licences, depends on the amount of data available and the reliability of that data.

The VALMIN Code classifies mineral assets into categories that represent a spectrum from areas in which mineralisation may or may not have been found through to operating mines which have well-defined Ore Reserves, as listed below:

"**Early-stage exploration projects**" – tenure holdings where mineralisation may or may not have been identified, but where Mineral Resources have not been identified.

"**Advanced exploration projects**" – tenure holdings where considerable exploration has been undertaken and specific targets identified that warrant further detailed evaluation, usually by drill testing, trenching or some other form of detailed geological sampling. A Mineral Resource (as defined in the JORC Code) estimate may or may not have been made but sufficient work will have been undertaken on at least one prospect to provide both a good understanding of the type of mineralisation present and encouragement that further work will elevate one or more of the prospects to the Mineral Resources category.

"**Pre-Development projects**" – tenure holdings where Mineral Resources have been identified and their extent estimated (possibly incompletely) but where a decision to proceed with development has not been made. Properties at the early assessment stage, properties for which a decision has been made not to proceed with development, properties on care and maintenance and properties held on retention titles are included in this category if Mineral Resources have been identified, even if no further work is being undertaken.

"**Development projects**" – tenure holdings for which a decision has been made to proceed with construction or production or both, but which are not yet commissioned or operating at design levels. Economic viability of development projects will be proven by at least a PFS.

"**Production projects**" – tenure holdings (particularly mines, wellfields and processing plants) that have been commissioned and are in production.

Each of these different categories will require different valuation methodologies, but regardless of the technique employed, consideration must be given to the perceived "market valuation."

The Market Value of Exploration Properties and Undeveloped Mineral Resources can be determined by the following general approaches: Income, Market and Cost (Table 2-1). The Market Value of Development and Production Projects are best assessed using the Market and Income approaches, whereas the market value of exploration projects is best assessed using the Market and Cost approaches.

2.3 Valuation Approaches by Asset Stage

Regardless of the technical application of various valuation methods and guidelines, the valuer should strive to adequately reflect the carefully considered risks and potentials of the various projects in the valuation ranges and the preferred values, with the overriding objective of determining the "fair market value".

Table 2-1 shows the valuation approaches that are generally considered appropriate to apply to each type of mineral property.

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Table 2-1: Valuation approaches for different types of mineral properties (VALMIN, 2015)

Valuation Approach	Exploration Properties	Mineral Resource Properties	Development Properties	Production Properties
Income	No	In some cases	Yes	Yes
Market	Yes	Yes	Yes	Yes
Cost	Yes	In some cases	No	No

2.4 Income

2.4.1 Discounted Cash Flow/Net Present Value Method

The Discounted Cash Flow (DCF) valuation method recognises the time value of money, it is most suitable for development projects, where detailed studies have been completed to justify input assumptions and Production Projects, where there is actual historical data to justify input assumptions. Less commonly the DCF methodology is applied to pre-development projects.

The DCF valuation method provides a means of relating the magnitude of expected future cash profits to the magnitude of the initial cash investment required to purchase a mineral asset or to develop it for commercial production.

The DCF valuation method determines:

- The net present value (NPV) of a stream of expected future cash revenues and costs.
- The internal rate of return (IRR) that the expected cash flows will yield on a given cash investment.

The DCF valuation method is a forward-looking methodology, requiring that forecasts be made of technical and economic conditions which will prevail in the future. All future predictions are inherently uncertain. The level of uncertainty reduces as the quality of the data available to project future rates of production and future costs, increases.

It is essential to understand specific fundamental attributes of the mining industry in undertaking a DCF, such as:

- An Ore Reserve and in some cases Mineral Resource is the basis of any mineral development.
- Costs are determined by the number of tonnes mined and processed, while revenues are determined by the number of tonnes, pounds or ounces of metal produced. The two are related by the recovered grade of the ore.
- Profit is typically more sensitive to changes in revenue that to changes in costs.
- The commodity price is a principal determinant of revenue but is also the factor with the greatest level of financial risk.

The most significant factors, which must be considered in a DCF valuation of a mineral asset is the reliability of the Mineral Resource and Ore Reserve, particularly with respect to recovered grade, the price at which the product is sold and the risk of not maintaining the projected level of commodity price.

Key inputs into the DCF valuation method for a mineral asset valuation are:

- life of mine planning assumptions
- capital cost estimates—can be the initial cost of constructing the project and/or the ongoing cost of sustaining the productive life of the operation

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- operating cost estimates—costs incurred both on-site in producing the commodity which is shipped from the property, and off site, in the transportation and downstream processing of that commodity into saleable end products
- revenue estimates—revenue in the mining context is the product of the following factors:
- the tonnage of ore mined and processed
- the grade of the ore
- the metallurgical recovery
- the price of the saleable commodity
- taxation and royalty payments
- discount rate—represents the risk adjusted rate of interest expected to be yielded by an investment in the mineral asset

The Income Approach is not appropriate for properties without Mineral Resources. It should be employed only where enough reliable data are available to provide realistic inputs to a financial model, preferably based on studies at or exceeding a prefeasibility level.

2.5 Market

2.5.1 Comparable Transaction Method

The comparable transactions method looks at prior transactions for the property and recent arms-length transactions for comparable properties.

The comparable transaction method provides a useful guide where a mineral asset that is generally comparable in location and commodity has in the recent past been the subject of an "arms-length" transaction, for either cash or shares.

For the market approach resources are not generally subdivided into their constituent JORC Code categories. The total endowment or consolidated *in situ* resources are what drives the derivation of value. Each transaction implicitly captures the specific permutation of resource categories in a project. There are too many project-specific factors at play to allow any more than a consideration of price paid vs total resource base. Therefore, considering individual project resource permutations is neither practicable nor useful for this valuation approach. To that end ERM's discussion of the market approach is predicated on the consolidated resource base, to allow application of the method.

Where a progressively increasing interest is to be earned in stages, it is likely that a commitment to the second or subsequent stages of expenditure will be so heavily contingent upon the results achieved during the earlier phases of exploration that assigning a probability to the subsequent stages proceeding will in most cases be meaningless. A commitment to a minimum level of expenditure before an incoming party can withdraw must reflect that party's perception of minimum value and should not be discounted. Similarly, any up-front cash payments should not be discounted.

The terms of a sale or JV agreement should reflect the agreed value of the tenements at the time, irrespective of transactions or historical exploration expenditure prior to that date. Hence the current value of a tenement or tenements will be the value implied from the terms of the most recent transaction involving it/them, plus any change in value as a result of subsequent exploration.

High quality mineral assets are likely to trade at a premium over the general market. On the other hand, exploration tenements that have no defined attributes apart from interesting geology or a "good address" may well trade at a discount to the general market. Market Values for exploration

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tenements may also be impacted by the size of the land holding, with a large, consolidated holding in an area with good exploration potential attracting a premium due to its appeal to large companies.

2.5.2 Rule of Thumb (Yardstick)

The Rule of Thumb (Yardstick) method is relevant to exploration properties where some data on tonnage and grade exist, and these properties may be valued by methods that employ the concept of an arbitrarily ascribed current in-situ net value to any Ore Reserves (or Mineral Resources) outlined within the tenement (Lawrence, An Outline of Market-based Approaches for Mineral Asset Valuation Best Practice, 2001), (Lawrence, 2011).

Rules-of-Thumb (Yardstick) methods are commonly used where a Mineral Resource remains in the Inferred category and available technical/economic information is limited. This approach ascribes a heavily discounted in situ value to the resources, based upon a subjective estimate of the future profit or net value (say per tonne of ore) to derive a Rule of Thumb.

This Yardstick multiplier factor applied to the resources delineated (depending upon category) varies depending on the commodity. Typically, a range from 0.4% to 3% of the current spot price is used for base metals and platinum group metals, whereas for gold and diamonds a range of 2% to 5% of the current spot price is used, and typically much lower factors are applied for bulk commodities. The method estimates the in situ gross metal content value of the mineralisation delineated (using the spot metal price and appropriate metal equivalents for polymetallic mineralisation as at the valuation date).

The chosen percentage is based upon the valuer's risk assessment of the assigned Mineral Resource category, the commodity's likely extraction and treatment costs, availability / proximity of transport and other infrastructure (particularly a suitable processing facility), physiography and maturity of the mineral field, as well as the depth and strip ratio of the potential mining operation.

This method is best used as a non-corroborative check on the order of magnitude of values derived using other valuation methods that are likely to better reflect project-specific criteria.

2.6 Cost

2.6.1 Appraised Value or EXPLORATION EXPENDITURE APPROACH

The Appraised Value or Exploration Expenditure Approach (EEA) considers the costs and results of historical exploration.

The Appraised Value method is based on the premise that the real value of an exploration property lies in its potential for the existence and discovery of an economic mineral deposit (Roscoe, 2002). It utilises a Multiple of Exploration Expenditure (MEE), which involves the allocation of a premium or discount to past relevant and effective expenditure using the PEM. This involves a factor which is directly related to the success (or failure) of the exploration completed to date, during the life of the current tenements.

Guidelines for the selection of a PEM factor have been proposed by several authors in the field of mineral asset valuation (Onley, 2004). Table 2-2 lists the PEM factors and criteria used in this report.

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Table 2-2: PEM Factors

PEM range	Criteria
0.2 to 0.5	Exploration (past and present) has downgraded the tenement prospectivity, no mineralisation identified
0.5 to 1.0	Exploration potential has been maintained (rather than enhanced) by past and present activity from regional mapping
1.0 to 1.3	Exploration has maintained, or slightly enhanced (but not downgraded) the prospectivity
1.3 to 1.5	Exploration has considerably increased the prospectivity (geological mapping, geochemical, or geophysical activities)
1.5 to 2.0	Scout drilling (rotary air blast, air-core, RC percussion) has identified interesting intersections of mineralisation
2.0 to 2.5	Detailed drilling has defined targets with potential economic interest
2.5 to 3.0	A Mineral Resource has been estimated at Inferred JORC category, no concept, or scoping study has been completed
3.0 to 4.0	Indicated Mineral Resources have been estimated that are likely to form the basis of a PFS
4.0 to 5.0	Indicated and Measured Resources have been estimated, and economic parameters are available for assessment

2.6.2 Geoscience Factors

The Geoscience Factor Method (GFM) or Kilburn Geoscience Rating (KGR), as described by Kilburn (1990), provides an approach for the technical valuation of the exploration potential of mineral properties, on which there are no defined resources. It seeks to rank and weight geological aspects, including proximity to mines, deposits and the significance of the camp and the commodity sought. The criteria originally proposed by Kilburn (Kilburn, 1990) have been modified by several authors since the approach was originally published. The version of the GFM criteria used by ERM incorporate changes advocated by SRK in a previous review of Avenira's mineral assets (McKibben, 2019).

Valuation is based upon a calculation in which the geological prospectivity, commodity markets and mineral property markets are assessed independently. The GFM is essentially a technique to define a value based upon geological prospectivity. The method appraises a variety of mineral property characteristics:

Location with respect to any off-property mineral occurrence of value, or favourable geological, geochemical or geophysical anomalies

Location and nature of any mineralisation, geochemical, geological or geophysical anomaly within the property and the tenor of any mineralisation known to exist on the property being valued.

Number and relative position of anomalies on the property being valued.

Geological models appropriate to the property being valued.

The GFM systematically assesses and grades these four key technical attributes of a tenement to arrive at a series of multiplier factors (Table 2-3).

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Table 2-3: Geoscientific Factor Ranking

Rating	Off-property factors	On property factors	Anomaly factors	Geological factors
0.1			No mineralisation identified; area sterilised	Unfavourable geological setting, No alteration of interest
0.5		Very little chance of mineralisation; Concept unsuitable to the environment	Extensive previous exploration with poor results	Potentially favourable geological setting but poor results to date, complexly deformed and metamorphosed
1	No known mineralisation in district	Exploration model support; Indications of prospectivity; Concept validated	Extensive previous exploration with encouraging results; Regional targets	Deep cover; Generally favourable lithology/ alteration (70%)
1.5	Reconnaissance (rotary air blast/air-core) drilling with some scattered favourable results. Minor workings	Exploratory sampling with encouragement	Several early-stage targets outlined from geochemistry and geophysics	Shallow cover; Generally favourable lithology/ alteration
2	Several old workings; Significant RC percussion drilling leading to advanced project	Several old workings; Reconnaissance drilling or RC percussion drilling with encouraging intersections	Several well-defined targets supported by reconnaissance drilling data. Multiple exploration models being applied simultaneously	Exposed favourable; Lithology/alteration
2.5	Abundant workings; Grid drilling with encouraging results on adjacent sections	Abundant workings; Core drilling after RC percussion with encouragement	Several well-defined targets with encouraging drilling results	Strongly favourable lithology, alteration
3	Mineral Resource areas defined	Advanced Resource definition drilling (early stages)	Several significant subeconomic targets; No indication of “size”	Generally favourable lithology with structures along strike of a major mine; Very prospective geology
3.5	Abundant workings/mines with significant historical production; Adjacent to known mineralisation at PFS stage	Abundant workings/mines with significant historical production; Mineral Resource areas defined	Several significant subeconomic targets; Potential for significant “size”; Early-stage drilling	
4	Along strike or adjacent to resources at Definitive Feasibility Study stage	Adjacent to known mineralisation at PFS stage	Marginally economic targets of significant “size” advanced drilling	
4.5	Adjacent to development stage project	Along strike or adjacent to resources at Definitive Feasibility Study stage	Marginal economic targets of significant “size” with well drilled Inferred Resources	
5	Along strike from operating major mine(s)	Adjacent to development stage project	Several significant ore grade co-relatable intersections	
6				Advanced exploration model constrained by known and well understood mineralisation
10		World class deposit / mine		

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The Geoscience Rating Factor valuation method is a subjective valuation method, and different valuation practitioners are likely to derive different on-off-property, anomaly and geological factors, based on their interpretation and understanding of the project. Different descriptions of the rating factors also exist. However, provided the same rating system of factors and descriptions of their values is used, the results from different practitioners should not be dramatically different.

The Base Acquisition Cost (BAC) is an important input to the GFM. In essence, it is the average cost to acquire and hold an average tenement in the jurisdiction and it is determined by summing the costs to identify an area of interest, application fees, annual rents and other government costs, work required to facilitate granting (e.g. Native Title, environmental etc.) and minimum annual statutory expenditures. In other words, the BAC is the total average expenditure per standard unit area (km², hectare, subblock, etc.) and captures the identification cost and then the application and retention costs. Each factor is then multiplied serially by the BAC to establish the overall technical value of each mineral property. A fifth factor, the market factor, is then multiplied by the technical value to arrive at the fair market value.

The standard references on the method (Kilburn, 1990) (Goulevitch & Eupene, 1994) do not provide much detail on how the market factor should be ascertained. ERM takes the approach of using the implied value range from our selected comparable transactions to inform the selection of a GFM market factor. Our presumption is that the selected comparable transactions are capturing the market sentiment, so any other valuation method should not be significantly different (order of magnitude).

This is achieved by finding the market factor that produces an average GFM preferred value per unit area for whole project (i.e. total preferred GFM value divided by the total area) that falls within the range of the comparable transactions implied values per unit area. It is ERM's view that this adequately accounts for global market factors on an empirical basis. For example, if the implied value range is $100/km² to $2000/km², then the market factor should give an average GFM preferred value per unit area that falls within that range.

ERM generally would select a market factor (rounded to an appropriate number of significant digits) that gives a value closer to the upper end of the range (though this is the valuer's judgement call). This is because the GFM is a tool that addresses the exploration potential of a project and is best suited to informing the upper end of valuation ranges for a project.

2.6.3 Geological Risk Method

In the Geological Risk valuation method, as described by Lord, Etheridge, Wilson, Hall, & Uttley (2001), the value of a project at a given stage of knowledge/development is estimated based on the potential value of the project at a later stage of development, discounted by the probability of the potential value of the later stage being achieved, and considering the estimated cost of progressing the project to the next stage. The relevant stages of exploration are defined in Table 2-4.

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Table 2-4: Definition of exploration stages

Stage	Description
Stage A	Ground acquisition, project/target generation
Stage B	Prospect definition (mapping and geochemistry)
Stage C	Drill testing (systematic RC, diamond drilling)
Stage D	Resource delineation
Stage E	Feasibility

The expected value (E) of a project at a given stage is then dependent on the target value at the next stage (T), the probability of successfully advancing the project to the next stage (P), and the cost of advancing the project (C). This can be expressed as:

$$E=P*(T-C)E=P*(T-C)$$

This valuation method generates an expected value for each project (or prospect) at each of the main exploration stages or decision points, by working back from a project's target value. A project's target value can be based on an expected NPV from a reasonably constrained DCF model, or from a reasonable approximation of the value of a defined resource, in which case the initial target value will be the value at the end of Stage D, as opposed to the value at the end of Stage E.

Lord, Etheridge, Wilson, Hall, & Uttley (2001) concluded that the probability of successfully proceeding from one exploration phase to the following one was as depicted in

Table 2-5, based on a detailed study of gold exploration programmes in the Laverton area of Western Australia.

The Geological Risk method has not been applied to this study but is described here for completeness.

Table 2-5: Probability of successfully proceeding from one exploration stage to another.

Stages	Probability of advancing
Generative to reconnaissance	0.54
Reconnaissance to systematic drill testing	0.17
Systematic drill testing to Resource delineation	0.58
Resource delineation to Feasibility	0.87
Feasibility to Mine	0.90

- *Source:* (Lord, Etheridge, Wilson, Hall, & Uttley, 2001)

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3. XANADU MINES BACKGROUND

Xanadu Mines Limited (ASX: XAM) is an exploration company focused on discovery and definition of porphyry copper-gold deposits in Mongolia. The Company maintains a multistage portfolio of exploration projects.

The Company's three current projects comprise one advanced (Kharmagtai) and two earlier stage exploration opportunities (Red Mountain and Sant Tolgoi) in Mongolia (Figure 3-1). Kharmagtai and Red Mountain are located in South Gobi province. Sant Tolgoi is located in northwestern Mongolia in Zavchan Province close to Mongolia's border with Russia.

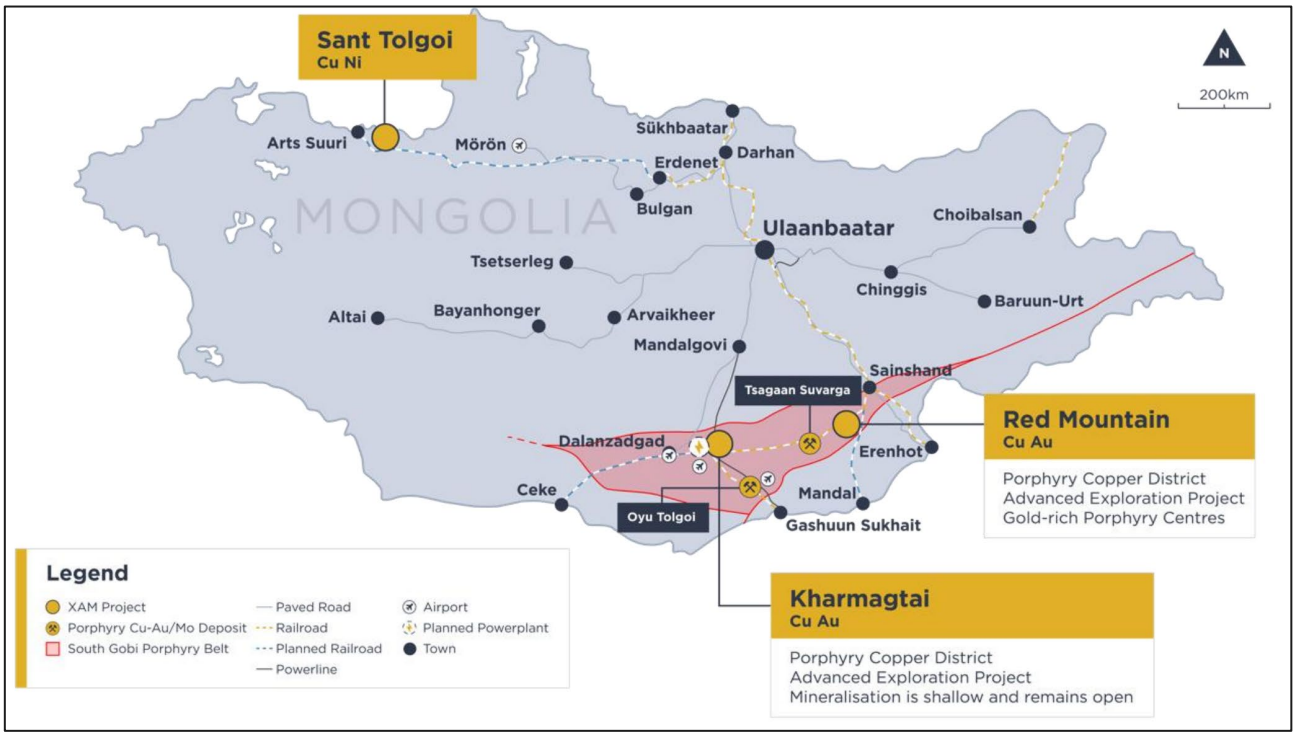


Figure 3-1: Xanadu Project Locations (Xanadu Mines Ltd, 2024e)

The Kharmagtai copper-gold project is located in Omnogovi Province, approximately 420 km southeast of the Mongolian capital, Ulaanbaatar. Xanadu is the Operator of a 50-50 JV with Zijin Mining Group in Khuiten Metals Pte Ltd, which controls 76.5% Kharmagtai. The project is within the South Gobi porphyry copper province which hosts several major porphyry deposits including the Oyu Tolgoi copper-gold operations (120 km south) and Tsagaan Suvarga porphyry copper-molybdenum development (170 km east). Kharmagtai is considered by Xanadu to be the Company's flagship asset.

The Red Mountain porphyry copper-gold project (100% Xanadu) is located within the Dornogovi Province of southern Mongolia, approximately 420 km southeast of Ulaanbaatar. The porphyry mineralisation at Red Mountain is associated with late-stage monzonite and quartz diorite porphyry dykes and stocks emplaced on the flanks of the RMIC. Alteration and mineralisation at Red Mountain are characterised by multiple co-genetic copper-gold porphyry centres, tourmaline breccia pipes and copper-gold/base metal magnetite skarns. Initial drilling has identified significant, shallow mineralisation spanning four prospects.

The Sant Tolgoi project covers two granted exploration licences, with a combined area of over 40 km^2, considered by XAM to be highly prospective for new magmatic intrusion-related copper-

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nickel systems. In early 2024, Xanadu executed a binding agreement with STSM LLC (STSM) granting the right to earn up to an 80% interest in these two exploration licences.

3.1 Kharmagtai Project

3.1.1 Location, Access and Physiography

Kharmagtai is located within South Gobi (*Omnogovi*) province of Mongolia, approximately 420 km southeast of the capital city Ulaanbaatar (Figure 3-1). The project is accessed via sealed roads from Ulaanbaatar to Tsogt Ovoo and 60 km of unsealed roads from Tsogt Ovoo to Kharmagtai. It requires 6 hours of travel time to reach the project from Ulaanbaatar by road, with the last 1.5 hours on approximately 60 km of unsealed roads.

Topography in the licence area is subdued and characterised by flat gravel covered plains and low undulating hills which range from 1,360 m to 1,250 m above sea level. Vegetation is sparse with low shrubs and grassy plains. The region experiences generally arid continental climatic conditions, varying between +30°C in summer and -30°C in winter.

3.1.2 Exploration and mining tenure

The Kharmagtai deposit is held under Mining Licence MV-017387 granted 27 September 2013 and valid for 30 years (until 27 September 2043). Mining Licence MV-01738 is held by Oyut Ulaan LLC (Oyut Ulaan). Xanadu's interest is secured through a 90% interest in the JV company, Mongol Metals LLC, which in turn holds a 90% interest in Oyut Ulaan.

Coverage of the Kharmagtai deposit by the project's mining licence is shown in Figure 3-2.

ERM was provided with a signed and stamped copy of the mining licence document and accompanying schedule issued by the Mongolian government by XAM. ERM considered the documents provided to be authentic documents issued by Mongolian authorities.

ERM makes no other assessment or assertion as to the legal title of the tenements and is not qualified to do so.

3.1.3 Project Ownership

The Kharmagtai project is owned 38.25% by Xanadu, 38.25% by Zijin Mining Group Co. Ltd (Zijin), 13.5% by Xanadu Executive Director Ganbayar Lkhagvasuren, and 10% by QGX Ltd Through its 50% ownership of the Singaporean holding company Khuiten Metals Pte Ltd, Xanadu shares control of the project with its JV partner Zijin. Xanadu was the operator of the project for the PFS released in October 2024 (Xanadu Mines Ltd, 2024f).

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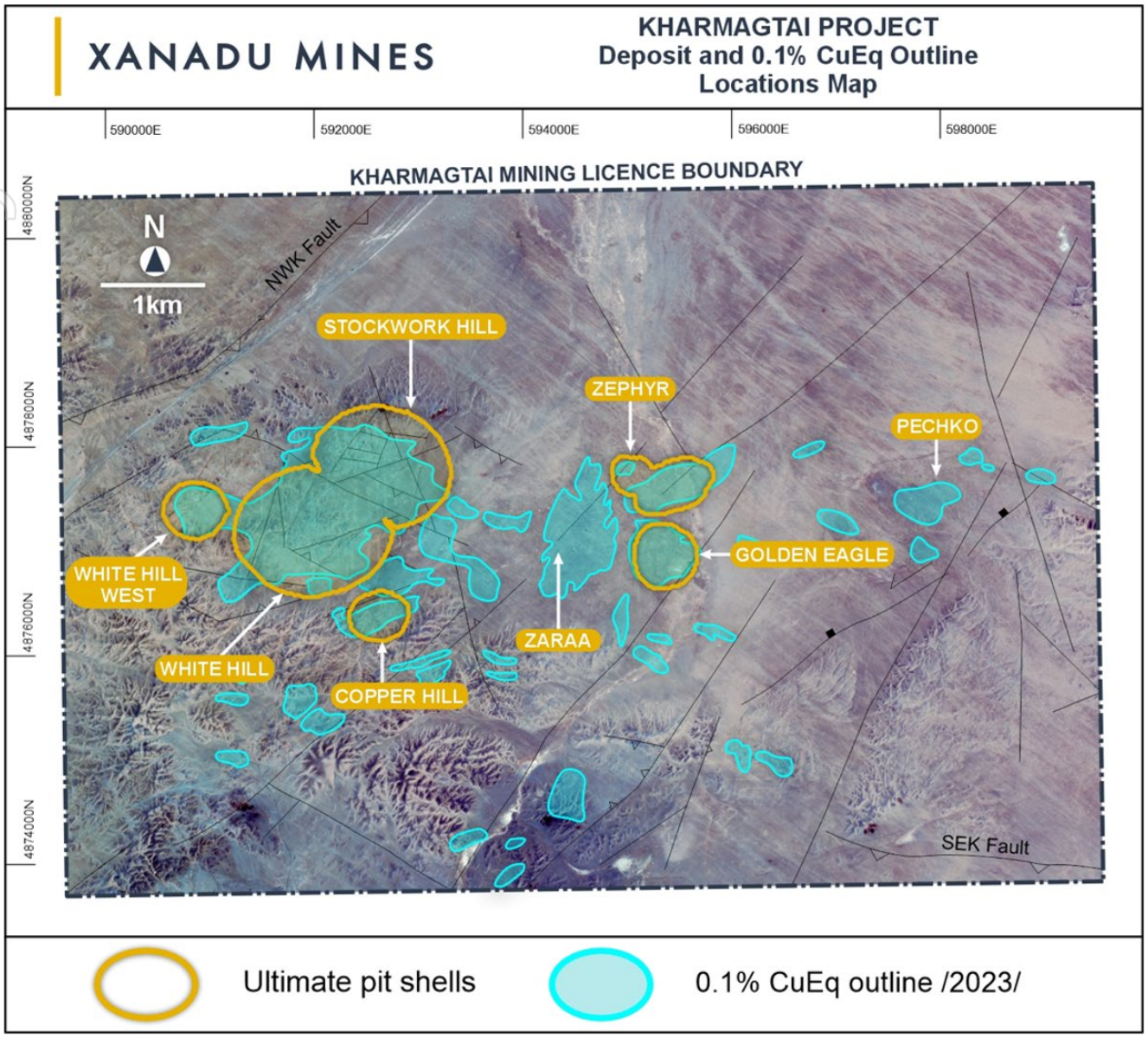


Figure 3-2: Kharmagtai mining licence coverage of the deposit. Source: Xanadu Mines

3.1.4 Geology

Copper-gold mineralisation at Kharmagtai is hosted within the Early Carboniferous Kharmagtai Igneous Complex ("KIC"), which was emplaced into a Late Devonian volcanosedimentary sequence (Figure 3-3, Figure 3-4). The KIC is characterised by a composite porphyritic diorite to quartz diorite intrusive complex. Mineralisation at Kharmagtai is porphyry copper-gold style, related to a series of co-genetic porphyry centres. Distal gold-base metal-bearing breccia pipes and complex silicified structurally controlled breccia zones and younger tourmaline breccia also occur.

Kharmagtai is a large and complex system, considered to have further, untested exploration potential.

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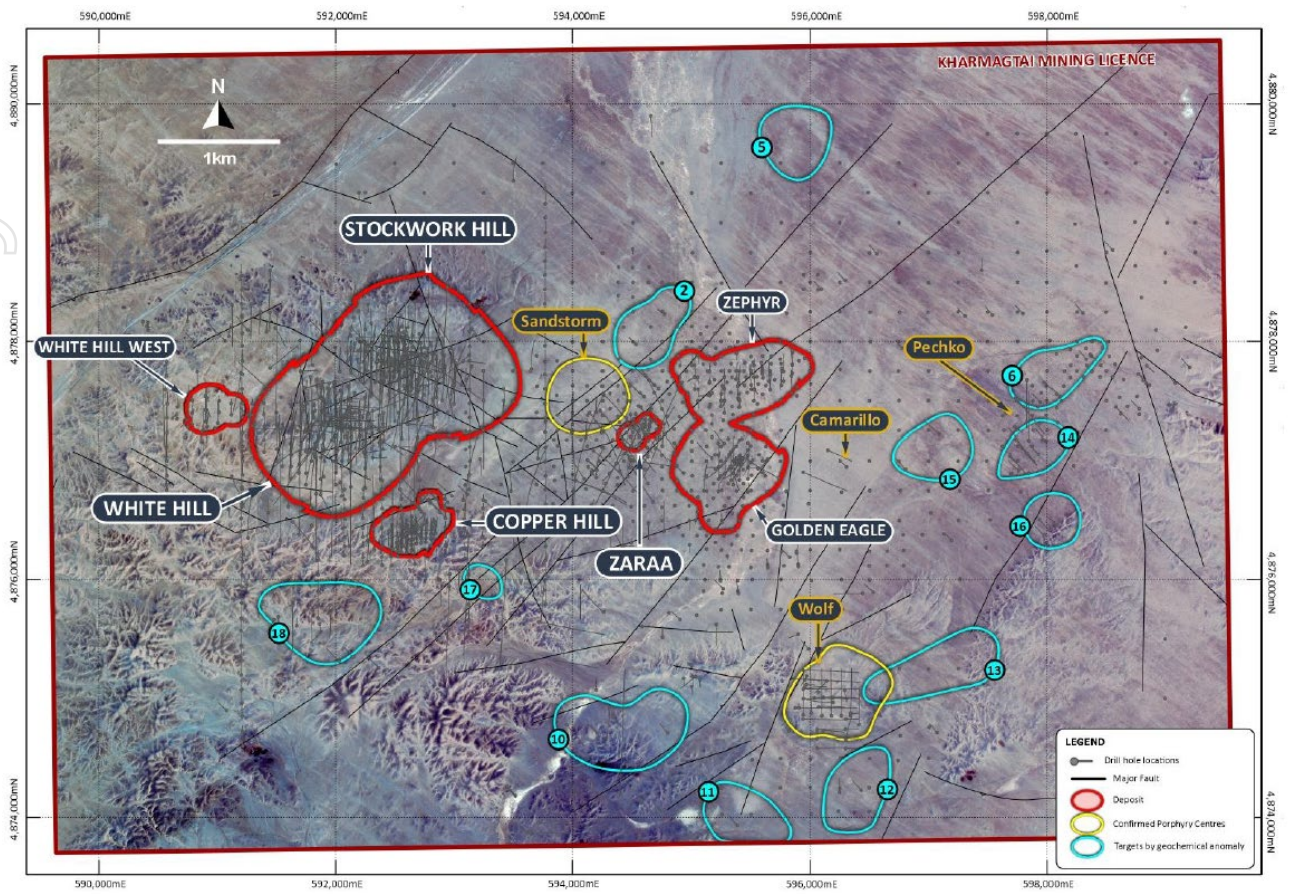


Figure 3-3: Plan view of the Kharmagtai district.

Source: (Xanadu Mines Ltd, 2024d)

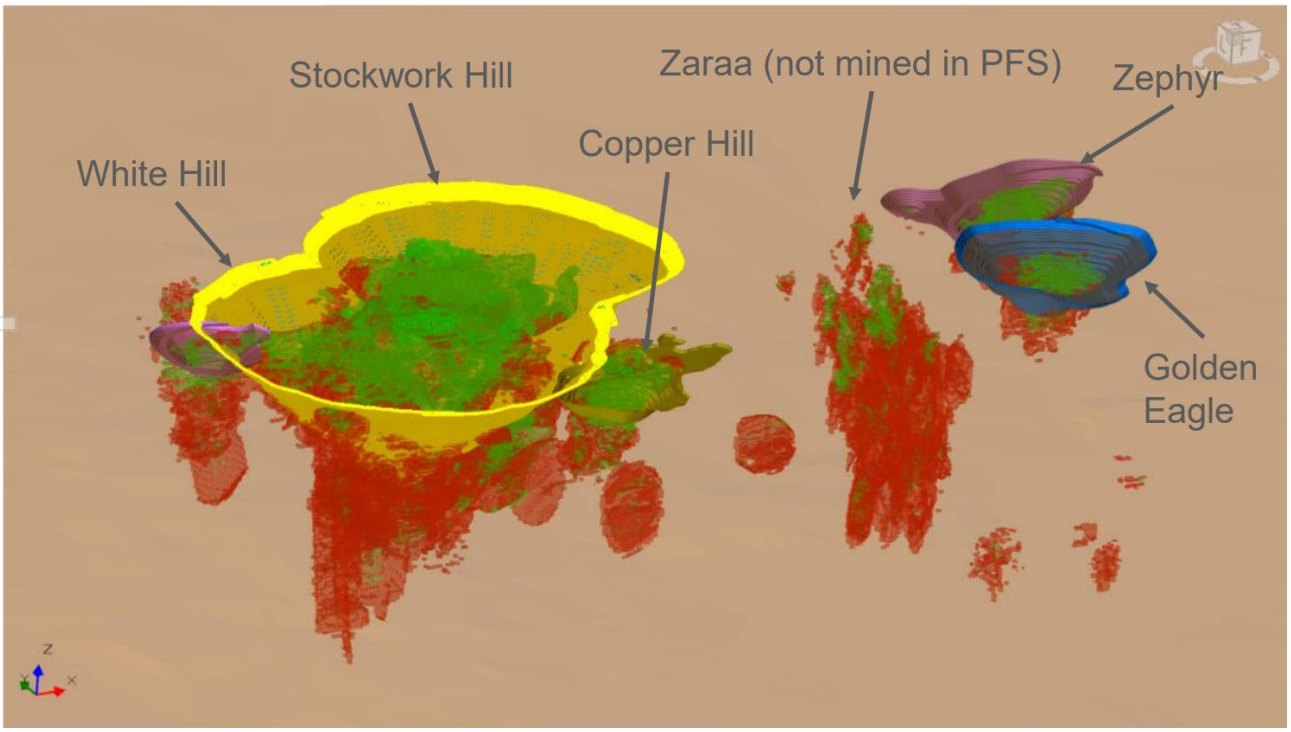


Figure 3-4: Oblique view of the Kharmagtai deposit, looking north

Source: (Xanadu Mines Ltd, 2024f)

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3.1.5 Exploration History

Five periods of historical work on the Kharmagtai project have been summarised by (O2 Mining Limited, 2024).

The first period of historical work was between 1960 and 1975, when several geological surveys and mineral exploration programmes were carried out in the Kharmagtai district with the cooperation of former Soviet Union and eastern European geological groups. Regional geological mapping, geochemistry, ground magnetics, induced polarisation (IP) (chargeability and resistivity) and airborne magnetic/radiometric surveys resulted in outcropping copper mineralisation being noted in the Kharmagtai area in 1979, and tourmaline gold mineralisation subsequently identified at Ovoot Khyar in 1980. Copper-gold mineralisation was also identified at Altan Tolgoi, Tsagaan Sudal and Zesen Uul, further establishing the regional exploration potential of the Kharmagtai area. Recognition of porphyry-style mineralisation sparked an extensive exploration programme, which involved excavation of numerous trenches and drilling of 17 shallow, widely spaced vertical diamond drill holes, which resulted in a preliminary 'Russian standard' resource estimate. Gold assays during these programmes were by atomic absorption spectrometry and were not considered to be reliable by subsequent explorers.

The second period of historical work was between 1991 and 1995, when the Japan International Cooperation Agency (JICA) and Metal Mining Agency of Japan (MMAJ) commenced mineral exploration in the South Gobi region at the request of the Mineral Authority of Mongolia. This exploration included regional reconnaissance, airborne magnetic and radiometric surveys, and based on this work Kharmagtai was re-identified as an area of porphyry-related alteration and mineralisation.

Exploration by QGX Ltd (previously Quincunx) at Kharmagtai during 1995 and 1996 included the collection of approximately 181 rock chip samples and 475 soil samples. Rock chip samples from mineralised stockwork at Stockwork Hill returned anomalous results for gold greater than 1 g/t Au. A further 2,980 soil samples were taken as part of a grid-based soil survey and the Ovoot Khyar area was identified as a priority target. In late 1996 a total of 240 line-km of ground magnetic data was collected, and 64 trenches (14.7 km total length) excavated. Exploration continued in 1997 with detailed geological mapping, trenching (2,411 m) and geophysics focused on shallow replacement-style gold mineralisation at Ovoot Khyar (OV3). This resulted in the drilling of five shallow holes (1,060 m) which intersected narrow intervals of near surface low-grade gold mineralisation (up to 0.83 g/t Au) hosted in phyllic altered sedimentary rock. This highlighted the potential for replacement-style gold mineralisation typically found in the peripheral zones of porphyry copper deposits.

Following the intersection of low-grade gold mineralisation at Ovoot Khyar in 1998, exploration by QGX moved to the previously identified porphyry copper prospects at Stockwork Hill (formerly known as KH1) and White Hill (formerly known as KH2). Detailed IP surveys were completed and six drill holes (859 m total) targeted shallow porphyry stockwork mineralisation at Stockwork Hill. Drilling confirmed the presence of porphyry-related alteration and mineralisation.

Ivanhoe Mines Mongolia (IMMI) geologists visited Kharmagtai several times between 1997 and 2001 (Kirwin, 1997). However, it was not until 2002 that IMMI made a decision to earn into the property based on encouraging geology and widespread porphyry-related alteration. Between 2002 and 2006, IMMI collected 2,960 rock chip samples, excavated 119 trenches (65,636 m), and drilled 208 RC holes (27,747 m) and 172 diamond drill holes (54,269 m). Diamond drilling focused on testing and defining the Stockwork Hill, Copper Hill, White Hill, Chun, Burged and OV3 prospects. Geological mapping, stream sediment and soil sample surveys, gradient array IP (289 km), ground

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magnetics (589 km²), ground gravity (39 km²) and aerial magnetics and aerial gravity (259 km²) surveys were also conducted during this period. Drilling delineated multiple mineralised intercepts at Stockwork Hill, Copper Hill and White Hill. These resources were predominately near the surface and mineralisation remained open both at depth and along strike at Stockwork Hill and White Hill.

Between 2007 and 2011, Asia Gold Corp. (a subsidiary of Ivanhoe Mines) assumed control of exploration at Kharmagtai and focused on deep copper mineralisation associated with late-stage tourmaline breccia previously recognised in deeper drill holes drilled by IMMI. Fifteen diamond drill holes totalling 5,170.6 m were drilled at Kharmagtai during 2007 to test deeply seated geophysical anomalies. A detailed 3D IP survey was completed in 2011, and 19 diamond holes totalling 15,345.3 m targeted deep geophysical anomalies associated with tourmaline breccia mineralisation under the Stockwork Hill and White Hill deposits. All holes intersected broad low-grade mineralisation indicating the tourmaline breccias were part of a major copper system with significant exploration potential.

Since acquiring an interest in the project in 2014, XAM has undertaken further drilling focused on extending known mineralisation forming the deposit.

No commercial production has been undertaken on the site.

3.1.6 Copper Equivalent Grade

A copper equivalent grade is used throughout studies for the Kharmagtai project. The latest copper equivalence calculation, used in the October 2024 resource estimate for the project, uses the relationship:

CuEq = Cu (%) + Au (g/t) * 0.60049 * 0.86667

The copper equivalence formula is based on a gold price of US$1,400/oz and copper price of US$3.4/lb (US$2,204.6/t) which is considered conservative by ERM based on predicted copper and gold prices of (Consensus Economics, 2025). The formula used relates the value of contained gold and considers the expected copper recovery to concentrate of 90% and gold to copper concentrate of 78% (86.667% overall) (Xanadu Mines Ltd, 2024d).

The formula does not account for payable gold in a copper concentrate due to smelters not paying full value for contained gold and treatment charges and may, consequently, overestimate the value of contained gold.

The equivalence formula used should be improved for the project's Feasibility Study with a revision to the formula used based on long-term commodity price outlooks and smelter contract and payment terms.

3.1.7 Kharmagtai Project Mineral Resources

The Kharmagtai MRE was most recently updated on 14 October 2024 (Table 3-1) (Xanadu Mines Ltd, 2024d).

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Table 3-1: Kharmagtai project MRE (Xanadu Mines Ltd, 2024d)

Cut-off (% Cu Eq)	Classification	Tonnes (Mt)	Grades			Contained Metal		
			Cu Eq (%)	Cu (%)	Au (g/t)	Cu Eq (kt)	Cu (kt)	Au (koz)
Open Cut (0.13%)	Indicated	1,300	0.30	0.21	0.16	3,800	2,700	6,800
	Inferred	800	0.25	0.18	0.12	1,900	1,400	3,000
	Total	2,100	0.28	0.20	0.14	5,700	4,100	9,800
Underground (0.30%)	Indicated	40	0.45	0.32	0.24	150	100	250
	Inferred	160	0.41	0.31	0.19	650	500	950
	Total	200	0.42	0.31	0.20	800	600	1,200
Kharmagtai Total		**2,200**	**0.29**	**0.21**	**0.15**	**6,500**	**4,700**	**11,000**

- 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
- Open Pit Resource constrained by RV1400fpit (coded field equal to 1)
- Open Pit cut-off at 0.13% CuEq, consistent with the PFS marginal cut-off; Underground cut-off at 0.3% CuEq
- Resource CuEq equation (CuEq=Cu+Au*0.60049*0.86667) where Au at $1400/oz and Cu at $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
- Model: KH ALL GLOBAL OKMOD FINAL V3 FORCLIENT 140624 inRV1400fpit

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ERM considers the Kharmagtai MRE to be estimated, classified and reported in accordance with the JORC Code (JORC, 2012)

The geological model and associated MRE are considered by ERM to comprise a suitable basis for estimation of Ore Reserves and the project's PFS. ERM would prefer a resource estimate associated with a greater degree of confidence in the form of some Measured Resources and a greater proportion of Indicated Mineral Resources in the portions of the deposit potentially amenable to open cut mining. This is particularly the case where ore is proposed to be mined during the capital payback period for the project. Additional drilling and sampling required to achieve this should be considered by XAM prior to completion of the project's Feasibility Study.

Kharmagtai is currently a project at PFS stage based on a conventional open pit, truck and shovel operation feeding a copper concentrator. Xanadu considers that the Ore Reserve is supported by the PFS, which will be updated upon completion of the project's Feasibility Study.

3.2 Red Mountain Project

3.2.1 Location, access and physiography

The Red Mountain porphyry copper-gold project is located within the Dornogovi Province of southern Mongolia, approximately 420km southeast of Ulaanbaatar (Figure 3-1). Access to the project is by four-wheel drive along unpaved roads from the regional centre at Sainshand 70 km east of the project area. Sainshand is connected to Ulaanbaatar and the Chinese border via the trans-Mongolian railway and a paved highway.

Red Mountain lies on a desert steppe and consists of gravel covered plains with low hills. The project area ranges from 1050 m to 1100 m above sea level and has a relatively flat undulating topography.

3.2.2 Ownership

The Red Mountain project is 100% owned by XAM, through ownership of Vantage LLC.

3.2.3 Tenements

The project is held under a single mining licence (MV017129), which covers approximately 57 square kilometres (Figure 3-5). The licence is held by Vantage LLC, a Mongolian registered subsidiary of XAM. It was issued on 12 September 2012 and expires on 12 September 2042.

ERM was provided with a signed and stamped copy of the mining licence document and accompanying schedule issued by the Mongolian government by XAM. ERM considered the documents provided to be authentic documents issued by Mongolian authorities.

ERM makes no other assessment or assertion as to the legal title of the tenements and is not qualified to do so.

3.2.4 Exploration History

Previous exploration was conducted by Quincunx Ltd, Ivanhoe Mines Ltd and Turquoise Hill Resources Ltd including extensive drilling, surface geochemistry, geophysics, mapping.

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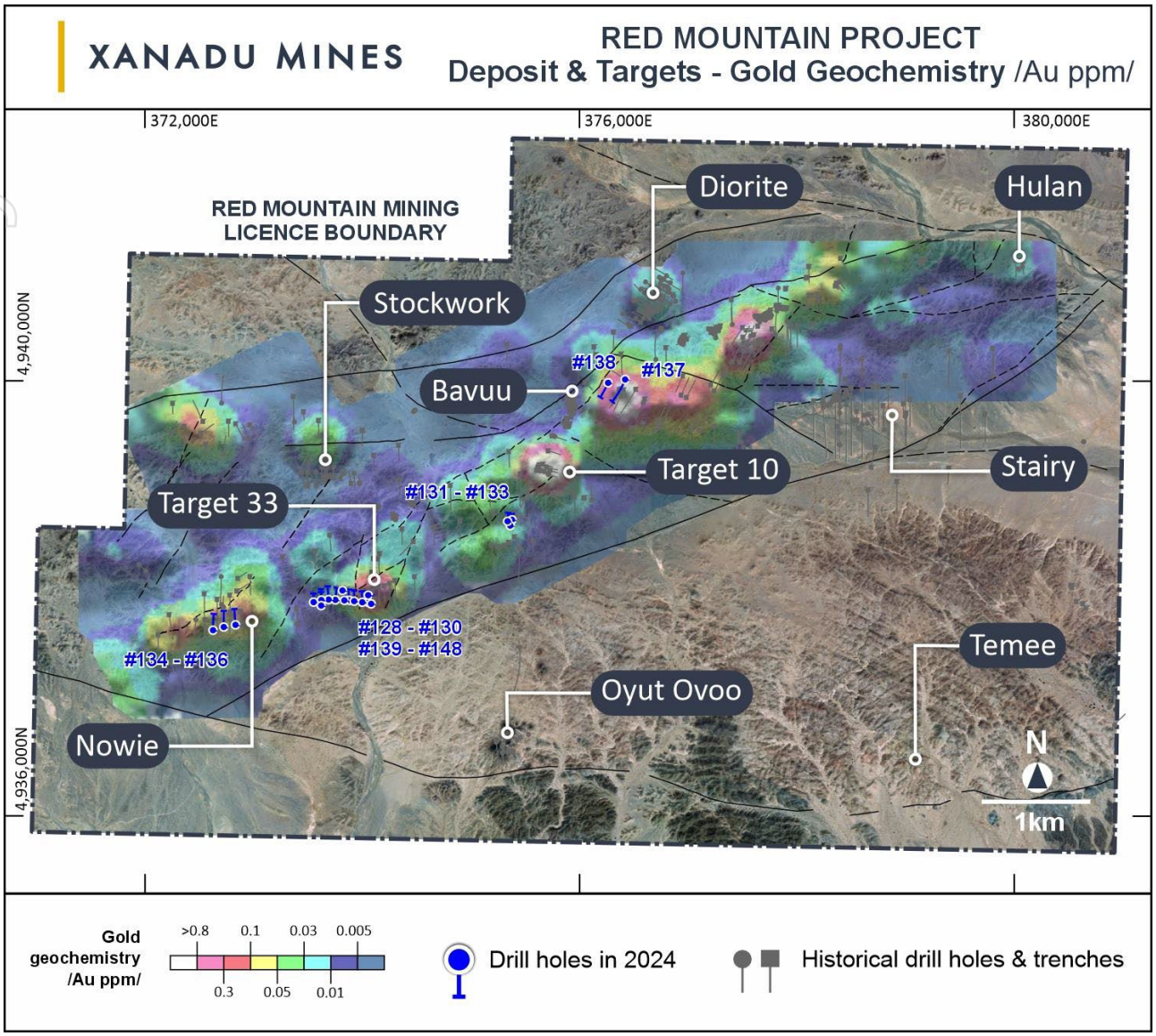


Figure 3-5: Red Mountain mining licence boundary in relation to prospects forming the Red Mountain deposit (Xanadu Mines Ltd, 2024b)

Mineral exploration at Red Mountain commenced in the 1960s, with joint Russian-Mongolian teams undertaking regional assessment of the South Gobi porphyry province (Mining Associates, 2018). Reconnaissance work defined outcropping mineralisation and some evidence of ancient workings (pitting and slag). Mapping, geochemistry and geophysics defined ten prospects that were tested with trenching and shallow vertical drill holes.

In 2003 Ivanhoe Mines Mongolia (IMMI) completed 1:10,000 scale geological mapping and rock chip sampling (1,957 grab samples), and based on encouraging results drilled 16 shallow diamond drill holes (4,041 m) targeting outcropping mineralisation at Stockwork Hill, Diorite and Breccia Pipe prospects (Mining Associates, 2018). In 2005 exploration focused on the Stairy and Hulan Prospects, where 13 trenches (6,890 m) and 917 rock samples were taken. Exploration in 2007 focused on the Nowie and Southeast prospects where 3D-IP/resistivity surveys were completed, and follow-up exploration included three trenches (1,140 m) and six diamond drill holes (1119.40 m).

Temujin Mining Corp (TMC), a privately owned Canadian company, acquired the licence from IMMI in 2009. Between 2009 and 2011 exploration by TMC confirmed the presence of porphyry copper-gold mineralisation (Mining Associates, 2018). Work by TMC included a regional soil geochemical

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survey (4,461 samples), trenching (14 trenches totalling 1,419.50 m) and a geophysical survey that included an IP/resistivity survey (12 lines totalling 27.30 km) and ground magnetics. A programme of shallow and widely spaced diamond drilling was completed (19 holes totalling 3,336 m).

Xanadu commenced negotiations to purchase Red Mountain from TMC in May 2012. During an initial earn-in period in the same year, Xanadu drilled 10 holes for 2,508 m in targets at Diorite Hill, Stockwork Porphyry and Aplite Prospects. Xanadu has completed acquisitions to secure 100% ownership of the Red Mountain project.

3.2.5 Geology and Mineralisation

The porphyry mineralisation at Red Mountain is associated with late-stage monzonite and quartz diorite porphyry dykes and stocks emplaced on the flanks of the RMIC. Alteration and mineralisation at Red Mountain are characterised by multiple co-genetic copper-gold porphyry centres, tourmaline breccia pipes and copper-gold/base metal magnetite skarns.

In March 2021, XAM commissioned Spiers Geological Consultants (SGC) illustrate the regional potential of the mineralisation occurrences observed throughout the Red Mountain region by way of preliminary estimates for copper and gold mineralisation within the project area. These preliminary estimates were Unclassified and therefore could not be released in line with public reporting codes. This exercise supports the prospectivity of the area and shows that further exploration is justified.

3.3 Sant Tolgoi Project

3.3.1 Location

The Sant Tolgoi Cu-Ni project is located in the Zavkhan Province of western Mongolia, approximately 750 km northwest of the Mongolian capital, Ulaanbaatar (Figure 3-1).

3.3.2 Project Ownership

Sant Tolgoi project hosts multiple shallow copper-nickel targets over several kilometres of strike. XAM entered into a binding term sheet with Mongolian based company STSM LLC (STSM) in January 2024 to earn up to 80 per cent of the project (Philipps, 2024) The agreement with STSM covers the Oyut and Sant Tolgoi exploration licences. Once the minimum commitment has been met, Xanadu can elect to proceed to the first stage of the deal and earn a 51 per cent interest in the project by spending US$1 million (AU$1.5 million) on exploration over 24 months.

Once the first stage of the arrangement is complete, STSM can elect to end the farm-in agreement and form a JV, with Xanadu to become the manager of the project with 51 per cent, while STSM holds the remaining 49 per cent.

Xanadu can earn a further 29 per cent in the project by sole funding a another US$10 million (AU$15.1 million) on exploration prior to transferring the exploration licence into a mining lease.

At the completion of the Stage 3 Farm-In, XAM will hold an 80 per cent interest in the project and STSM 20 per cent. At this point, STSM will contribute pro rata to further exploration expenditures (Xanadu Mines Ltd, 2024g).

While the deal is binding in nature, XAM stated that the term sheet is intended to be replaced by a formal agreement governing the full terms and conditions of the farm-in transaction, which will be negotiated between the two parties.

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3.3.3 Tenements

The Sant Tolgoi project consists of two exploration licences, XV-17774 (Oyut) and XV-21887 (Sant Tolgoi) with a combined area of over 40 km^2 (Figure 3-6).

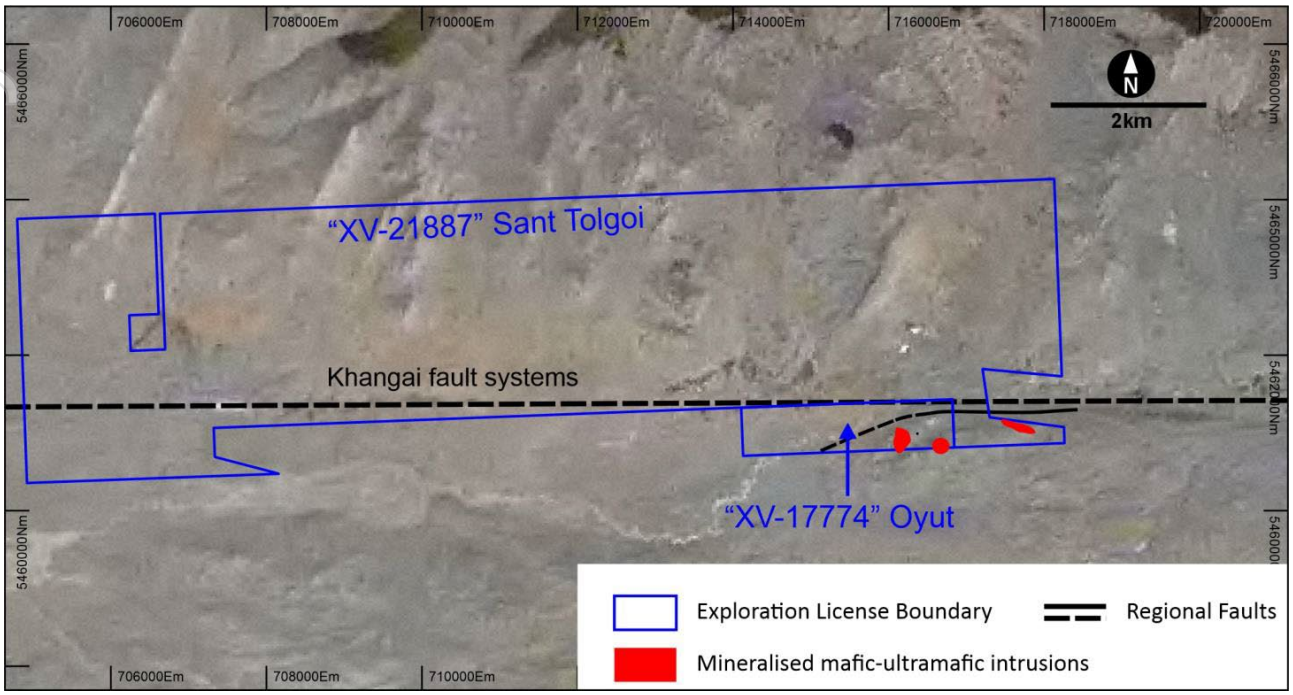


Figure 3-6: Sant Tolgoi Tenure

Source: (Xanadu Mines Ltd, 2024a)

The tenure information summarised here has been extracted from XAM ASX releases but was not able to be independently confirmed. The licence is held by STSM LLC and XAM is yet to secure equity in the project. ERM makes no other assessment or assertion as to the legal title of the tenements and is not qualified to do so. A copy of the executed Farm in Agreement between XAM and STSM was sighted by ERM. XAM had not satisfied requirements to secure initial equity in the project at the effective date of this report. No value has been assigned to the project by ERM for this reason. This is discussed further in Section 8.7 of this report.

3.3.4 Exploration History

ERM was unable to locate substantive records of previous exploration in the project area. XAM reported in October 2024 that exploration was "well underway" with:

- detailed geological mapping and geochemical sampling in progress and
- acquisition of high resolution magnetic, gravity and CSAMT data had been completed to help recognise targets for more detailed exploration (Xanadu Mines Ltd, 2024g).

3.3.5 Geology and Mineralisation

The Sant Tolgoi project is interpreted to lie on the western extension to the of the deep seated Khangai Fault systems (Figure 3-7), a metalliferous fault network which hosts several significant mafic and ultramafic intrusions that are considered to be encouraging for intrusion hosted copper and nickel mineralisation (Xanadu Mines Ltd, 2024c).

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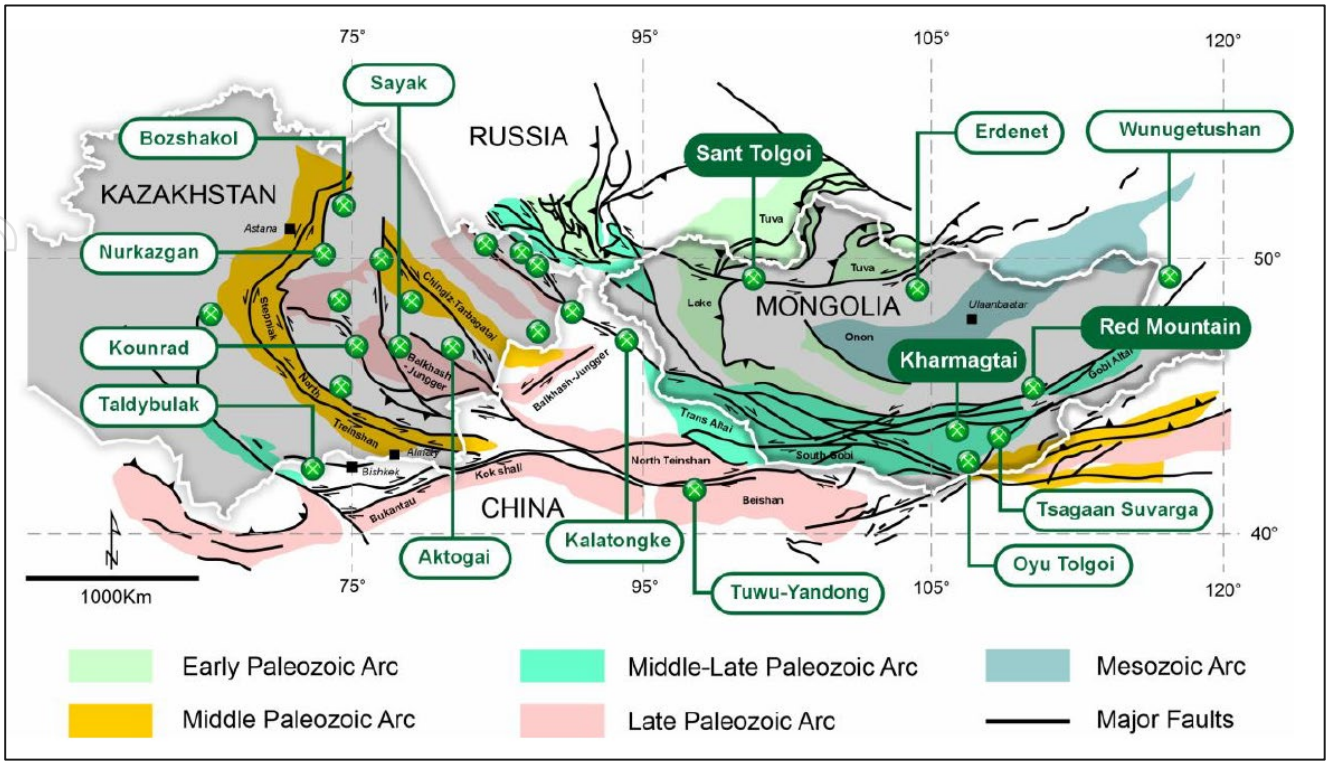


Figure 3-7: Sant Tolgoi regional setting.

Source: (Xanadu Mines Ltd, 2024a)

Mineralisation at Sant Tolgoi consists of copper oxides hosted within coarse grained gabbro (Figure 3-8). Copper is expressed as secondary, remobilised by weathering in fractures and as staining. This is interpreted to have been remobilised from primary disseminated and massive sulphides below the weathering profile.

In November 2024, XAM reported strong surface copper assay results, with geological mapping, surface rock chip sampling and geophysics confirming the presence of several large anomalies associated with outcropping mafic intrusions (Figure 3-8). The objective of the multidiscipline exploration programme is to collect the data required to identify drill targets within the large Sant Tolgoi Intrusive Complex, with four targets currently identified (Figure 3-9). XAM report that a total of 3000m of reconnaissance drilling has been planned to test all targets for high-grade massive sulphide copper and nickel, with follow-up drilling to commence in Q2 2025 (Xanadu Mines Ltd, 2024c).

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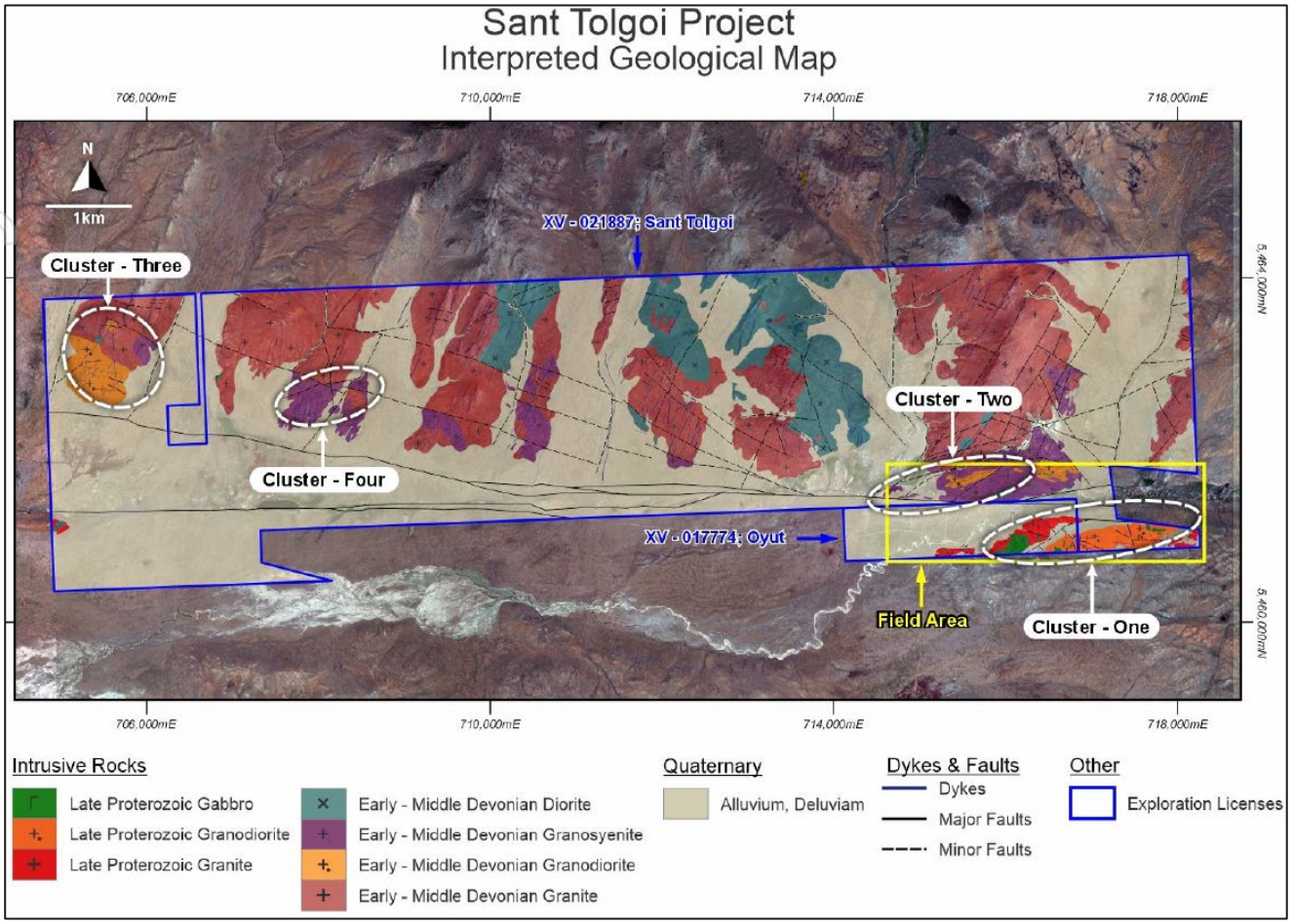


Figure 3-8: Interpreted geology of Sant Tolgoi project area.

Source: (Xanadu Mines Ltd, 2024c)

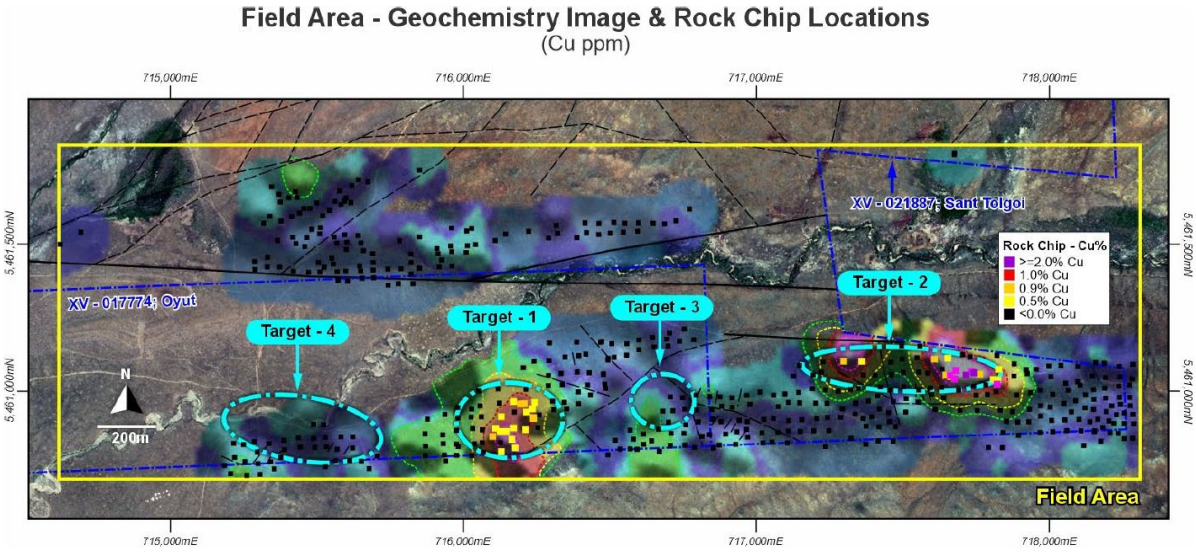


Figure 3-9: Field Area copper rock chip results.

Note: Refer to yellow box in southern portion of Figure 3-8 for location of Field Area.

Source: (Xanadu Mines Ltd, 2024c)

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4. MINING: KHAMRAGTAI PROJECT

4.1 Review Scope

ERM reviewed proposed mining options and plans for the Kharmagtai project and validated inputs to the project financial model. This included an assessment of the reasonableness of each of the assumptions used in the cash flow model ('Model'), including the following:

- Mineral Resources and Ore Reserves incorporated into the Model and the treatment of any residual
- mining physicals (including tonnes of ore mined, quality, waste material and mine life)
- mining operating costs (including but not limited to drilling, blasting, mining, haulage, transport, general administration, distribution and marketing, contingencies and royalties or levies)
- mining CAPEX (including but not limited to pre-production costs, project capital costs, sustaining CAPEX, salvage value, rehabilitation and contingency)
- any other relevant mining assumptions not specified above

4.2 Documents and Data provided for Review

ERM reviewed the following documents in developing an understanding of the value of the projects and of the parameters used:

- 01.01.01 2024.06 - Xanadu Teaser.pdf
- investor presentations
- annual Reports
- 02.10.01 XAM and KHJV Cash Flow Forecasts 30Aug24 Consolidated.xlsx

Khuiten (Kharmagtai) Project:

- block model - 03.03.01.04.08 kh_090924_reg_202010.dm
- Deswik file - 03.03.01.04.05 MP10729_Khuiten_Kharmagtai_OP_PFS_Detailed Design File.dcf
- pit shell - 03.03.01.04.06 MP10729 Khuiten - Kharmagtai - Ultimate WH_SH Pit Shellpt.dxf
- documents:
    - 03.03.01.04.07 DRAFT O2M2301-ADM-PFS 07 Mining Geotechnical Rev B MP.docx,
    - 03.02.04 4.1 Khuiten JV Budget 2024.docx, 03.03.01.01.01 2024.10.14 - Kharmagtai PFS Results Summary.pdf
- Spreadsheets:
    - 03.03.01.02.01 Kharmagtai PFS Fin Model V10 Base Case 15_Project _Reviews_SCV10A - silver.xlsx,
    - 03.03.01.02.02 Kharmagtai PFS Model (Simplified Version).xlsx
    - 03.03.01.02.03 Kharmagtai PFS Model (Reserves Only).xlsx
    - 03.03.01.04.01 MP10729 Kharmagtai - Mining Cost Model-241003_V3.1.xlsx

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- 03.03.01.04.02 MP10729 Khuiten - Kharmagtai - Schedule Export Data_V3.1_06102024.xlsx
- 03.03.01.04.03 MP10729 Khuiten - Kharmagtai - Deswik Mining Data Summary_26092024.xlsx

4.3 Ore Reserves

The Mineral Resources for the Kharmagtai project have been presented previously in Table 3-1.

4.3.1 Ore Reserve Estimate

A maiden Ore Reserve for the project was also published on 14 October 2024 (Table 4-1, Table 4-2).

Table 4-1: Kharmagtai project Ore Reserve (Xanadu Mines Ltd, 2024f)

Classification	Tonnes (Mt)	CuEq (%)	Cu (%)	Au (g/t)	CuEq (kt)	Cu (kt)	Au (koz)
Proved							
Probable	730	0.30	0.21	0.17	2179	1,600	4,000

Table 4-2: Kharmagtai project Ore Reserve by Deposit (Xanadu Mines Ltd, 2024f)

Deposit	Tonnes (Mt)	Cu (%)	Au (g/t)	Cu (kt)	Au (koz)
Stockwork Hill	233	0.22	0.21	520	1,600
White Hill	437	0.21	0.14	930	2,000
Copper Hill	22	0.26	0.17	60	200
Golden Eagle	13	0.12	0.31	20	100
Zephyr	16	0.15	0.19	20	100
White Hill West	11	0.16	0.11	20	40
Total	732	0.31	0.21	1570	4040

- figures may not sum due to rounding
- Ore Reserve constrained by Kharmagtai PFS mine plan inventory
- Ore 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

To support the Ore Reserve evaluation within the PFS, a Whittle 4X open pit optimisation was completed by XAM's consultants with no value given to the Inferred Resource material. 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 marginal breakeven cut-off of 0.13% CuEq was adopted based on economic parameters and recoveries determined as part of the PFS study.

The Probable Ore Reserve reported for the Kharmagtai deposit is based on Indicated Mineral Resources and diluting material within a regularised resource block model. Diluting material is either low-grade Indicated Mineral Resource or material carrying no grade. No Measured Mineral Resource has been publicly reported for the Kharmagtai deposit.

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Resource classifications are based on an assessment of geological confidence and geological and mineralisation continuity as outlined in the MRE reported for the project which includes JORC Table 1 summaries for the Mineral Resource and Ore Reserve estimates (Xanadu Mines Ltd, 2024d).

Measured Mineral Resources usually form the basis of Proved Ore Reserves with the application of appropriate modifying factors and work to ensure that the Ore Reserves are economically mineable under the conditions described in the Ore Reserve statement. A portion of a deposit's Measured Mineral Resources may convert to Probable Ore Reserves when mining assumptions, for example minimum mining widths or selective mining units, are applied. Indicated Mineral Resources may form the basis of Probable Ore Reserves following a similar process. Inferred Mineral Resources are classified as not having sufficient confidence to be used as the basis for Ore Reserves.

The PFS production schedule includes a proportion of Inferred Resource mineralisation. This practice is not unusual in scoping studies, and less commonly in prefeasibility studies. The Inferred Mineral Resource mineralisation is estimated to be present at much lower confidence than Indicated and Measured Mineral Resources on which Ore Reserves are based. Production schedules that incorporate Inferred Mineral Resource mineralisation are consequently much less confident predictions of future production potential than schedules based entirely on Probable and Proved Ore Reserves. The practice of including Inferred Mineral Resources in Feasibility Study or production schedules is, however, considered to be acceptable by ERM for long-life mines where project economics are enhanced by not having to undertake extensive infill drilling prior to commencing mining of mineralisation scheduled to be mined later years of the mine's projected life. This enables required Mineral Resource infill drilling to be funded from operating revenue, and completed in advance of mining to enable Ore Reserves to be estimated and incorporated in medium to long term planning. In scoping, prefeasibility and feasibility studies. the Inferred Mineral Resource material in schedules is able to be identified and prioritised for further resource evaluation drilling required to increase the confidence of Mineral Resource estimates and corresponding estimation of Ore Reserves in advance of mining.

The PFS mining inventory is primarily in the Indicated Resource classification, however, there is a component of Inferred Resource material in later years of the mine plan (Figure 4-1). All material planned to be mined in the Feasibility Study should comprise Proved and Probable Ore Reserves which will require additional drilling in areas identified to have open pit mining potential by pit optimisations developed for the project's PFS. This work would, ideally, be completed prior to commencement of the project's Feasibility Study

ERM proposes that the Kharmagtai project Ore Reserves have been estimated, classified and reported in an appropriate manner and comply with the requirements of the JORC Code (JORC, 2012).

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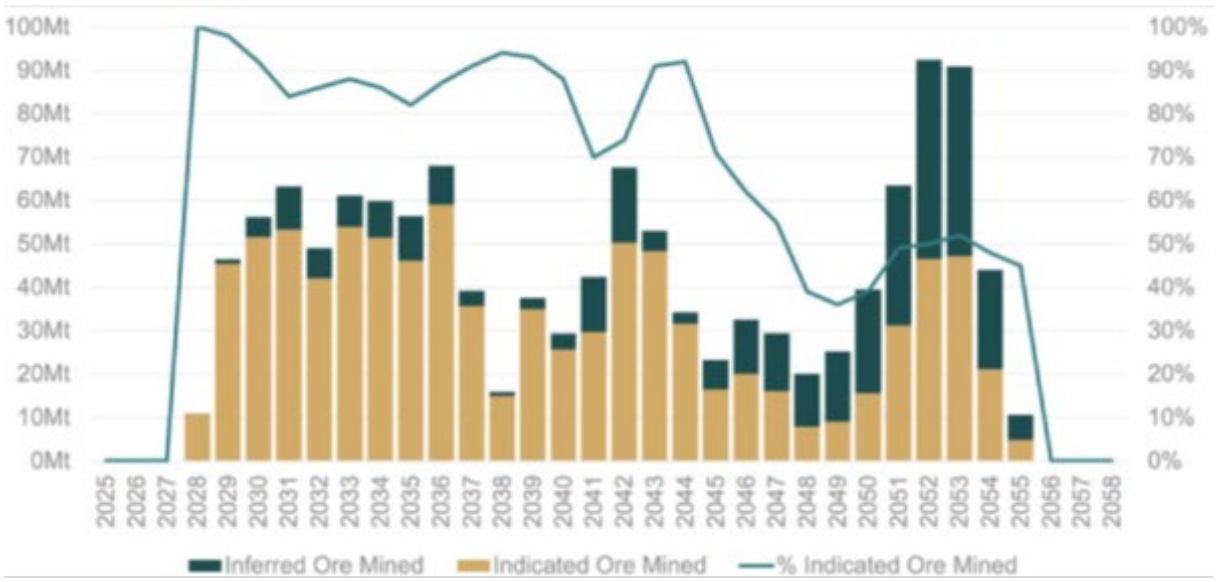


Figure 4-1: Annual ore production by Mineral Resource category.

4.3.2 Mineral Resource Estimate Exclusive of Ore Reserves

ERM used the project's Mineral Resource and Ore Reserve estimates to estimate Mineral Resources not included in optimal open pit shells developed or the project (Table 4-3). An allowance for 5% ore loss was applied in this calculation.

The distribution of Mineral Resources not included in optimal open pits developed for the project is evident in Figure 3-4.

4.4 Mining Study Key Findings

From a mining engineering viewpoint

- The Kharmagtai project is a large copper project suitable for open pit mining. In the first few years, the stripping ratio is around 0.65 tonnes of waste per tonne of ore, lowering the operating costs.
- Contractor Mining is considered to lower the Capital costs.

Some of the key comments are:

- The overall initial CAPEX for the project is significantly lower than that estimated for comparable projects in Mongolia and neighbouring Kazakhstan but has been prepared for the project's PFS in a rigorous manner consistent with industry best practice.

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Table 4-3. Mineral Resources Exclusive of Ore Reserves

Cut-off (% Cu Eq)	Classification	Tonnes (Mt)	Grades			Contained Metal		
			Cu Eq (%)	Cu (%)	Au (g/t)	Cu Eq (kt)	Cu (kt)	Au (koz)
Open Cut (0.13%)	Indicated	5,534	0.29	0.20	0.15	1,520	1,064	2,607
	Inferred	800	0.25	0.18	0.12	1,900	1,400	3,000
	Total	1,334	0.26	0.19	0.13	3,420	2,464	5,607
Underground (0.30%)	Indicated	40	0.45	0.32	0.24	150	100	250
	Inferred	160	0.41	0.31	0.19	650	500	950
	Total	200	0.42	0.31	0.20	800	600	1,200
Kharmagtai Total		**1,534**	**0.28**	**0.20**	**0.14**	**4,220**	**3,064**	**6,807**

- • 5% ore loss applied
- • 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
- • Open Pit Resource constrained by RV1400fpit (coded field equal to 1)
- • Open Pit cut-off at 0.13% CuEq, consistent with the PFS marginal cut-off; Underground cut-off at 0.3% CuEq
- • Resource CuEq equation (CuEq=Cu+Au*0.60049*0.86667) where Au at $1400/oz and Cu at $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
- • Model: KH ALL GLOBAL OKMOD FINAL V3 FORCLIENT 140624 inRV1400fpit

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- Royalties were assumed at 8.36% for Cu and 5% for Au. Royalty rates in Mongolia, however, depend on metal prices and can be up to 20% under the current Minerals Law when the copper price exceeds US$9,000/t, which is the case in the Kharmagtai PFS. The actual royalty rate applicable to the project is able to be set by negotiations between XAM and the Mongolian government to establish the project's investment agreement.
- There is an apparent mismatch between the shovel size selected for the project and the proposed mining bench height of 10 m. A higher bench would be more efficient and reduce operating costs with the equipment selected. ERM proposes that adopting a higher bench height with the excavators elected for the project could realise cost reductions in the order of 10–15% for the rope shovels selected for the project. ERM proposes that this is unlikely to materially influence the project's valuation but does represent an opportunity for future improvement.
- Options for reducing stockpile sizes need to be considered.

There are additional, less significant issues requiring attention in:

- placement of ramp exit points at open pit crests
- removal of sudden changes in ramp direction and
- ensuring that there is adequate working room and access to the deeper benches of all open pits.

These latter issues are unlikely to be material to the overall economics of the project.

4.4.1 Mining Approach

The Kharmagtai project is potentially amenable to open pit mining in its early years of development, and has longer term potential for development of an underground, bulk mining operation, recovering ore from the deeper portions of Stockwork Hill, Copper Hill and White Hill, and deeper mineralisation such as Zaraa (Figure 4-2, Figure 4-3).

Mineralisation at Kharmagtai extends beyond the base of the current open pit mining potential identified by the project's PFS, and potential for delineation of extensions to existing deposits and discovery of new mineralised systems also exists.

Ore processing is proposed to be undertaken on-site using a combination of flotation for copper recovery and both gravity and carbon-in-leach (CIL) recovery for gold.

The area in which the project is located has existing road, rail and electricity infrastructure but the ability of the latter to support a new mine development requires confirmation, particularly for water (Figure 4-3). Electricity is available through an existing connection to the Chinese electricity grid in Inner Mongolia. The project's water requirements are expected to be met initially by groundwater from a local aquifer and, longer term, by a planned pipeline project to deliver water to the South Gobi region from northern Mongolia. Confirmation of water availability is an important issue, discussed further below.

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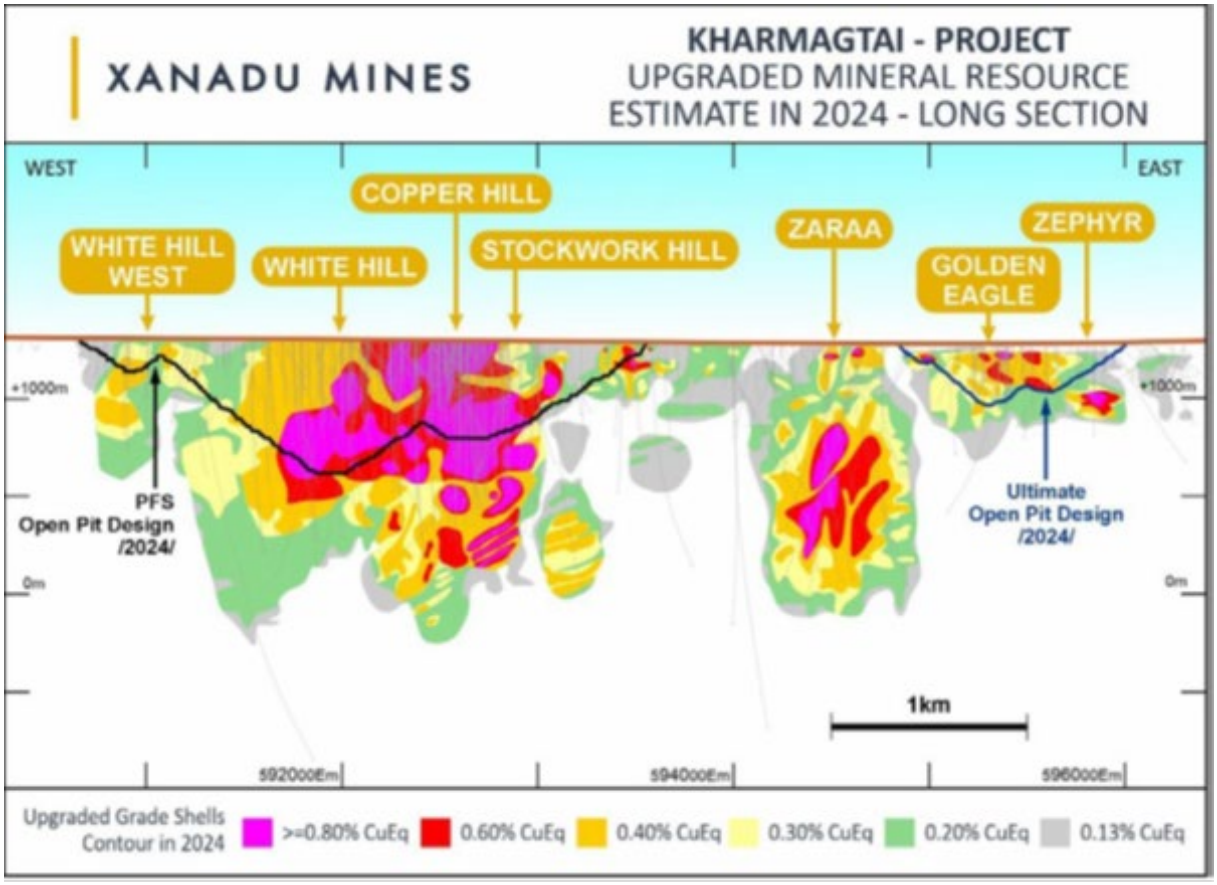


Figure 4-2: Kharmagtai deposit long section showing 2024 open pit designs. Mineralisation at depth beneath and between the open pits represents untested potential for future underground mining.

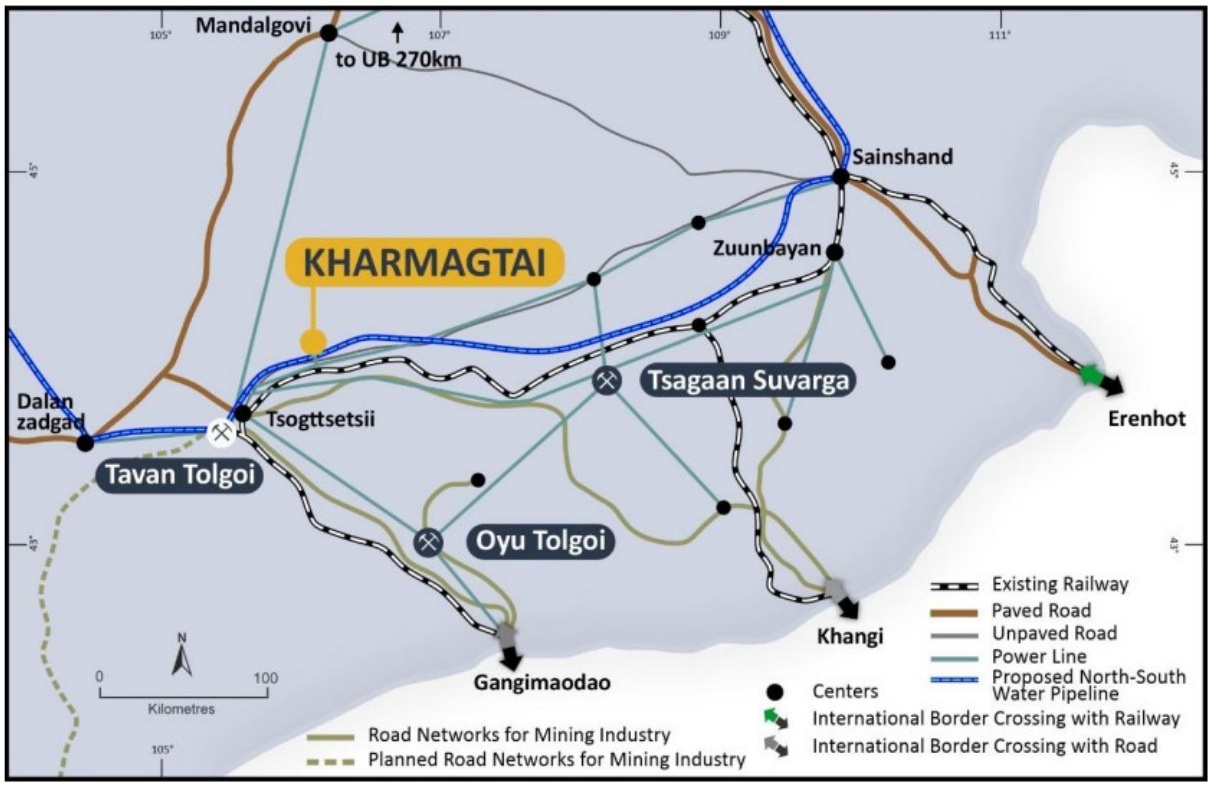


Figure 4-3: Kharmagtai project area infrastructure (Xanadu Mines Ltd, 2024e)

Feasibility Study review

Key assumptions used in the PFS comprise:

1. copper Price US$4.1/lb (US$9,036/t)
2. gold price US$2,100/ounce
3. initial CAPEX US$890 million

Block Model

The block model provided appeared to be regularised (from the name 03.03.01.04.08 kh_090924_reg_202010.dm). The block size is appropriate for the size of the deposit and the equipment selected.

As previously mentioned, the project has several zones, some of which have been excluded from the block model at this stage (e.g. Zaraa, Figure 4-2).

A bench height of 10m was selected. The PFS states that the bench height matches the equipment selected, but the main rope shovels selected (P&H 4100 XPC Electric) have a cut height of 17 metres and may be less efficient if they are used to excavate 10m high benches. This requires further review as the project progresses.

Because the model was regularised to 20x20x10m, no additional dilution or loss was added.

Open Pit Optimisation

Pit optimisation was performed using Whittle 4X open pit optimisation software. No value was assigned to the Inferred Mineral Resource material included in the optimum pit shells derived for the project. The selected pit shells guided the pit designs.

No additional information, parameters or inputs were provided for the pit optimisations prepared for the project.

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 marginal breakeven cut-off of 0.13% CuEq was adopted based on economic parameters and recoveries determined as part of the PFS study.

Open Pit, Waste Dump and Stockpile Designs

Mining Plus prepared designs for the pits, waste dumps, topsoil and ore stockpiles. The site layout proposed by Mining Plus is presented in Figure 4-4, Figure 4-5.

It must be noted that the Deswik design file (03.03.01.04.05 MP10729_Khuiten_Kharmagtai_OP_PFS_Detailed Design File.dcf) contained several sets of pit designs with no explanations. It was assumed that the file (03.03.01.04.06 MP10729 Khuiten - Kharmagtai - Ultimate WH_SH Pit Shellpt.dxf) that was provided separately contained the final pit design for the Stockwork Hill and White Hill. For the other areas, the layer '03 DESIGN\V8\MP STAGES' from Deswik was used for the review.

ERM also noted that some pit stage designs have sharp turns and discontinued ramps. Although this will not affect the financial result, the final pit designs will need to be improved at the next stage.

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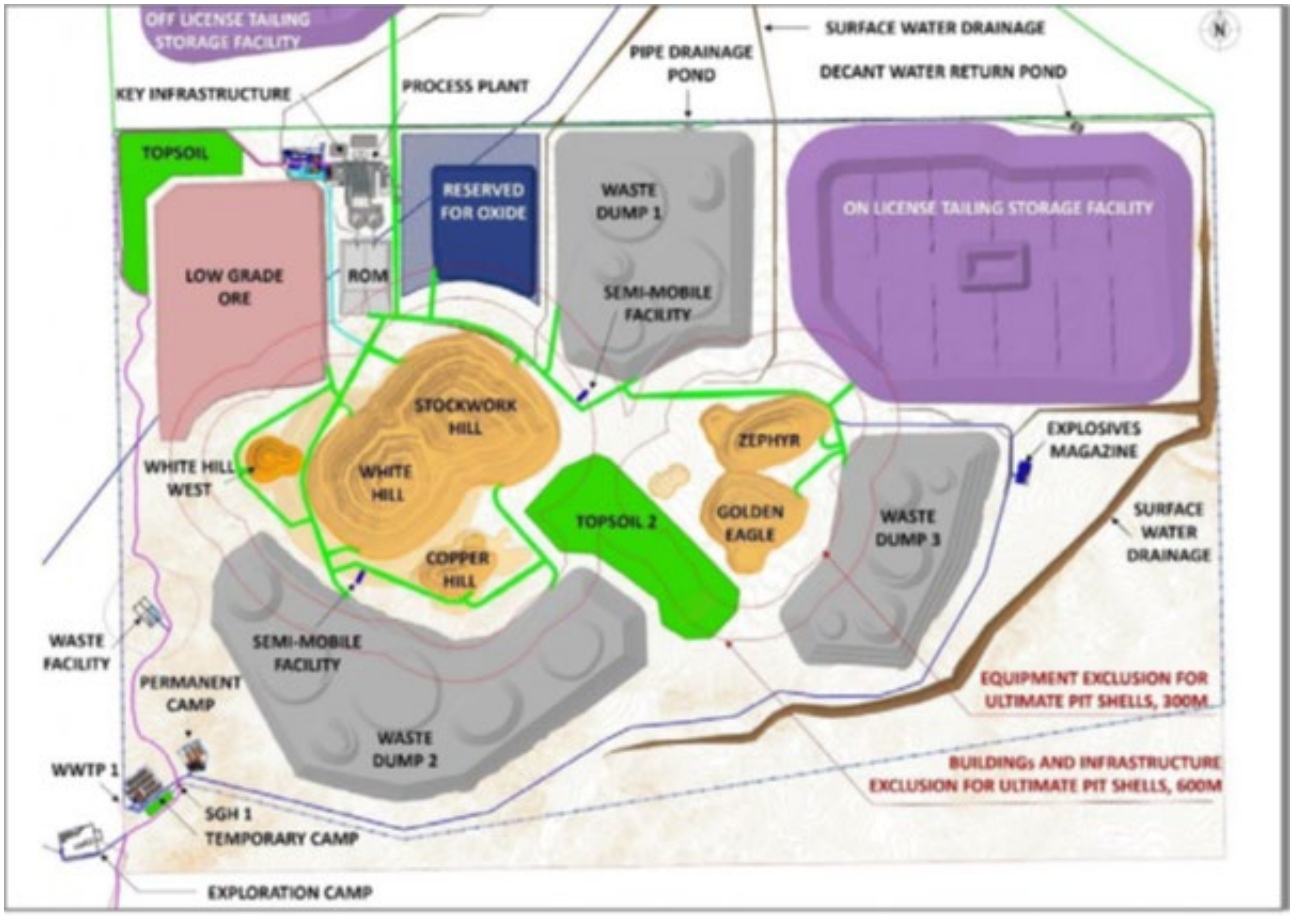


Figure 4-4: Kharmagtai proposed site layout.



Figure 4-5: Kharmagtai project overview looking north (Xanadu Mines Ltd, 2024e)

PRODUCTION SCHEDULE

Mine Scheduling was completed by Mining Plus using Deswik software. A base case schedule was developed that uses both Probable Ore Reserves and Inferred Mineral Resources within the open

pit designs developed for the project (Figure 4-6). A marginal copper equivalent cut-off grade of 0.13% was used. Only fresh sulphide ore has been considered for processing. A small additional quantity of oxide material may be suitable for CIL gold recovery.

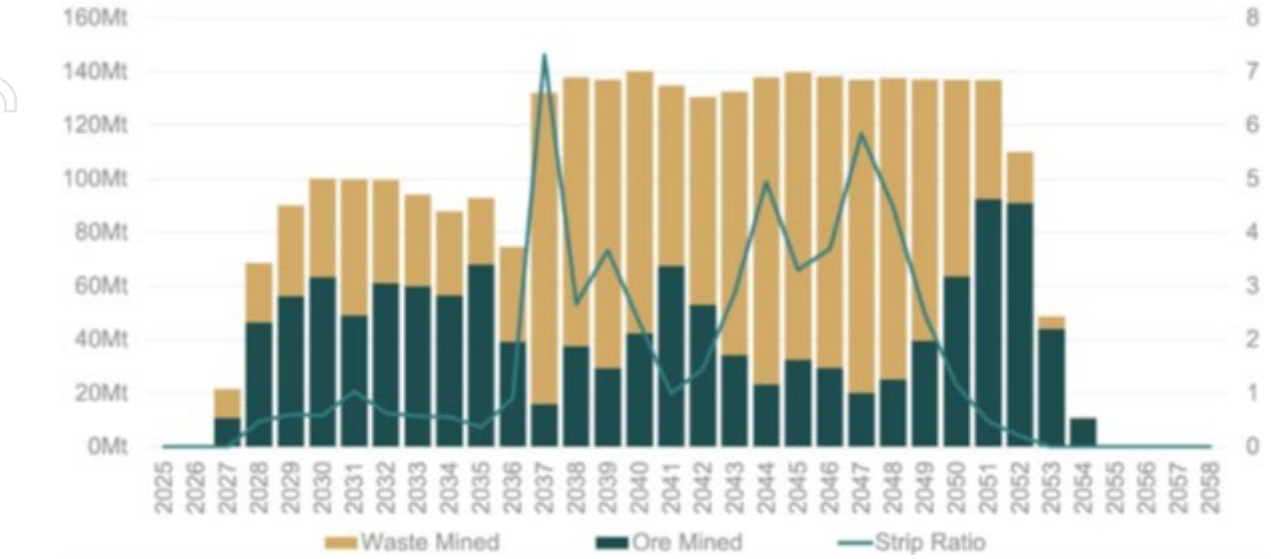


Figure 4-6: Annual production schedule (Probable Ore Reserves plus Inferred Mineral Resources)

A schedule utilising Ore Reserves only is summarised in Figure 4-7.

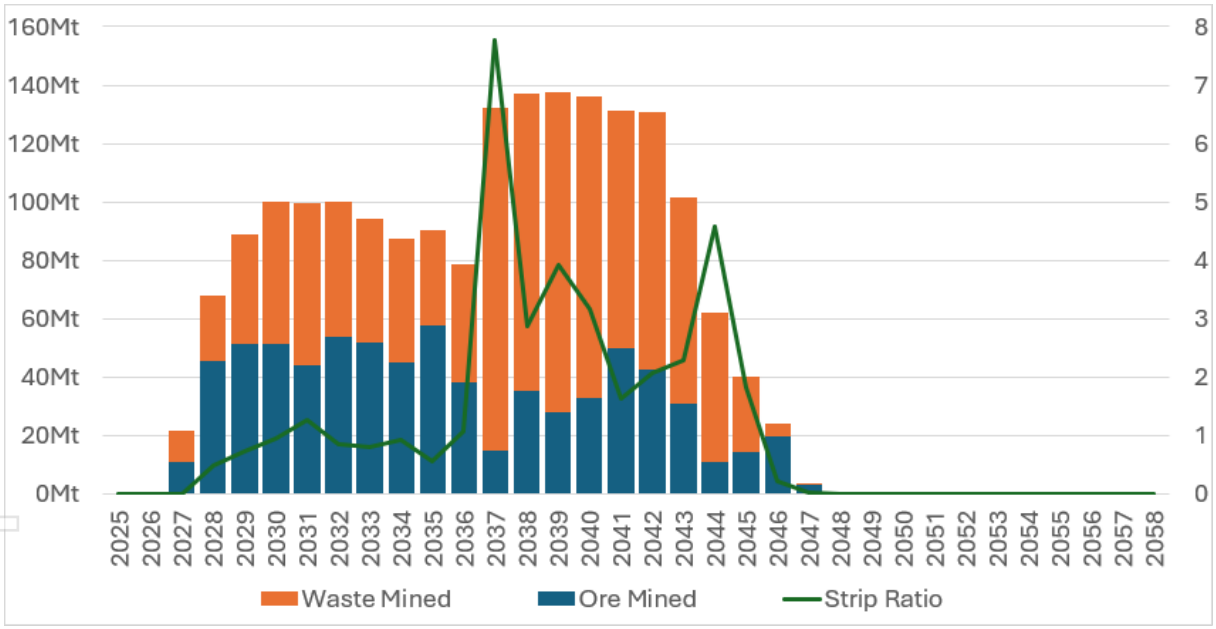


Figure 4-7: Annual production schedule based on Probable Ore Reserves only.

The vertical rate of advance was limited to ten benches per year, and the maximum annual mining rate peaked at 100–140 Mtpa. Depending on the open pit stage, the processing rate was 26-52 Mtpa.

A production schedule for the Kharmagtai project based entirely on Probable Ore Reserves is presented in Figure 4-7. Under a Probable Ore Reserves only case, the project's Ore Reserve is exhausted in 2047, eight years earlier than the case in which Inferred Mineral Resource material is included in the production schedule. This highlights the potential upside present in further drilling to upgrade confidence in the project's Mineral Resource Estimate, expand the project's Ore Reserve and extend the life of the mine.

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ERM believes that, for large, long-life mining operations like Kharmagtai, not establishing Ore Reserves for the complete life of mine should be considered to be acceptable. Ore Reserves must be estimated for the payback period of an operation and sufficient confidence established in the project's Mineral Resource to provide an acceptable level of confidence that Mineral Resources will be able to be converted to Ore Reserves progressively, throughout the life of the mine and in advance of detailed mine plan development for the latter stages of mine development. This approach limits CAPEX on Ore Reserve definition, allows infill drilling required to be funded from revenue and by doing so, improves project economics when technical risk associated with this project is effectively managed.

The strip ratio is low in the first 9 years (around 0.65 tonnes of waste per tonne of ore) and the amount of Indicated material included in the proposed schedule is 88%. In Stage 2 of the plan (the remaining 21 years), the strip ratio increases to 1.9, and the amount of Indicated Mineral Resource included in the mine plan drops to 66%.

Stockpiling has been considered, and different elevated cut-off grades are used to high-grade the material during Stage 1 mining. Around 270 Mt of material is stockpiled in the first 8 years before recovery of ore from stockpiles commences during Year 9 (Figure 4-8).

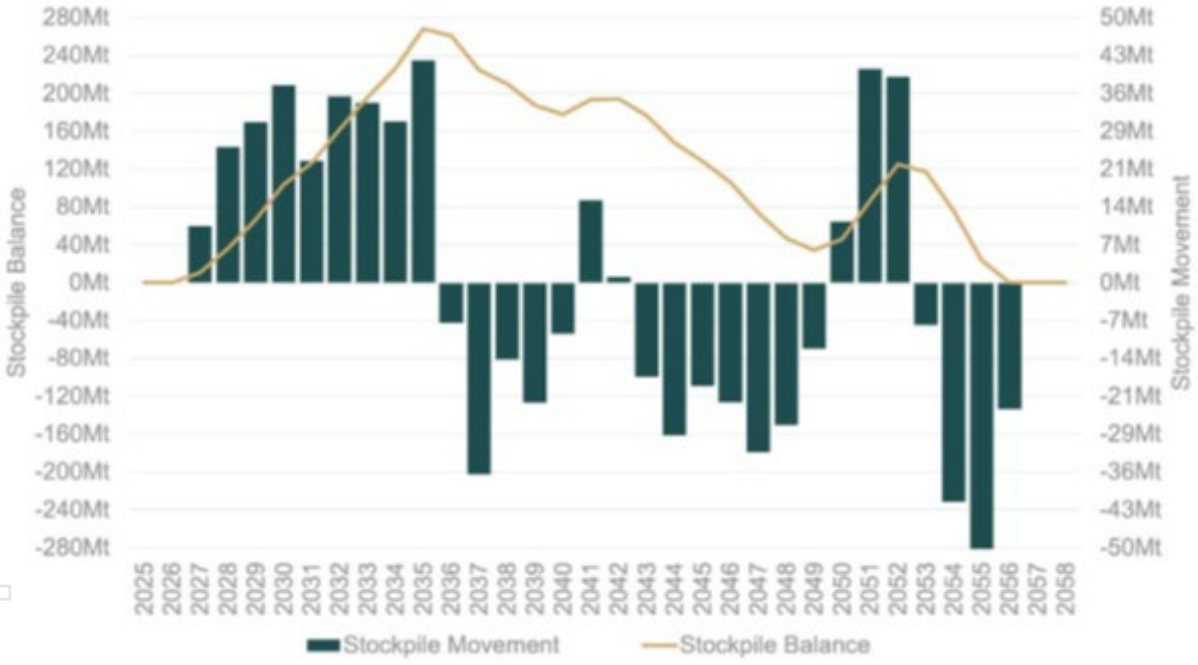


Figure 4-8: Movement of Ore to and from Stockpiles—Probable Ore Reserves and Inferred Mineral Resources model.

The version of the project's financial model based on production using Ore Reserves relies on stockpiling up to 160 Mt of ore during the first six years of mining (Figure 4-9). This is less than for the Ore Reserves + Inferred Mineral Resources case but still significant.

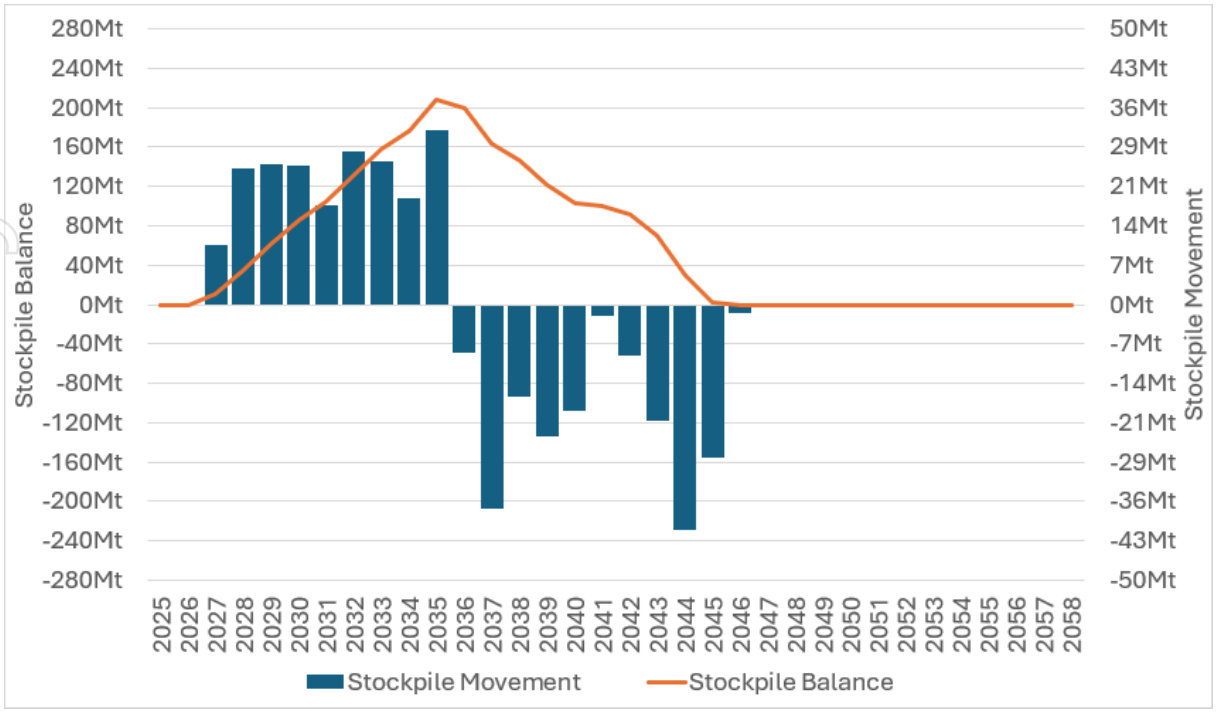


Figure 4-9: Movement of Ore to and from Stockpiles—Probable Ore Reserves only model.

ERM proposes that the project would benefit from implementing options to reduce reliance on stockpiles to maintain plant feed consistency and maintain metallurgical performance, through improved grade control and blending from multiple operating faces. Reliance on large ore stockpiles has an adverse impact on ore oxidation, metallurgical performance, operating costs and working capital requirements.

ERM has identified no other material issues with the proposed production schedule.

Equipment

The primary mining equipment selected is a 600-700 tonne hydraulic excavator, rope shovels and 290 tonne trucks. 32 m^3 wheel loaders will support shovels.

ERM is concerned that the large excavators (rope shovels) selected for the PFS will not be optimal for the 10m bench height used in the PFS pit design. The impact on costs and productivity of this decision is, however, likely to be relatively low (5%-10%). The impact on project valuation may not be material. An opportunity for improvement that could reduce operating costs and improve excavator productivity is considered by ERM to exist.

WATER

The South Gobi region has significant potential water resources that could meet all known demand including Kharmagtai projections. These lie in deep aquifers that form non-potable water sources. A large portion of these resources are not yet claimed, and there are also third parties who hold resources but are not utilising them. The identification of water sources for the Kharmagtai project has examined both new and third-party water sources.

Kharmagtai requires approximately 350l/s make-up water supply for Stage 1, which is roughly doubled for Stage 2 (Xanadu Mines Ltd, 2024f).

The Stage 1 water supply is expected to be sourced from deep aquifers in multiple basins near the project. Stage 1 water will be pumped to site via pipelines, with raw water used for ore processing and a water purification plant to provide potable water.

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Stage 2 requirements are anticipated to be met through additional water exploration.

XAM completed a hydrogeological drilling programme as part of the PFS. Drilling identified a large aquifer in the vicinity of the proposed mine which will be further evaluated during 2025 to determine its ability to meet project Stage 1 and Stage 2 water requirements. This work will include drilling and pump testing to provide information required to establish groundwater reserves, lodge extraction permit applications and information needed to engage with existing water licence holders in the region.

Risk mitigation for both Stage 1 and Stage 2 requirements will come from the Mongolian government's Kerlen-Toono project (Blue Horse Water Infrastructure Programme) which aims to bring a high-capacity water pipeline from the Kherlen River in northern Mongolia to the Gobi within 6-8 years. The Kherlen Toono project is already in Feasibility Study stage and is designed to support the mining industry in the Gobi region. The project has been identified in a resolution of the Mongolian Parliament to approve the Cabinet's 2024-2028 Action Programme which identified 15 nation-building projects (Xanadu Mines Ltd, 2024f).

Geotechnical Studies

Geotechnical studies are essential, especially for large open pit operations where maintaining pit wall stability is essential but maximising overall slope angles contributes to reduced strip ratios, the ability to safely place waste rock stockpiles close to the pit rim and lower, overall mining costs. Studies included evaluation of geological, structural and alteration mineral assemblages, material strength, in-situ stress estimation and rock mass classification from 48 specifically drilled geotechnical drill holes. The geotechnical data was analysed and used to undertake bench configuration design. The resultant design was tested for overall slope stability using 3D finite element modelling.

ERM endorses this approach. Collection of basic geotechnical data from all cored drill holes would enhance prediction of variations in rock mass characteristics (e.g. rock quality designation (RQD) and qualitative rock strength characteristics) across the deposit with increased confidence.
ERM considers these estimates low, particularly for a contract mining operation, but they may be achievable. The estimate used was developed by Mining One and validated independently by a Mongolia-based mining contractor. ERM proposes obtaining two or more contractor quotes to support and better inform operating cost estimates used in the project's Feasibility Study but accepts the current estimates for prefeasibility purposes.

Closure Costs

Closure costs of US$106 M is considered in the current financial model. ERM considers this appropriate. Closure costs will, however, require closer consideration in the project's Feasibility Study.

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5. ORE PROCESSING AND BENEFICIATION—KHARMAGTAI PROJECT

5.1 Overview

The Kharmagtai project is the only one of XAM's three projects in Mongolia with metallurgical testing and development with an associated processing flow sheet. These have been developed within a 2022 Scoping Study and 2024 PFS.

This review is based primarily on the PFS documentation which describes significant developments in metallurgy and processing and contains the most up to date outcomes.

The key documentation used in this review includes:

- PFS Metallurgy Chapter, 02M2301-ADM-PFS-09 A, Metallurgy Rev D
- PFS Processing Chapter, 02M2301-ADM-PFS-09 B, Processing (Including CIL) Rev C
- Appendix 9A-B Final Kharmagtai Metallurgical Test work report Rev4
- Appendix 9A-E ALS Met Report Stage1—A25165 Final Rev1
- Appendix 9A-H2 Part A and Part B, Thickener Report
- Appendix 9A-C Final SMC Report for Kharmagtai project
- Appendix 9B-A1 Comminution
- Kharmagtai PFS Fin Model V10 Base Case15-Project_reviews_SCV10A

5.1.1 Metallurgical Testing Overview - Sulphide

The metallurgical test work conducted both by XAM and previous owners has been quite extensive over the period of development from 2008 to 2024. The many ore types identified have been observed to be represented over the years of development.

In particular the 2023-2024 programme showed a good representation of the various ore types with further breakdown into alteration, sulphide speciation and rock type.

The majority of the discussion presented will focus on the 2023-24 work due to its scope, detail and volume in comparison to previous work. A consistent metallurgical test workflow sheet as shown below was utilised through the bulk of the testing. This represents a primary grind of 150µm followed 3-stage flotation progressive copper cleaning circuit that incorporates a regrind of the rougher concentrate at 20µm.

Some 102 composites were selected for this (2023-2024 programme) volume of work representing the following sulphide deposits:

- White Hill, 42 composites.
- Stockwork Hill, 46 composites.
- Copper Hill, 10 composites.
- Golden Eagle, 2 composites.
- Zephyr, 2 composites.
- A breakdown of the expected feed proportions in the flotation concentration pathway is shown below in Figure 5-1. A breakdown of the plant feed in the financial model is discussed in later sections (section 6).

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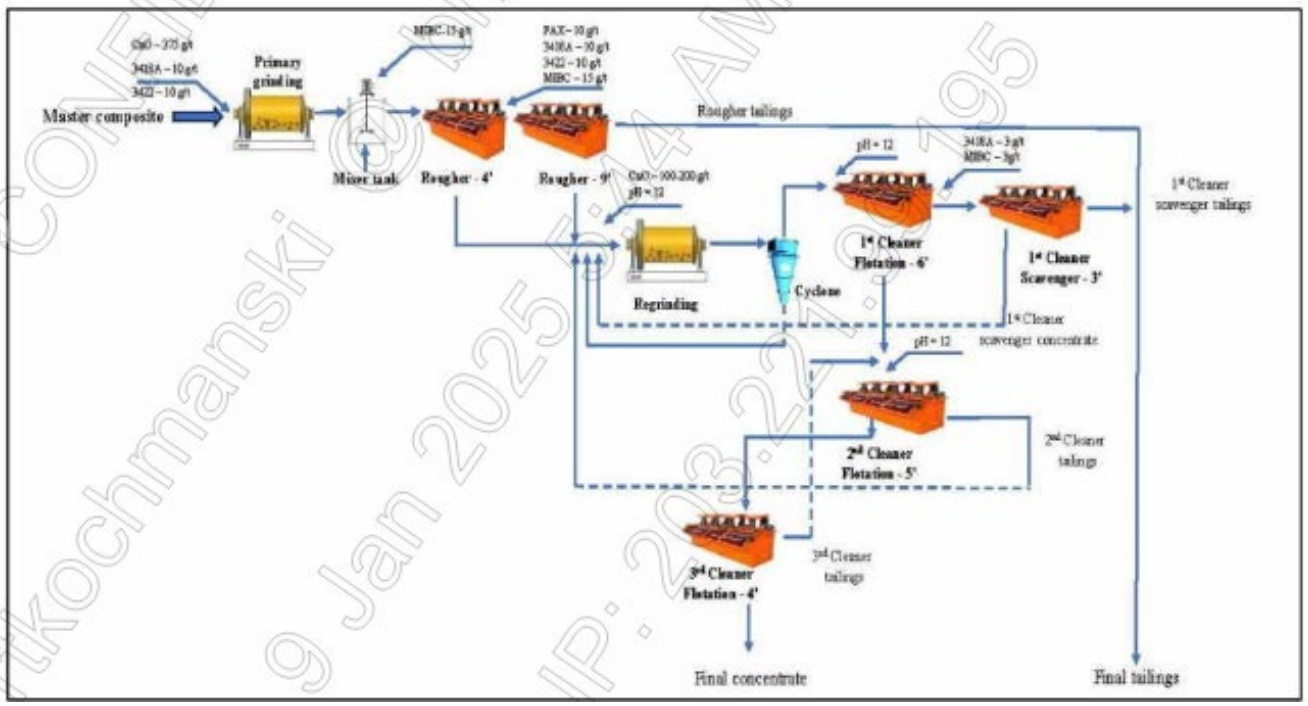


Figure 5-1: Metallurgical Test workflow sheet.

This programme consisted of comminution test work (bond ball and rod work index), gravity and flotation. This incorporated flow sheet development on a master composite (2kg from every sample), that appears above resource average grade (0.43% Cu, 0.63g/t Au, 2.53g/t Ag, 5.5% Fe, 2.11% S) along with locked cycle testing. In addition, baseline rougher flotation and gravity testing on 102 composites across the different orebodies was undertaken with further locked cycle testing. This is the True Technological Research Centre (TTRC) scope of work.

> *"From this original 102 composites and reserves of the TTRC master composites, 30 composites were selected and used in further flotation (with a new master composite generated), followed by gravity and comminution work at ALS. The flotation work here also involved parametric (grind size, pH, reagent dosages) variability work as well as locked cycle work on the new master composite."*

5.1.2 Comminution testing

The volume of comminution testing in the 2023-2024 programme is substantial in this programme alone. A brief summary of this is.

- 102 x Bond Ball work Index across Copper Hill, White Hill, Stock Hill, Golden Eagle, Zephyr
- 30 Crushing work indices across Copper Hill, Stockwork Hill and White Hall
- 30 x SMC tests across Copper Hill, Stockwork Hill and White Hall
- 30 x Abrasion tests across Copper Hill, Stockwork Hill and White Hall
- 30 x Bond Rod Work Indices across Copper Hill, Stockwork Hill and White Hall
- 30 x Bond Ball Work Indices across Copper Hill, Stockwork Hill and White Hall

There is a large and defined dataset allowing for a confident comminution design for a PFS design. Further detailed studies (definitive or bankable feasibility studies) may require additional SMC due to size of the project and breadth of the orebody (contained tonnes), but this is outside of the present scope of this review.

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5.1.3 Flotation Testing

In respect to PFS study, there were two master composites generated from 102 composites generated which forms the baseline for much of the development work in the PFS test work programme. A summary of the comparison between the composition from multiple ore sources is shown in Table 5-1 (below).

Table 5-1: Flotation Testing Summary

Prospect	Master Composite TTRC[1]	Master Comp ALS[4]	PFS Met Basis2	LOM[3]	Stage1[3]	Stage2[3]
White Hill	41.2%	47.8%	68%	83.8%	93.6%	81.7%
Stockwork Hill	45.1%	43.4%	21%	11.1%	4.22%	12.9%
Copper Hill	9.8%	8.8%	1%	1.24%	2.21%	1.03%
Golden Eagle	2.0%		6%	2.69%	0.00%	3.13%
Zephyr	2.0%		4%	1.10%	0.00%	1.28%

Source:

1. *PFS Appendix 9A-B* (Lord, Etheridge, Wilson, Hall, & Uttley, 2001)
2. *PFS, Figure 9-1*
3. *Financial Model, Kharmagtai PFS Fin Model V10 Base Case 15_Project_reviews_SCV10A*
4. *PFS Appendix 9A-E*

While the PFS sets out the plant feed for the project, the ore schedule provided in the financial model shows a significant skew towards White Hill being principal ore source and economic basis of the project. This is a rather large discrepancy from 68% to ~80-90%, however, the metallurgy for the project will be discussed in the context of both scenarios (PFS met basis and the financial model being treated as separate realities) until clarified. Ultimately the bulk of the resource is represented by White Hill under bother scenarios.

Locked cycle testing on the master composite was observed to obtain 80.45% Cu recovery with a grade of 23.28% and 70.46% at a 31.6 Au g/t Grade in the TTRC scope. Locked cycle testing would be considered the most representative of performance especially in respect to overall recovery. Potentially grade maybe understated as there are optimisations that are not practical in a laboratory setting dependant on the complexity of the flow sheet.

Locked cycle test work was further conducted at ALS on two composites. One was the reserve from the TTRC scope mentioned above and a newly generated master composite (generated from ~30 composites). Similar results were obtained on the TTRC reserve in the ALS testing, albeit a lower Au grade of 30 g/t. The ALS master composite was able to obtain a similar result of ~22% Cu with 86% recovery and 18.2g/t Au at a 73% recovery for gold.

Within the PFS documentation there is reference to locked cycle testing of individual ore body composites (Copper Hill, Stockwork Hill and White Hill). The test work log sheets / reports were not available for review making it difficult to confirm or assess the outcomes of this work. A summary in Table 5-2 (below) shows that, due to poor concentrate grades, the tests were conducted with cyanide dosage as depressant in the cleaner stage of the locked cycle to reject pyrite and ensure copper mineral separation.

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Table 5-2: Locked cycle testing of deposit composites, PFS table 9-41

Prospect	Head Grade	Cleaner Con	Recovery
	% Cu	% Cu	% Cu
Copper Hill A*	0.33	18.3	82.9
Stockwork Hill A*	0.19	14.6	74.4
Stockwork Hill B	0.28	13.1	82.4
Stockwork Hill C*	0.35	20.9	82.9
White Hill A*	0.17	18.3	57.2
White Hill B*	0.27	16.7	78.8
White Hill C	0.33	17.1	80.4
White Hill B+C*	0.27	26.3	79

It is clear that lower concentrate copper grades were achieved when compared to that of the master composite, at comparable recoveries, from the locked cycle testing of individual deposits. The metallurgical performance achieved could be due to low head grades, high S:Cu or insufficient copper mineral liberation in the rougher flotation.

5.1.4 Flotation Variability

Variability in the TTRC scope of work focused primarily on the rougher stage with flotation to the third cleaning stage determined in the ALS test work. A summary of the final concentrates from the ALS work can be seen in Table 5-3 (below).

Table 5-3: ALS Test work Final Concentrate Characteristics

Prospect	Copper Hill		Stockwork Hill		White Hill		Overall	
	Cu Grade (%)	Cu Recovery (%)	Cu Grade (%)	Cu Recovery (%)	Cu Grade (%)	Cu Recovery (%)	Cu Grade (%)	Cu Recovery (%)
Average	20.6	755.9	22.05	80.12	19.21	75.51	20.6	77.5
Maximum	32.7	78	33.22	92.37	27.12	82.3	33.2	92.4
Minimum	12.1	71.8	11.32	66.2	9.68	59.89	9.68	59.9
Count	3	3	11	11	12	12	26	26

A number of the lower final concentrate grades observed appear within White Hill.

Analysis within the reports highlights that a high S:Cu ratio, indicative in this current case of higher pyrite within the feed (FeS_2), corresponding to a poor final concentrate grade. This is shown in the figure below (Figure 5-2).

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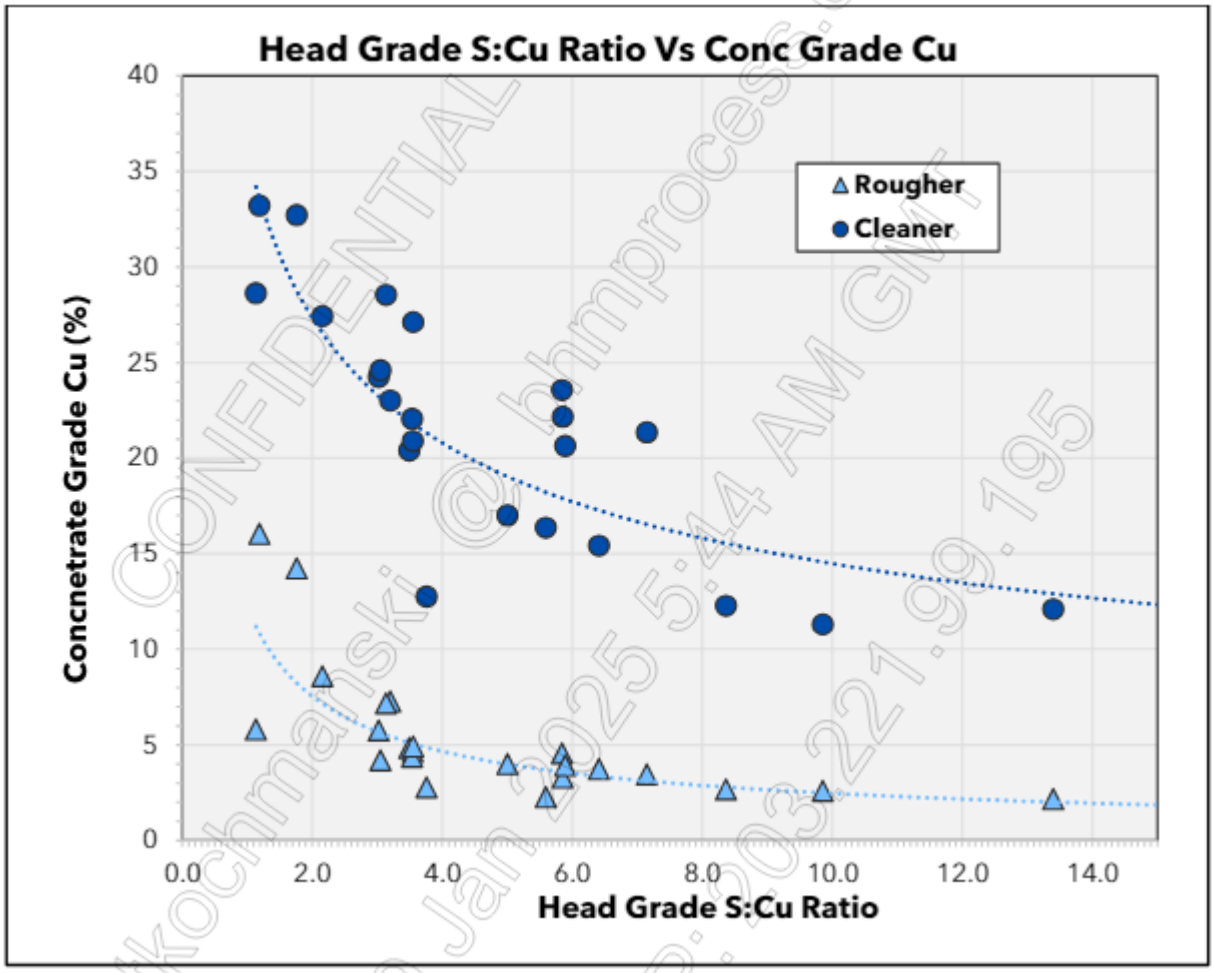


Figure 5-2: Final Concentrate grade vs Head S:Cu ratio, ALS report A25165

Typically this is addressed with either sufficient selectivity in the flotation stages with collectors utilised. The use of 3418A and 3422 are common strategies.

In case of pyrite depression sodium cyanide or other depressants can be added but this may also depress chalcopyrite causing lower recoveries. A depressant within the cleaning stage was added at a pH of 11 (F250) during parametric testing. This visibly reduces the Cu recovery.

As discussed in the section above, in regard to cyanide in the locked cycle, this appears to have had some limited success within the cleaning circuit to increase the product copper grade, however, this is also associated with a reduction in Cu recovery.

An attempt at pyrite depression during the roughing stages was not observed in the test work.

5.1.5 Mineralogy

Mineralogical analysis (QEMSEM) was conducted on the flotation feed for the master composite and then on generated samples of cleaner feed concentrate and tailings in the PFS programme. Of note is that predominately the Cu is present as chalcopyrite and that the bulk of pyrite present in the particular sample, was relatively high (~18% in an unliberated state) with only 11% reporting to the final concentrate. That particular third cleaner concentrate achieved a ~22% Cu grade.

Samples of poor performance (that did not achieve grade) did not have mineralogy conducted so ascertaining if the issues in the high S:Cu head samples is a case of high pyrite content not being rejected in the cleaning circuit due to volume of pyrite or finer grind size (i.e. not liberated) could not be concluded.

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5.1.6 Coarse Ore flotation

Coarse ore flotation testing (crossflow and hydrofloat) has been conducted during the PFS programme but has yet to be incorporated in the current processing flow sheet.

A separate master composite (58% White Hill, 42% Stockwork Hill) was prepared for this work.

5.1.7 Jameson Testwork

The composite generated for the coarse ore flotation work was tested via an industry standard methodology to assess the potential amenability of the Jameson cell before piloting work is considered. A positive result was observed that may indicate an ability to deal with high pyrite feed (high S:Cu ratio in the head) (Table 5-4).

Table 5-4: Jameson Comparison, ALS Report A25165

LOM Master Composite 250 µm CPF Product—Flow sheet Comparison Grind Size P_{80}: 75 µm / Regrind P_{80}: 18 µm											
Test	Flow sheet	Calculated Head			Third Cleaner Con (Final)						
		Cu %	Au g/t	S_{total} %	Mass %	Cu		Au		S_{total}	
						Grade %	Rec %	Grade %	Rec %	Grade %	Rec %
JS5897	Baseline Conventional	0.63	0.58	2.98	1.76	23.5	66.0	11.2	34.1	38.4	22.7
JS5909 + JS5959	Rougher + Dilution Cleaner	0.71	0.63	3.19	1.50	30.6	64.9	22.6	54.0	33.8	15.9

5.1.8 Gravity testwork

Gravity testing was conducted across all the variability samples and while the results are variable, the amount gravity gold appears fine grained and likely in the <20% range.

5.1.9 Filtration and Thickening testing

No filtration testing of concentrates was observed. Dynamic thickening test work on the rougher tailings of the master composite was conducted.

5.1.10 Conclusions and Discussion

The test work conducted, and metallurgical knowledge observed around the project is of a high standard for this stage of study.

The flotation response has been established under a base case flow sheet and though there is some significant variability observed, there is an understanding of where this needs to be tackled.

There are areas that will need further detailed definition around process engineering (i.e. jar test for regrind mill, thickening tests and filtration tests for the concentrate), but this detail is typically addressed in the Feasibility Study.

The ability to be able to deal with high pyrite feed (S%/Cu% of >6) will need to be addressed and rectified dependant on the ore processing schedule and / or ability to blend these zones down.

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5.2 Metallurgical testwork—Oxide Ore/Leaching Sulphide Tailings

Metallurgical test work on treating the oxide components of the orebody and tailings stream from the sulphide flotation plant has focused around predominately Au recovery.

Various tests ranging from coarse bottle rolls and column leaching (looking at heap leaching) with acid and a glycol/cyanide mixture has been investigated along with lixivants (leach reagents) in an agitated leach resembling the standard CIL typical in gold processing.

Recoveries have been observed to be variable with ~60% observed on the cleaner tails from the sulphide ore derived from the master composite from the ALS programme, to achieve recoveries in the range of 50-70% in agitated leaches with a cyanide/glycol mixture.

5.3 PROCESSING

5.3.1 PFS Study Design

The 2024 PFS study design incorporated a two-stage approach of 24 MTPA per stage. The flow sheet can be seen below with a conventional primary crushing circuit followed by a semiautogenous and ball mill comminution circuit.

Stage 1 has a single train of crushing, following by two trains of semiautogenous grinding (SAG) mills and ball mills into a single flotation train. Gravity concentrators on the cyclone underflow of the ball mills generate a gold concentrate for smelting in the gold room. The grinding circuit product proceeds to the flotation circuit which is a rougher circuit with three stages of cleaning post regrind with a cleaner / scavenger incorporated.

This is duplicated in Stage 2 effectively doubling the plant throughput for a total of 52 MTPA. A combined concentrate thickener is used for both stages with duplicate filtration system for the Stage 2. A single tailings thickener is used per stage for discharge into a tailings dam. This is shown below in Figure 5-3. This process flow sheet is representative and suitable in respect to the test work conducted.

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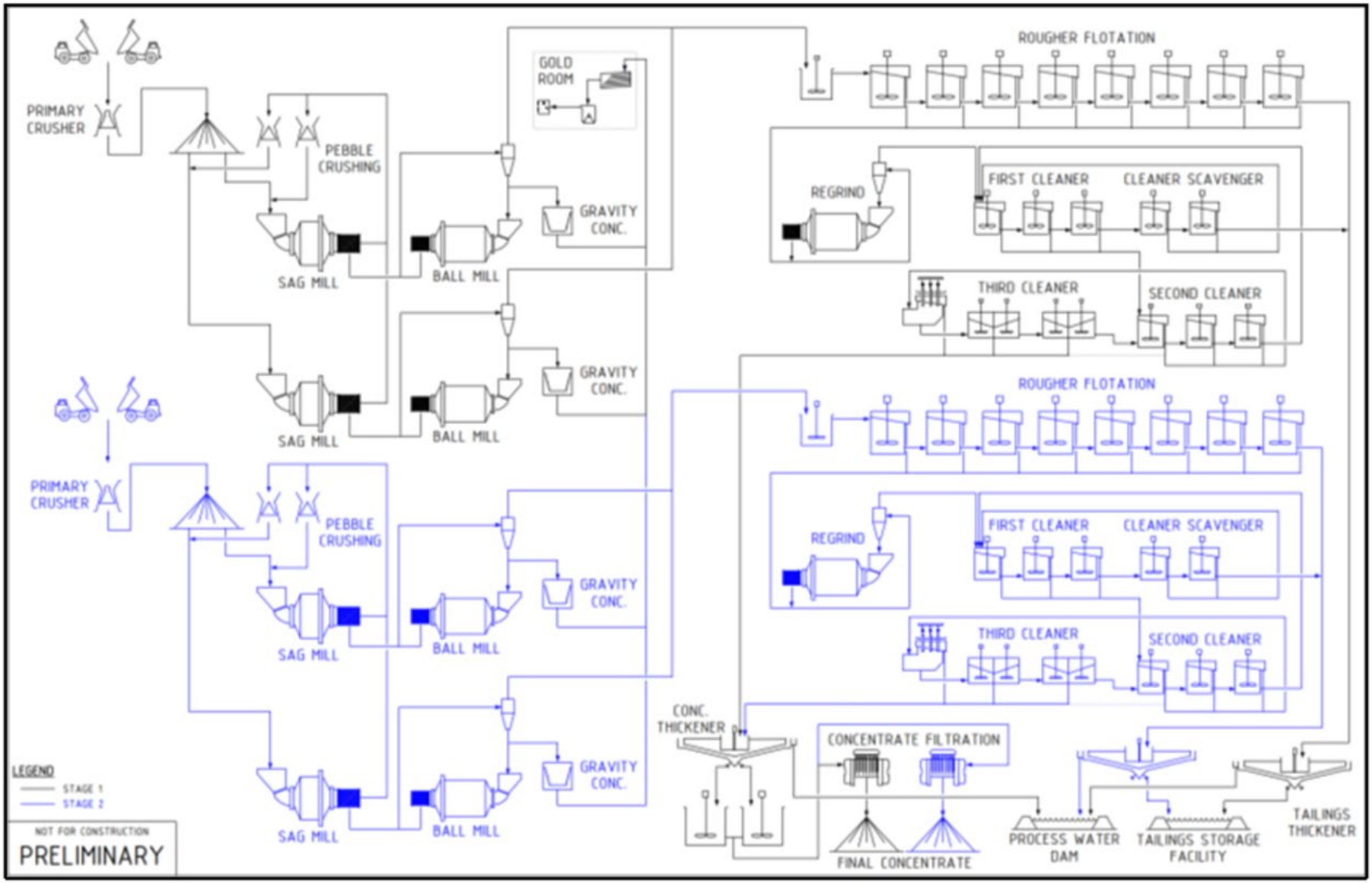


Figure 5-3: Stage 1 and 2 Process Flow sheet. 2024 PFS, Chapter 9, pg12. Stage 2 (Blue)

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Higher copper recoveries with a lower copper head grade were used as the design basis (85% Cu recovery to a 20% Cu concentrate grade). This gives some additional contingency for interstage equipment (hoppers, pumps etc.) to ensure the processing facility is not under sized and can manage feed variation, mass flow etc.

A number of studies (comminution, coarse ore flotation, regrind) studies were observed in the PFS along with clear design basis for each of the individual sections of the process plant.

The design basis for unit operations reflects the metallurgical test work conducted. Where there has not been sufficient material to conduct testing (regrind, concentrate thickening, concentrate filtration) reasonable and conservative figures have been utilised.

5.3.2 CIL Operation

A CIL plant utilising cyanide is planned to treat 0.5mtpa of oxide ore (crush, grind, leach) and 1.5MTPA of the cleaner tails from the Stage 1 (26MTPA) sulphide concentrator. As no SMC data was available the 0.5MTPA uses a three-stage crush and ball mill (Ball bond work index data available). This is a prudent decision.

Leach test work on a CIL process has been observed on the cleaner tailings. Oxide material has also been observed in the PFS documentation (metallurgy and processing chapter). However, the cyanide basis in the processing section is not present in the metallurgy chapter and the test work reports for both chapters were not able to be reviewed at this time. In terms of the samples source, representativity and test work outcomes this leaves ¼ of the CIL design basis difficult to confirm.

5.3.3 OPEX—FLOTATION CONCENTRATOR

A summary of the estimated OPEX is presented in Table 5-5 below.

Table 5-5: OPEX Summary, PFS 2024 Chapter 9 Table 9-36

	Stage 1			Stage 2		
	$US/a	$US/t Plant Feed	$US/lb Cu	$US/a	$US/t Plant Feed	$US/lb Cu
Labour	3.08	0.12	0.02	4.1	0.08	0.02
Power	60.16	2.31	0.4	118.52	2.28	0.51
Maintenance Material	12.73	0.49	0.08	234.84	0.48	0.11
Reagents and Consumable	57.33	2.21	0.38	114.62	2.2	0.5
Miscellaneous	2.66	0.1	0.02	3	0.06	0.01
Total	135.96	5.23	0.9	265.08	5.1	1.15

Overall operating figures of $US5.23/t and $US5.14/t for phase 1 and phase 2. These are relatively low operating cost figures for a flow sheet of this complexity.

The general philosophy and methodology of the documented estimate is in line with industry standards.

As can be seen, the bulk of the associated costs are around power (predominately crushing and grinding) and reagents.

5.3.4 Labour

A summary of the labour estimate is presented is presented in Table 5-6 below.

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Table 5-6: Metallurgy and Processing Labour Requirements

	Stage 1	Stage 2
Operations		
Plant Management	3	3
Technical Services	9	11
Processing	62	106
Gold Room	4	4
Laboratory	43	55
Subtotal - Operations	121	179
Maintenance		
Maintenance Management	3	3
Planning	6	7
Mechanical	42	60
Electrical	22	30
Instrumentation	7	9
Subtotal Maintenance	80	109
TOTAL	**201**	**288**

ERM find that the manning estimates are in line with expectations of an operation of this size and complexity with experienced operators. It is noted in the PFS that the salary figures are based on in-country labour. It would expect that if the local workforce were not sufficiently experienced an equivalent Australian based workforce would be expected to cost in the order of 3-4 times greater than presented here. With the labours costs contributed ~2.3% of the current operating costs this is relatively insignificant.

5.3.5 Power

Power was estimated based of the installed equipment and the average daily power draw with an in-country power cost of $US 0.08/ kWh. This is a sufficient basis for this level of study.

5.3.6 Reagents and consumables

Reagent figures were calculated based off test work results and are consistent.

Consumables for the crushing, grinding and filters were calculated, and the unit numbers are in line with industry expectations.

5.3.7 Maintenance Materials

The maintenance cost of materials was estimated based off of factoring the direct capital cost against the process plant areas. This can be seen summarised below for stage 1. The same commentary applies to Stage 2 (Table 5-7).

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Table 5-7: Maintenance Materials estimate Stage 1, Table 9-43

Area	Direct Costs US$M	Factor (%)	Cost US$/y ('000)
Primary Crushing	32.7	3.5	1,144
Stockpile Reclaim & Recycle	15.5	3.5	5411
Grinding	297.08	3.5	10,398
Gravity	3.6	3.5	128
Flotation	97.9	3.5	3,425
Concentrate Thickening & Handling	19.2	3.5	670
Tailings Thickening & Pumping to Storage	44.3	3.5	1,551
Reagents	15.4	3.5	541
Services			
Gold Room			
Offices & Control Room			
Workshop			
Process Plant Boiler House	22.8	1.00	228
Ancillary Buildings Heating Plant			
Decant System			
Laboratory			
Chemical Warehouse			
Total	**548.5**	**3.40**	**18,626**

Some of the factors appear lower than expected, for example crushing and grinding are typically around 7% and 5%. The overall impact of this is well within the stated +/-30% accuracy with the maintenance materials costs contributing ~10% to the OPEX.

5.3.8 Miscellaneous

The miscellaneous costs cover laboratory and mobile equipment costs. These have been accounted for and are within expectations.

CIL components have also been incorporated with a 64% Au recovery applied to the sulphide plant cleaner tails and 88% Au for the oxide component. This is reasonable on the basis of the recoveries generated from the met testing conducted to date (stated oxide recoveries unverified vs raw test work data).

ERM is satisfied with the process design, test work completed for the project and both processing CAPEX and OPEX estimates detailed in the project's PFS.

5.4 Smelting and Refining Costs

Smelting and refining costs represent the outcomes of commercial negotiations between miners and smelters that miners have only limited ability to influence. Smelting and refining contract terms negotiated between miners and smelters are influenced by market conditions, logistics and smelting costs which include sustainable management of waste materials produced during the smelting and refining process which may influence the relative attractiveness of concentrates produced by individual mines.

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The smelting and refining included in the Kharmagtai financial model are considered by ERM to be generally consistent with terms currently being offered by smelters in China and other Asian countries to which Kharmagtai concentrates could be viably shipped. This is influenced by the modes of transport used for concentrates with corresponding transport costs, in addition to differences between royalty rates levied on concentrates to be processed locally rather than exported.

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6. PROJECT FINANCIAL MODEL REVIEW

6.1 Financial Model Inputs

ERM has reviewed the mining and processing capital, and operating cost estimates used in the Kharmagtai project financial models prepared in conjunction with the project's PFS.

6.1.1 Financial Models

Several financial models were provided for review.

The financial model (03.03.01.02.02 Kharmagtai PFS Model (Simplified Version).xlsx) considers both Ore Reserves and Inferred Mineral Resource material (27%). An Ore Reserves only case financial model (03.03.01.02.03 Kharmagtai PFS Model (Reserves Only).xlsx) was also provided. Aspects of both models have been discussed in the Mining section of this report, particularly in relation to the proposed production schedule and movement of ore to and from stockpiles throughout the life of the mine (above).

6.1.2 Capital Expenditure

Mining, pre-production capital expenditure, and sustaining capital have been included in the project financial model (03.03.01.02.02 Kharmagtai PFS Model (Simplified Version)) by including them in mining contractor costs presented in the model. A mining contractor reviewed this approach in preparation of the project's PFS and considered it reasonable.

Even with the use of contract mining, the owner will still have initial mining capital expenditure requirements including HME and light vehicle workshops, equipment mobilisation, electrical infrastructure and connections, storage facilities, offices, accommodation village etc., which may vary slightly according to the nature of the mining contract ultimately negotiated for the project.

The project's initial CAPEX estimate is significantly lower than that for comparable projects in central Asia, which required at least double the CAPEX proposed for Kharmagtai. Similar-sized projects that were commissioned both in Mongolia and in nearby countries required CAPEX exceeding US$2 billion. Examples include Oyu Tolgoi (CAPEX of US$2.3 B in 2012 for development of an open pit, concentrator and project infrastructure), Bozshakol in Kazakhstan (US$2.3 B in 2015), and Aktogay in Kazakhstan (US$2.1B in 2016).

ERM discussed this with Mining Plus Pty Ltd (Mining Plus) and O2 Mining Limited (O2), the companies responsible for the Kharmagtai PFS and was convinced that the process followed in estimating the capital cost for the project was reasonable, robust and adequately reviewed during PFS preparation, even though comparable transactions suggest that the cost estimate is unusually low.

The apparently low capital cost estimate for the project was examined further by ERM through referring to online commercial information services for mining projects in central Asia, ERM's experience in the region and direct discussions with Mining Plus and O2 personnel directly involved in preparation of the project's PFS (Xanadu Mines Ltd, 2024f).

Mining Plus sought heavy mining equipment (HME) quotations from agents for both Komatsu and Caterpillar in Mongolia and from several Chinese HME manufacturers. One Chinese manufacturer and the Komatsu agent in Mongolia responded. The Komatsu proposal was the most detailed and included information regarding servicing costs and spares availability in Mongolia, which enabled Mining One to develop a detailed HME cost estimate for an owner-operated operation. This enabled a contract mining estimate to be developed by spreading the HME expenditure over several years with no allowance for a contractor margin, assuming the contractor would achieve a margin through

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attractive equipment pricing and greater efficiencies than could be achieved by an owner-operator. ERM is familiar with and supports this approach.

The cost of Chinese equipment was considerably lower than for comparable Komatsu equipment but the level of information relating to service life, maintenance and spares requirements was lower. Mining Plus concluded that it was likely that there would be little or no overall cost of ownership benefit from using Chinese equipment and elected to base their analysis on the information provided by Komatsu.

Mining One further requested a contract mining estimate from Thiess Mongolia LLC who are the largest mining contractor in Mongolia and have been operating in the country for 18 years. Thiess, in their response, provided cost estimates for Caterpillar equipment in Mongolia. Thiess are one of the largest users of Caterpillar equipment globally. Thiess concluded that the estimate developed by Mining One was reasonable for a project in Mongolia.

ERM was also concerned that sufficient expenditure had been allowed for the development of required infrastructure, able to permit year-round operations at the Kharmagtai site. The site facilities were designed and costed by O2's in-country team to meet all Mongolian building regulations and requirements and make use of locally available building materials and labour. Particular attention was directed towards the design of HME maintenance facilities which have been designed to allow maintenance and repairs to be conducted year-round in both very hot and very cold conditions.

Power for the site will be sourced from the existing, local electricity network that is connected to the Chinese electricity grid. An adequate water allowance has also been secured for the proposed mine.

ERM considers the approaches followed by Mining Plus and O2 to represent sound industry practice as presented in both the PFS and subsequent meetings that would deliver estimates meeting Prefeasibility Study standards. The difference between the estimates prepared for the project and estimates for comparable projects in both Mongolia and surrounding countries remain, but ERM considers reliance on the Mining One and O2 estimates provided for the project to be justifiable in light of the described rigour and use of local experience in preparing them.

Capital cost estimates, and the staging of pre-development expenditure are detailed in the project's financial model prepared for the PFS (Xanadu Mines Ltd, 2024f).

6.1.3 Processing Capital Expenditure

CAPEX figures were developed by the engineering firm DRA Global Limited (DRA) based on the design as discussed in the sections above. The CAPEX was prepared utilising a combination of budget quotations, database quotation and factors applied by the engineering firms from their database on similar projects (DRA). The methodology and volume of comparable quotation indicate that there should be high confidence in the figures provided (within the +/- 25% stated). A heating and ventilation system (HVAC) appears to also have been incorporated given the climate of the region the project is located.

Metallurgical plant construction direct costs outside of equipment costs appear to be lower than those observed in western countries, which is interpreted by ERM to reflect lower labour rates for construction.

The estimated capital cost of the 2 Mtpa CIL plant proposed for the project included in the financial model is considered reasonable for a plant that only needs to grind 0.5 Mtpa of ore.

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6.1.4 Operating Costs

The project's financial model (03.03.01.02.02 Kharmagtai PFS Model (Simplified Version) includes all-in operating costs that vary throughout the life of the mine between US$1.55 and US$3.33 per pound, with an average of US$1.90/pound. The corresponding C1 cash cost of mining varies between US$0.70 per pound and US$1.50 per pound, with an average of US$1.30 per pound LOM. This corresponds with a mining cost per tonne of ore between US$11.50 and US$16.80 per tonne of ore, with an average of US$12.50 LOM. By comparison, the C1 cash cost of open pit mining at Oyu Tolgoi was US$1.37 to US$1.59 per estimated, which is slightly higher but in ERM's opinion, comparable with estimated Kharmagtai C1 cash costs (MDO, 2025).

ERM considers the estimated operating costs for the project to be reasonable, based on the process by which they have been estimated and comparison with comparable projects in Mongolia.

An overall operating cost of $12.5/t is relatively low for a gold CIL operation is smaller than expected. This is, however, accounted for by the plant receiving 1.5 Mtpa of already ground feed from the flotation plant in the 2 Mtpa of ore planned for CIL processing annually.

6.1.5 Financial Model Metallurgical Inputs

The financial model has been developed using a yearly schedule. Mine to stockpile, Mine to plant and stockpile to plant have been incorporated. A yearly schedule is considered adequate for a PFS assessment of the financial state of the project.

This does not allow for the inference of the blending strategy into the processing facility and whether this will have a substantial impact. The bulk of the mass being processed is mined from the White Hill orebody (68%).

A summary of the ore schedule derived from the financial model is presented in Figure 6-1 (below). The sequence of mining of each of the orebodies is difficult to track in the financial model. Broadly speaking the variability testing conducted (74 cleaner tests and seven locked cycle tests) were broken down into material types as BAK (background), POT (potassic), SER (sericitic) and TBX (tourmaline breccia). From these, the data was interpreted to give an overall estimate of recovery based on Cu and S:Cu head grade at a calculated concentrate grade (Table 6-1).

As mentioned, this is quite detailed and verification of the correct figures and application within the financial model is not possible in the current scope of this review. The methodology and intent are appropriate and noteworthy at this stage of study.

Table 6-1: Example of TBX Grade and Recovery estimates, PFS Metallurgy Chapter Table 9-92

TBX: Final Copper Recovery Estimates for a Range of S:Cu Ratios and Head Grades										
S:Cu Ratio	Cleaner Conc.	Head Grade %Cu								
	% Cu	0.10	0.15	0.20	0.25	0.30	0.35	0.40	0.45	0.50
2.5	28.2	81.5	82.6	83.9	85.0	86.0	86.8	87.4	88.0	88.5
5.0	23.0	81.8	82.8	84.1	85.3	86.2	87.0	87.7	88.3	88.8
7.5	20.0	81.8	82.9	84.3	85.5	86.5	87.3	88.0	88.6	89.1
10.0	17.9	81.9	83.0	84.5	85.7	86.7	87.5	88.2	88.8	89.4
12.5	16.2	81.9	83.2	84.6	85.9	86.9	87.7	88.5	89.1	89.6

As can be seen in Figure 6-1 the current ore schedule is continually above a S:Cu of six past 2033 (>Yr 5) with a significant drop in concentrate grade expected. This has been acknowledged within the documentation and further development and intention is that incorporation of the Jameson Cleaner, along with cyanide addition, will help rectify this with pyrite rejection (the dataset does not include the Jameson incorporated).

For the PFS, a proposed 25% Cu grade has been adopted for feed with S:Cu up to 7.5 and 22% for feeds with S:Cu greater than 7.5. The financial model has incorporated 23% for <7.5 and 20% for >7.5.

This appears to be an appropriate assumption at this stage of study but as stated within the documentation, further pilot scale testing is required to confirm this.

The various deposits have been incorporated into the financial model (Stockwork Hill, White Hill, Copper Hill, Golden Eagle, Zephyr, Wedge SH/WH, Zaara).

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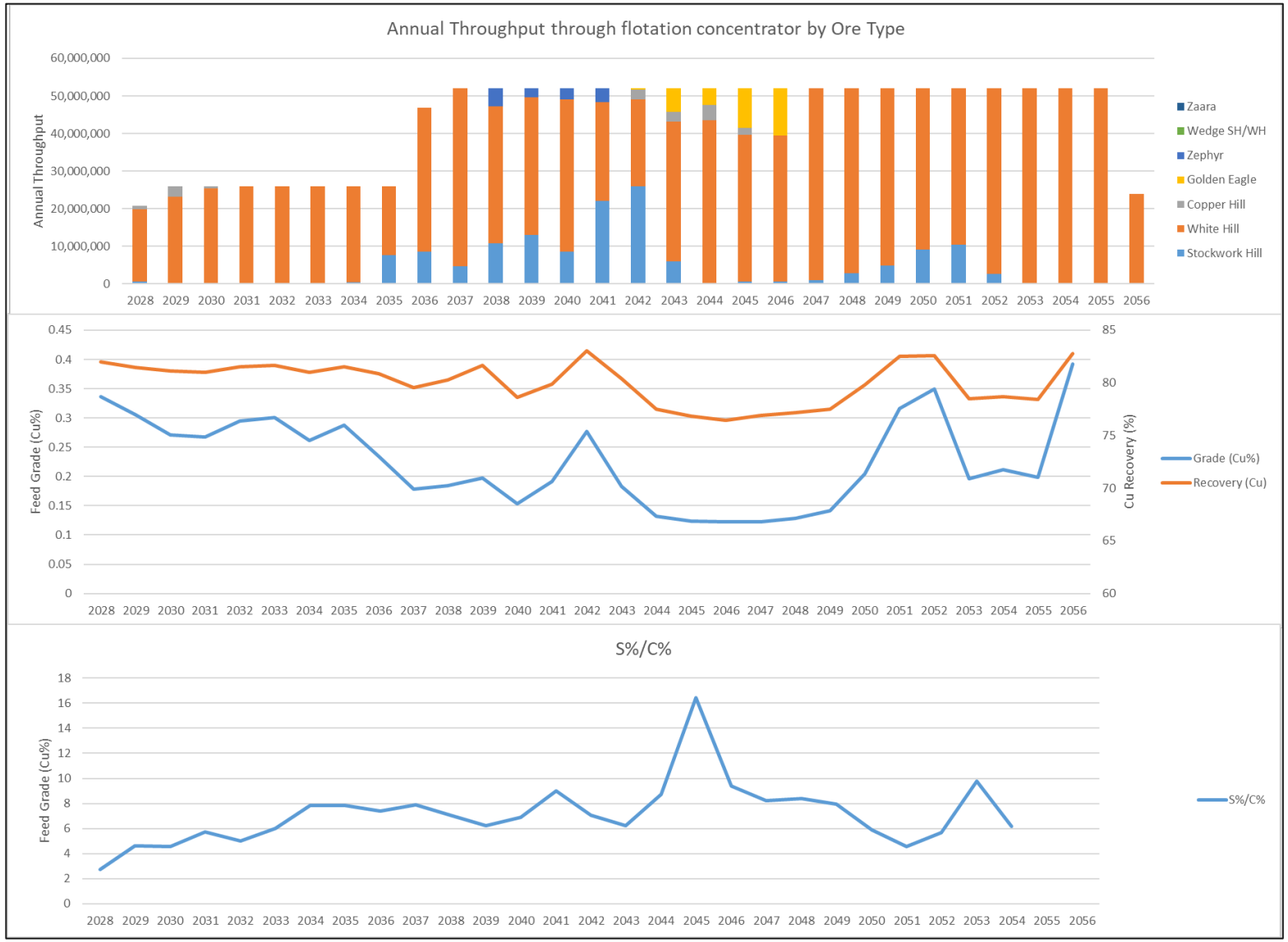


Figure 6-1: Ore Schedule Derived from Project PFS Financial Model

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6.1.6 Processing pLant Capital and Operating cost Discrepancies Between Financial Models and PFS Report

Processing plant CAPEX and OPEX have been incorporated into the financial model. There are some minor variances between the PFS documentation and the financial model in terms of CAPEX and OPEX figures, (i.e. $2.44/t for power in the model vs $2.31/t in the documentation) but these are not considered by ERM to be material to the project's valuation.

6.1.7 Royalties

Royalties have been assumed to be 8.36 per cent for Cu and 5 per cent for Au.

Royalty rates in Mongolia are linked to commodity prices. In the case of copper in concentrates, a 5 per cent royalty applies when copper prices are US$5,000 per tonne or less. A 13 per cent royalty applies between US$7,000 and US$8000, and 20 per cent if the price exceeds US$9,000 per tonne. Royalties are also levied on minor elements included in concentrates (Byambajav, 2021).

Royalty rates for copper used in the PFS are considered by ERM to be low. A rate of 20 per cent for copper should be considered with copper prices forecast to exceed US$9,000 in the medium to long-term (Consensus Economics, 2025). The 5 per cent rate used for gold is supported by ERM.

ERM raised the question of royalties with XAM. The 20% royalty rate is applicable to copper at current and forecast prices, but companies have an ability to negotiate royalty rates in establishing investment agreements for major projects. Rio Tinto's Oyu Tolgoi mine, for example, negotiated a copper royalty of 5% for that mine, in which the Mongolian government has 34% equity (Rio Tinto, 2025). A bill is also currently before the Mongolian Parliament to review royalty rates as part of a revised Mining Law, drafted and initially presented to Parliament during 2024 (GBR, 2024). The Mongolian government is acutely aware of the need to improve the attractiveness of mineral resources industry investment in Mongolia in which taxation and royalty changes are among initiatives receiving consideration (Mongolia Inc., 2023). In discussions with ERM, XAM expressed a high degree of confidence in being able to negotiate an attractive royalty rate with the Mongolian government, which will not be the 5% achieved for Oyu Tolgoi but would still be attractive for a project with Kharmagtai's potential scale and significance to the Mongolian economy.

ERM supports this view and accepts the use of the 8.34% royalty rate proposed in the PFS as reasonable.

6.1.8 TAXATION

Mongolia is perceived to have higher than average capital costs due to poor infrastructure in remote areas (including South Gobi province). A benchmarking study by MinEx Consulting in 2019 ranked Mongolia thirteenth of 20 countries surveyed (MinEx Consulting, 2022).

Mongolia has a complex set of tax, royalty and investment rules. The corporate tax rate of 25% is low compared with many countries. Mongolia's effective tax rate (ETR), however, was estimated by MinEx Consulting to be around 53% for copper projects which compares unfavourably with the average ETR of around 41% for copper projects at the decision to build stage in the 17 countries surveyed in the 2022 study (MinEx Consulting, 2022) (Figure 6-2). The ETR estimated by MinEx Consulting includes all sources of government revenue generated by the project, including royalties, company tax and duties on imported equipment associated with construction and operations. The tax rate for individual projects in Mongolia will vary in response to the negotiation of royalties in project investment agreements. The ETR for open pit copper projects of around 53% estimated for Mongolia by MinEx Consulting corresponds with a rate that maximises government revenue (MinEx

Consulting, 2022) which considers both direct government revenue via taxes and indirect value to government from expansion of the national economy (Figure 6-3).
The Hurdle Rate in Figure 6-3 is the minimum acceptable return required by the company for it to advance the project to the next stage (and ultimately to production). It is typically set at 1-5 percentage points above the Company's risk adjusted cost of capital.

MinEx Consulting proposes that the tax rate for copper projects in Mongolia is currently set at a level that is too high to grow the country's mining industry.

ERM's discussions with XAM revealed that the Mongolian government is aware of this issue, which is driving regulatory reform incorporated in cost of capital and royalty estimates used in the Kharmagtai PFS.

Lowering the perceived business risk for a country has been shown to have the greatest impact in maximising the economic contribution of a country's mining industry (MinEx Consulting, 2022).

The actual ETR that will be paid by XAM for the Kharmagtai project will be determined by the investment agreement negotiated between XAM and the Mongolian government, which could include reductions in royalties paid on mineral production and tariffs and sales taxes levied on construction materials and equipment used in both developing and operating the Kharmagtai mine. The ETR estimated by MinEx Consulting should be considered to be a maximum tax rate based on current legislation which the government is in the process of revising and can vary with companies by negotiations and parliamentary approval.

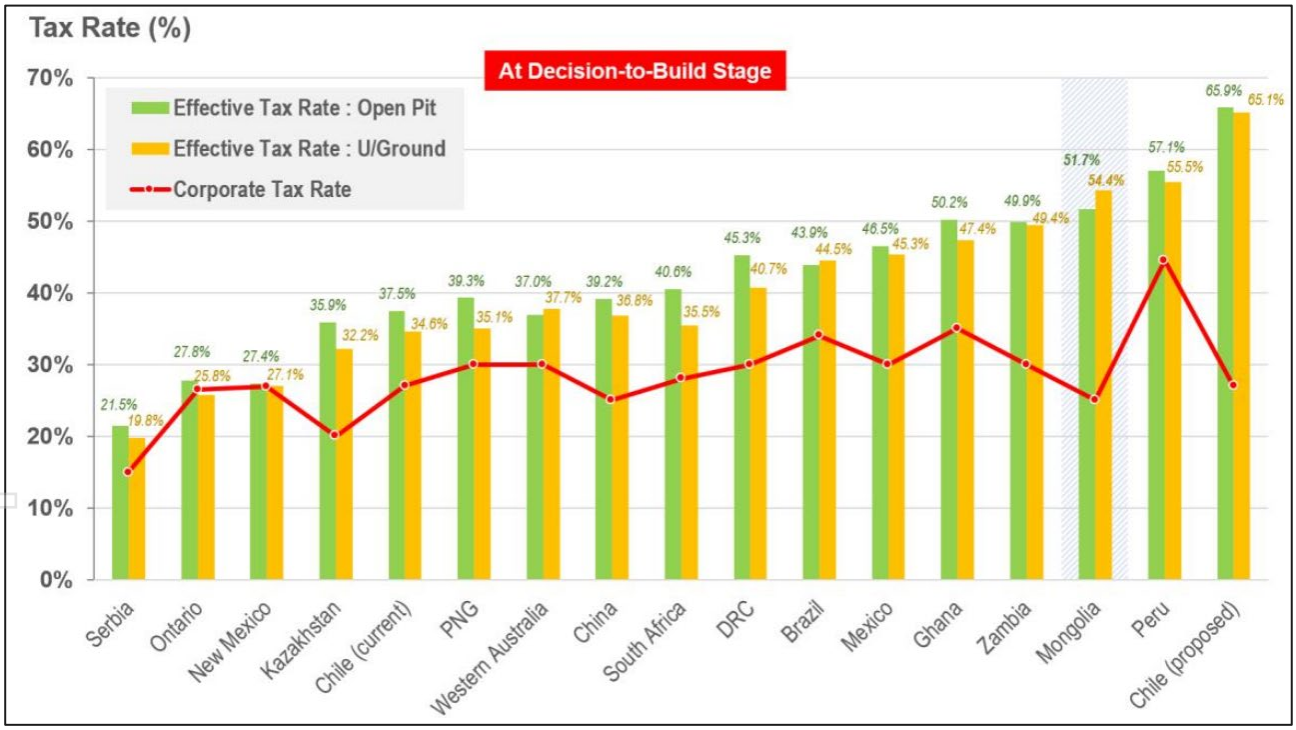


Figure 6-2: Tax rates for copper projects in selected countries
Source: MinEx Consulting, April 2022

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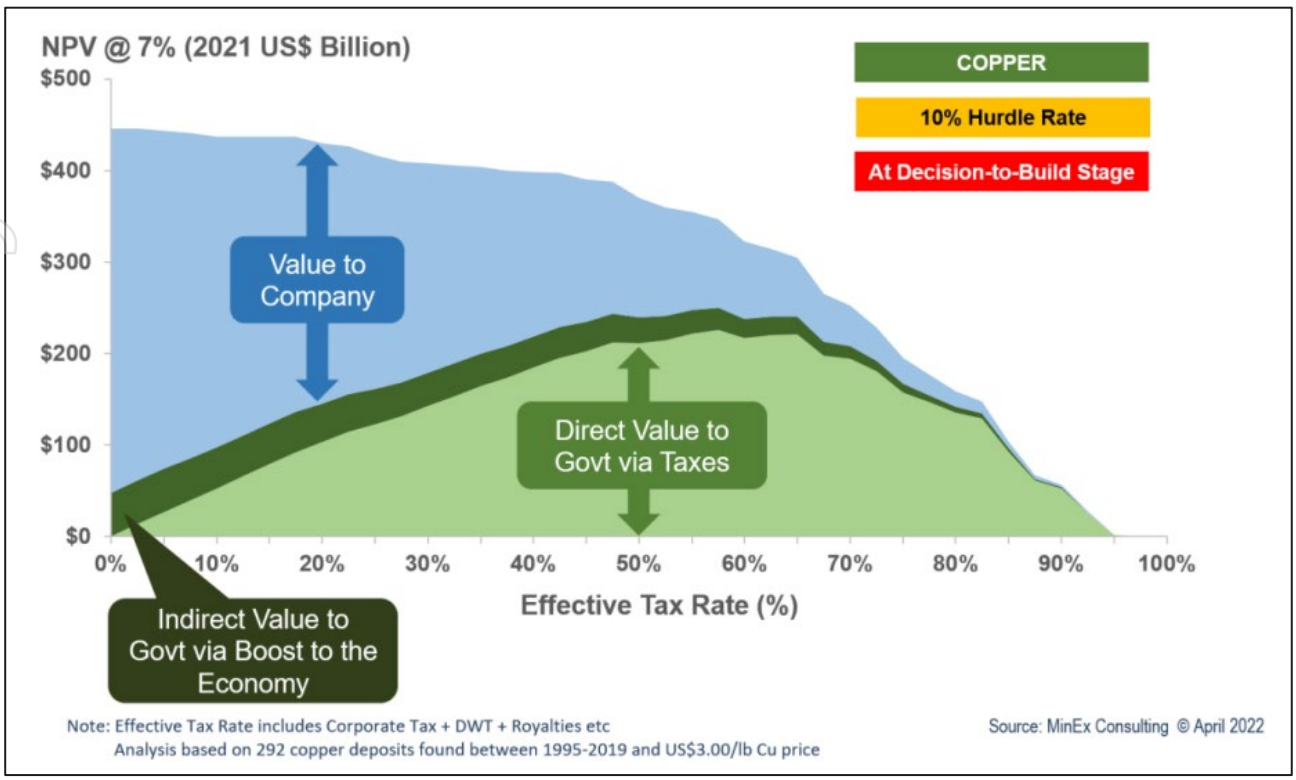


Figure 6-3: Effect of tax rate on the distribution of wealth for global copper projects 1995-2019
Source: MinEx Consulting, April 2022

The rate of taxation to which the project will be subjected may not be known until an investment agreement is established for the project. ERM proposes that reliance on taxation estimates incorporated in the project's financial model is appropriate at this point in the project's development.

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7. IMPROVEMENT OPPORTUNITIES

The Kharmagtai PFS examined upside opportunities identified in the 2022 Scoping Study for the project (Xanadu Mines Ltd, 2022). These primarily comprise exploration, geotechnical, mining equipment and metallurgical opportunities, detailed in Table 7-1. ERM endorses each of these initiatives.

Table 7-1. Kharmagtai Project Improvement Opportunities

Opportunity	Description	Revenue Uplift	Unit Cost Reduction	Inventory Expansion
Pit Slopes	Steeper pit slopes through analysis of improved geotechnical engineering data.		✓	✓
Silver	Include silver in the Mineral Resource model to enable quantification of production. Silver is already recovered in the copper concentrate, and provides a no-cost revenue uplift	✓		
Copper Flotation	Copper recovery improvement through rougher and cleaner circuit improvement	✓		
Copper Recovery From Tails	11% of copper is lost through rougher tails and 8% through cleaner tails. Examine enhanced recovery options	✓		
Oxide Heap Leach	Approximately 20m of oxide material is treated as waste, with the exception of some high gold grade material. Heap leaching may recover additional copper and gold, cold weather performance and economics to be determined	✓		
Ore Sorting, Particle Separation	Examine coarse particle separation potential to reduce waste milled and processed.	✓	✓	
Mine Fleet	Examine options for trolley-assist and use of electric HME to reduce carbon emissions. In-pit crushing and conveying for ore and /or waste haulage, not addressed in the scoping study should also be examined.		✓	✓
Mineral Resource enhancement	Upgrade confidence in the existing mineral Resource and identify additional mineralisation associated with known deposits			✓
New Mineral Resource Discovery	The Kharmagtai project Mineral Resource remains open both laterally and at depth			✓

In particular, in-pit crushing and conveying (IPCC) warrants close investigation in ERM's opinion. Electric HME potential may be limited by extremely cold weather during winter and on very hot days experienced during summer.

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8. PROJECT VALUATION DISCUSSION

8.1 Overview

At the effective date of this report (21 May 2025):

- The US-Australian dollar exchange rate was 0.6452 (Reserve Bank of Australia, 2025)
- The London Metals Exchange official copper bid price was US$9,532.50 per tonne (LME, 2025) (Figure 8-1).



Figure 8-1: LME Copper Price 21 May 2024—21 May 2025
Source: (LME, 2025)

Monthly average copper prices exhibited considerable variability during the twelve months prior to May 2025, trading between US$10,127.76 per tonne in May 2024 to US$8,918.78 in December 2024. The average annual price during the 12 months prior to the effective date of this report was around US$9,344.18 per tonne (Table 8-1).

8.2 Market Capitalisation

XAM's ASX share price on the effective date of this report closed at A$0.05 per share, which represented a market capitalisation of A$86.05 million. XAM's share price history between February 2024 and February 2025 is presented in Figure 8-2.

8.3 Project Equity

Two of the three projects in which XAM is involved in Mongolia (Kharmagtai and Sant Tolgoi) are joint ventures. The Red Mountain project licence is held by Vantage LLC, a Mongolian registered 100% owned subsidiary of XAM. XAM's equity in each project is presented in Table 8-2.

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Table 8-1 LME Copper Average Monthly Cash Prices May 2024 - April 2025

Month	Av LME Cu
May-24	10127.76
Jun-24	9636.85
Jul-24	9392.78
Aug-24	8962.76
Sep-24	9253.24
Oct-24	9538.35
Nov-24	9073.76
Dec-24	8918.78
Jan-25	8976.86
Feb-25	9328.05
Mar-25	9730.12
Apr-25	9190.85
Min	8918.78
Max	10127.76
Average	9344.18



Figure 8-2: XAM share price history for the 12 months to 30 April 2025

Table 8-2: XAM Project Equity

Project	XAM Equity (%)	Other Major Participants
Kharmagtai	38.25	Zijin Mining Group Co. Ltd (38.25%) Ganbayar Lkhagvasuren (10.0%) QGX Ltd (10.0%)
Red Mountain	100.0	The licence is held by Vantage LLC, a Mongolian-registered subsidiary of XAM
Sant Tolgoi	0.0	STSM LLC (100.0%). XAM is in the first stage of earning an interest of up to 80% in the project. The initial stage will enable XAM to earn 51% of the project by spending US$1 million on exploration over 24 months (by January 2026)

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8.4 Comparable Transactions

A summary of comparable transactions identified by ERM is presented in Table 8-3, Table 8-4 and Table 8-5. ERM elected to confine the search for comparable transactions for which the primary commodity was copper present in porphyry-style mineralised systems in Mongolia and Kazakhstan, and between 2000 and 2024. The search employed the S&P Capital IQ^{pro} database This represents the period for which ERM has data available and which coincided with these countries' transition to market economies from centrally planned, Soviet-style systems.

Only 16 relevant transactions were identified. Of these, ten projects had identified Mineral Resources and/or Ore Reserves while six were early (pre-Resource) projects. ERM's search for projects was limited to Kazakhstan and Mongolia to ensure consistency in exploration and mining investment attractiveness, regulatory systems and logistics associated with developing new mining projects.

The identified transactions are concentrated between 2014 and 2017 which represented a period of intense interest in mining investment in central Asia which has declined noticeably in subsequent years due to changes in royalty and company taxation regimes in Mongolia and investment conditions in Kazakhstan (Meja & Aliakbari, 2024). Mongolia was ranked 63 and Kazakhstan 79 for mining investment attractiveness, and 82 and 69 for government policy perception of 86 countries covered by the 2023 Fraser Institute survey. This is despite both countries being ranked favourably in terms of mineral potential (31 and 58 for Mongolia and Kazakhstan respectively of 58 countries for which survey submissions were received).

The comparable transactions information was adjusted to bring all results to the effective date of this report (25 February 2025) (Table 8-4, Table 8-5). These results were also recalculated to provide a 100% equity basis for comparison purposes (Table 8-5).

Transactions were considered to be comparable by comparing a range of factors including:

- mineralisation style (porphyry copper and porphyry copper-gold silver mineralisation).
- similar geography (central Asian projects received closest attention).
- transactions involved acquisition of a similar level of equity in the projects being compared with XAM's assets.
- excluding extreme outlier transactions values, interpreted to represent both discounted and enhanced asset valuations influenced by factors other than the key geological attributes of the deposit (mineralisation tonnes and grade, development potential and mineability, taking account of factors including permitting and perception of other non-technical factors influencing project development).
- where the range of values provided by transactions considered to involve assets comparable with XAM's projects provide a broad spread of values, ERM has calculated the mean or geometric mean of the values of those transactions considered comparable and used ± 25% of this value to represent lower and upper bounds for expected market values.
- The values used for projects with publicly estimated Ore Reserves and Mineral Resources are based on the value realised per tonne of contained metal represented by the reported Mineral Resource and Ore Reserve estimates. The use of contained metal negates consideration of different average grades evident between the deposits involved in comparable transactions.

Table 8-3: Comparable Transactions

Project	Commodities	Seller	Buyer	Country	Date Announced	Reserves / Resources	Deal Value	Equity	R&R Cu Equiv.	
							US$M	%	kt	$/t
Bronze Fox	Cu, Au, Ag, Mo	Kincore Copper Ltd	Woomera Mining Ltd	Mongolia	30-Sep-24	Resources	404.0	80.0	440.8	0.79
Sharga[1]	Cu, Au, Ag, Zn	Undisclosed Seller	Aranjin Resources Ltd	Mongolia	19-May-21		2.46	100.0		
Bayan Undur[1]	Cu	Undisclosed Seller	Aranjin Resources Ltd	Mongolia	4-Nov-19			100.0		
Koksay[2]	Cu, Au, Ag, Mo	Kaz Minerals Plc	China Nonferrous Metal Industry's Foreign Engineering and Construction Limited	Kazakhstan	6-Nov-18		0.07	19.4		
Karchiga	Cu, Au	Orsu Metals Corporation	CMSS Global Supply and Trading FZC	Kazakhstan	3-Oct-17	Reserves	5.98	94.75	964.5	35.7
						Resources + Reserves			1089.1	31.6
Shuak[3]	Cu, Au, Ag, Mo	GRK Aksu	Central Asia Metals Plc	Kazakhstan	22-Nov-16		1984.0	80.0		
Erdenet Mining Corp	Cu, Mo, Ag, Sb, Bi	Russian Technologies State Corporation	Mongolian Copper Corporation LLC	Mongolia	28-Jun-16	Reserves	500.0	49.0	2099.9	238.1
						Resources + Reserves			4140.7	120.8
Kogodai	Cu, Ag	Orau Metals Corp.	Karasat Trading FZE	Kazakhstan	11-Apr-16		0.01	51.0		
Mongolian Assets[1]	Cu, Ag	Carajas Copper Co. Ltd	Rare Elements LLC	Mongolia	2-Mar-16		32.0	80.0		
Koksay	Cu, Au, Ag, Mo	CCC Mining Construction BV	Kazakhmya Plc	Kazakhstan	27-Feb-14		260.0	100.0		
FML Kazakhstan LLP	Cu, Au, Ag	Frontier Mining Ltd	Union Transnationale Miniere SA	Kazakhstan	26-Feb-14	Resources + Reserves	30.0	100.0	21319.3	8.5
Kharmagtai	Cu, Au	Turquoise Hill Resources Ltd	Mongol Metals LLC	Mongolia	3-Feb-14	Reserves	14.0	90.0	4120.7	20.6
Karchiga	Cu, Au	Unnamed	Orsu Metals Corp	Kazakhstan	20-May-10					
Nergui	Cu, Au, Ag	Winner Progress Ltd	Solartech International Holdings Ltd	Mongolia	4-Dec-09	Reserves	193.6	100.0	18963.6	102.1
Benkala	Cu	Coville Intercorp Ltd	Frontier Mining Ltd	Kazakhstan	6-Sep-07	Resources	21.0	50.0	1396.5	15.0
Oyu Tolgoi	Cu, Au	Ivanhoe Mines Ltd	Rio Tinto Plc	Mongolia	16-Oct-06	Reserves	691.5	19.9	13024.0	530.9
						Resources + Reserves			7897348.0	87.6

Notes

- early-stage (pre-resource) exploration project sale
- 19.4% equity in exchange for US$70,000 capital equipment
- 80% equity in return for $1.98 capital investment

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Table 8-4: Comparable Transactions Adjusted to 31 Dec 2024

Project	Commodities	Seller	Buyer	Country	Date Announced	Reserves / Resources	Deal Value	Equity	R&R Cu Equiv.	
							US$M	%	kt	$/t
Bronze Fox	Cu, Au, Ag, Mo	Kincore Copper Ltd	Woomera Mining Ltd	Mongolia	30-Sep-24	Resources	441.1	80.0	440.8	0.86
Sharga[1]	Cu, Au, Ag, Zn	Undisclosed Seller	Aranjin Resources Ltd	Mongolia	19-May-21		2.31	100.0		
Bayan Undur[1]	Cu	Undisclosed Seller	Aranjin Resources Ltd	Mongolia	4-Nov-19			100.0		
Koksay[2]	Cu, Au, Ag, Mo	Kaz Minerals Plc	China Nonferrous Metal Industry's Foreign Engineering and Construction Limited	Kazakhstan	6-Nov-18		0.11	19.4		
Karchiga	Cu, Au	Orsu Metals Corporation	CMSS Global Supply and Trading FZC	Kazakhstan	3-Oct-17	Reserves	9.7	94.75	964.5	57.6
						Resources + Reserves			1089.1	51.0
Shuak[3]	Cu, Au, Ag, Mo	GRK Aksu	Central Asia Metals Plc	Kazakhstan	22-Nov-16		3194.4	80.0		
Erdenet Mining Corp	Cu, Mo, Ag, Sb, Bi	Russian Technologies State Corporation	Mongolian Copper Corporation LLC	Mongolia	28-Jun-16	Reserves	856.6	49.0	2099.9	407.9
						Resources + Reserves			4140.7	206.9
Kogodai	Cu, Ag	Orau Metals Corp.	Karasat Trading FZE	Kazakhstan	11-Apr-16		0.02	51.0		
Mongolian Assets[1]	Cu, Ag	Carajas Copper Co. Ltd	Rare Elements LLC	Mongolia	2-Mar-16		49.0	80.0		
Koksay	Cu, Au, Ag, Mo	CCC Mining Construction BV	Kazakhmya Plc	Kazakhstan	27-Feb-14		364.0	100.0		
FML Kazakhstan LLP	Cu, Au, Ag	Frontier Mining Ltd	Union Transnationale Miniere SA	Kazakhstan	26-Feb-14	Resources + Reserves	46.0	100.0	21319.3	13.1
Kharmagtai	Cu, Au	Turquoise Hill Resources Ltd	Mongol Metals LLC	Mongolia	3-Feb-14	Reserves	21.5	90.0	4120.7	31.6
Karchiga	Cu, Au	Unnamed	Orsu Metals Corp	Kazakhstan	20-May-10		8.4	24.75		
Nergui	Cu, Au, Ag	Winner Progress Ltd	Solartech International Holdings Ltd	Mongolia	4-Dec-09	Reserves	245.2	100.0	18963.6	129.3
Benkala	Cu	Coville Intercorp Ltd	Frontier Mining Ltd	Kazakhstan	6-Sep-07	Resources	13.9	50.0	1396.5	17.5
Oyu Tolgoi	Cu, Au	Ivanhoe Mines Ltd	Rio Tinto Plc	Mongolia	16-Oct-06	Reserves	873.5	19.9	13024.0	670.7
						Resources + Reserves			7897348.0	110.6

Notes

- early-stage (pre-resource) exploration project sale
- 19.4% equity in exchange for US$70,000 capital equipment
- 80% equity in return for $1.98 capital investment

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Table 8-5: Comparable Transactions Adjusted to 31 Dec 2024 and 100% Equity

Project	Commodities	Seller	Buyer	Country	Date Announced	Reserves / Resources	Deal Value	Equity	R&R Cu Equiv.	
							US$M	%	kt	$/t
Bronze Fox	Cu, Au, Ag, Mo	Kincore Copper Ltd	Woomera Mining Ltd	Mongolia	30-Sep-24	Resources	551.4	100.0	551.0	0.9
Sharga[1]	Cu, Au, Ag, Zn	Undisclosed Seller	Aranjin Resources Ltd	Mongolia	19-May-21		2.3	100.0		
Bayan Undur[1]		Undisclosed Seller	Aranjin Resources Ltd	Mongolia	4-Nov-19			100.0		
Koksay[2]	Cu, Au, Ag, Mo	Kaz Minerals Plc	China Nonferrous Metal Industry's Foreign Engineering and Construction Limited	Kazakhstan	6-Nov-18		0.6	100.0		
Karchiga	Cu, Au	Orsu Metals Corporation	CMSS Global Supply and Trading FZC	Kazakhstan	3-Oct-17	Reserves	10.2	100.0	1018.0	57.6
						Resources + Reserves			1149.4	51.0
Shuak[3]	Cu, Au, Ag, Mo	GRK Aksu	Central Asia Metals Plc	Kazakhstan	22-Nov-16		3992.9	100.0		
Erdenet Mining Corp	Cu, Mo, Ag, Sb, Bi	Russian Technologies State Corporation	Mongolian Copper Corporation LLC	Mongolia	28-Jun-16	Reserves	1748.1	100.0	4285.4	407.9
						Resources + Reserves			8450.4	206.9
Kogodai	Cu, Ag	Orau Metals Corp.	Karasat Trading FZE	Kazakhstan	11-Apr-16		0.04	100.0		
Mongolian Assets[1]	Cu, Ag	Carajas Copper Co. Ltd	Rare Elements LLC	Mongolia	2-Mar-16		61.3	100.0		
Koksay	Cu, Au, Ag, Mo	CCC Mining Construction BV	Kazakhmya Plc	Kazakhstan	27-Feb-14		364.0	100.0		
FML Kazakhstan LLP	Cu, Au, Ag	Frontier Mining Ltd	Union Transnationale Miniere SA	Kazakhstan	26-Feb-14	Resources + Reserves	46.0	100.0	21319.3	13.1
Kharmagtai	Cu, Au	Turquoise Hill Resources Ltd	Mongol Metals LLC	Mongolia	3-Feb-14	Reserves	23.8	100.0	4578.5	31.6
Karchiga		Unnamed	Orsu Metals Corp	Kazakhstan	20-May-10		34.0	100.0		
Nergui	Cu, Au, Ag	Winner Progress Ltd	Solartech International Holdings Ltd	Mongolia	4-Dec-09	Reserves	245.2	100.0	18963.6	129.3
Benkala	Cu	Coville Intercorp Ltd	Frontier Mining Ltd	Kazakhstan	6-Sep-07	Resources	27.9	100.0	1396.5	17.5
Oyu Tolgoi	Cu, Au	Ivanhoe Mines Ltd	Rio Tinto Plc	Mongolia	16-Oct-06	Reserves	4389.6	100.0	6544.7	670.7
						Resources + Reserves			39685.2	110.6

Notes

- early-stage (pre-resource) exploration project sale
- 19.4% equity in exchange for US$70,000 capital equipment
- 80% equity in return for $1.98 capital investment

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- Deposits for which Mineral Resources and Ore Reserves have not been reported are valued using assessments of geological prospectivity and enhancement of value achieved by exploration to the date of each comparable transaction. This approach is somewhat empirical but is conducted according to widely applied and broadly accepted criteria established for valuation techniques developed for pre-resource stage projects.

Adjusting the value of comparable transactions between the actual date of the transaction and the effective date of this report is achieved by multiplying the transactions value by the ratio of the copper price at the transaction date and the report date. This approach is considered to account for both changes in the value of contained metal and exploration potential and market sentiment towards investment in the commodity of interest. The LME cash copper price was used as the basis for the adjustments performed in analysing transactions examined in this report.

The recent history of copper project transactions in Mongolia point to difficult conditions in which to realise value from existing, non-producing projects due to concerns relating to the legal and commercial framework affecting mineral resource development projects outweighing prospectivity and mineral resource discovery potential. This environment, however, can create opportunities for companies willing to attempt to manage the inherent risks.

8.5 Valuation Opinion: Kharmagtai Deposit

8.5.1 Income-based Valuation

ERM agrees that the preferred approach to valuing the Kharmagtai Project is by using the project's LOMP financial model, which will require consideration of issues associated with:

- Reassessment of royalties payable in Mongolia, with continued buoyancy of the copper market will result in royalty rates of 20% for copper in Mongolia, coupled with the levying of royalties on minor and trace metals exported from Mongolia in concentrates that may not be a source of revenue for producers, but will impose additional costs. ERM proposes that the royalty rate of 8.36 per cent proposed by XAM needs to be 20 per cent to align with the current Mongolian Mining Law.
- Obtaining a contract mining cost estimate from at least two contractors is considered essential by ERM during the project's Feasibility Study. ERM agrees that the current mining cost may be achievable by a mining contractor in Mongolia and has been estimated by consultants who prepared the Kharmagtai PFS in a rigorous manner.

8.5.2 Mineral Resources Exclusive of Ore Reserves

The Ore Reserve for the Kharmagtai project does not include all mineralisation included in the deposit's MRE. The additional mineralisation largely occurs outside optimum pit shells generated for sections of the deposit using parameters included in the project's current financial model. An estimate of the project's Mineral Resource exclusive of the Ore Reserve is presented in Ore loss is an adjustment that accounts for less than 100% effective grade control which results in some mineralisation classified as ore being accidentally dispatched to waste dumps during mining or inappropriately classified as waste during production planning. Dilution represents mining of unmineralised material with ore, which may be both accidental or deliberate when the economic impact of ore loss exceeds that of minimising ore loss by mining slightly beyond estimated ore-waste boundaries. The impact of dilution is that run of mine ore grades will be slightly lower, and the tonnes mined slightly higher than the mineral resources estimated in the area being mined. Both ore loss and dilution result in a somewhat indirect relationship between Mineral Resources and Ore Reserves.

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Table 8-6. Mining dilution and ore loss of five per cent has been used in estimating the residual Mineral Resource.

Ore loss is an adjustment that accounts for less than 100% effective grade control which results in some mineralisation classified as ore being accidentally dispatched to waste dumps during mining or inappropriately classified as waste during production planning. Dilution represents mining of unmineralised material with ore, which may be both accidental or deliberate when the economic impact of ore loss exceeds that of minimising ore loss by mining slightly beyond estimated ore-waste boundaries. The impact of dilution is that run of mine ore grades will be slightly lower, and the tonnes mined slightly higher than the mineral resources estimated in the area being mined. Both ore loss and dilution result in a somewhat indirect relationship between Mineral Resources and Ore Reserves.

Table 8-6: Kharmagtai Project – Mineral Resources

Cut-off		Tonnes	Grades			Contained Metal		
(% Cu Eq)	Classification	(Mt)	Cu Eq	Cu	Au	Cu Eq	Cu	Au
			(%)	(%)	(g/t)	(kt)	(kt)	(koz)
Open Cut	Indicated	534	0.29	0.20	0.15	1520	1,064	2,607
0.13%	Inferred	800	0.25	0.18	0.12	1,900	1,400	3,000
	Total	1,334	0.26	0.19	0.13	3,420	2,464	5,607
Underground	Indicated	40	0.45	0.32	0.24	150	100	250
0.30%	Inferred	160	0.41	0.31	0.19	650	500	950
	Total	200	0.42	0.31	0.2	800	600	1,200
Kharmagtai Total		**1,534**	**0.28**	**0.20**	**0.14**	**4,220**	**3,064**	**6,807**

Exclusive of Ore Reserves (allowing 5% Dilution and Ore Loss)

Both open cut and underground mines employ production reconciliation to recognise when ore loss is occurring and minimise its impact on operations.

Indicated Resources reported as potentially amenable to open cut mining occur outside optimum pits generated for the project from the Mineral Resource model. This mineralisation may be unable to be mined economically and, therefore, should be considered unlikely to represent a source of future value for the project under prevailing mining cost and ore value relationships. These relationships are subject to change in time due to both price and mining cost changes over time.

8.5.3 Analysis of Comparable Transactions

Projects with comparable contained metal contents to Kharmagtai, with both Ore Reserves and Mineral Resources, in Mongolia and Kazakhstan since 2007 have changed ownership for between US$10.2 million and US$245.2 million in 2024-dollar terms (Table 8-5).

This represents a value of between US$13.1 and US$57.6 per tonne (average of US$17.9 per tonne) of contained metal on a copper equivalent basis.

The Kharmagtai project is estimated to have a Mineral Resource, inclusive of Ore Reserves, of 6.5 Mt of contained metal on a copper equivalent basis, which would correspond with a value of between US$85 and US$374 million, with a preferred value of US$116/t using the weighted average copper equivalent value per tonne of contained metal.

The range of values obtained from the comparable transactions is quite broad. ERM proposes the use of ±25% of the preferred value to estimate lower and upper valuation estimates of US$87 million and US$145 million, respectively.

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In ERM's opinion, using the available comparable transaction information, the Kharmagtai Project has a market value of between US$87 million and US$145 million, with a preferred value of US$116 million, based on the *in situ* Mineral Resources reported for the project.

For the Mineral Resources exclusive of the Ore Reserves, the estimated value would be US$55 million to US$242 million, with a preferred value of US$75 million.

Using ±25% of the preferred value to estimate lower and upper valuation estimates of US$56 million and US$94 million, respectively.

8.5.4 Rule of Thumb Valuation Opinion

A Rule of Thum approach is frequently applied to value Mineral Resources not included in a project's Ore Reserve. ERM is reluctant to ascribe significant value to this mineralisation in this case due to a combination of factors:

- Indicated Mineral Resource reported as having prospects for open pit mining should have been included in the optimum pit shells developed for the deposit if it met the requirement of having reasonable prospects for economic extraction
- Inferred mineralisation reported as having prospects for open pit mining was not considered during open pit optimisation and may contribute to an increased Ore Reserve if further drilling justifies increasing confidence in this mineralisation following future drilling
- the Mineral Resource considered potentially amenable to underground mining at Kharmagtai is relatively small and would need to be extracted using underground bulk mining techniques that typically require a large resource to justify the cost of establishing the necessary underground development and infrastructure required to viably undertake this form of mining
- no work has been completed to identify coherent mineralised volumes with demonstrated potential to be recovered by underground bulk mining
- there are few mining contractors with the experience and equipment required to operate an underground bulk mining operation

ERM proposes that mineralisation not included in the project's Ore Reserve should be considered to represent an exploration target rather than a Mineral Resource that could be meaningfully assessed using a Rule of Thumb valuation approach. There appears to be few opportunities for this additional value to be realised at the current stage of the project, requiring application of a different valuation approach.

8.5.5 PROSPECTIVITY ENHANCEMENT MULTIPLIER

Exploration expenditure by XAM provides a basis for recognising the value of Kharmagtai mineralisation not included in the project's Ore Reserve.

XAM have spent approximately US$11.4 million (A$17.5 million) on exploration and mineral resource evaluation on the Kharmagtai project between 2022 and 2024 (Table 8-7). More than half of the total expenditure was related to open pit resource evaluation drilling during 2023.

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Table 8-7: Kharmagtai Project Exploration Expenditure 2022-2024 (US$)

	2022	2023	2024	Total
Kharmagtai Exploration, PEA (US$)	1.4	2.5	1.3	
Kharmagtai Resource Delineation, PFS (US$)		6.1		
XAM Total Exploration Expenditure (US$)	1.4	8.7	1.3	
Prospectivity Enhancement Multiplier	1.0—1.5	2.5	2.5	
Valuation (Expenditure x PEM) (US$)	1.4—2.1	21.7	3.3	26.4 – 27.1

The figures reported in Table 8-7 are based on XAM's records but were not audited for the purposes of this project.

Exploration during 2022 involved evaluation of the project and securing participation in the project with QGX Ltd, which contributed to confirmation of the project's potential recognised by previous explorers. This resulted in confirmation of several targets that were intensively drilled during 2023 resulting in definition of a resource, able to be used as the basis of an Ore Reserve estimate with further studies completed during 2024. The highest value mineralisation, now contributing to the project's Ore Reserve estimate is surrounded by a number of additional targets that are candidates for further drilling to increase the quantity of mineralisation present and improve confidence in, and the classification of identified Mineral Resources

ERM proposes a PEM of 2.5 for the project, consistent with drilling outside the area where an Ore Reserve has been identified leading to delineation of areas where additional drilling is expected to result in recognition of additional mineral resources able to form the basis of additional Ore Reserves.

This provides a valuation opinion of US$28.5 million in which XAM has 38.25% equity following the recent acquisition of a 38.25% interest in the project by Zijin Mining by diluting XAM's equity, equivalent to US$10.9 million.

8.6 Valuation Opinion: Red Mountain Deposit

8.6.1 Overview

Red Mountain is an advanced but pre-resource exploration project, in which a 90% interest was acquired by XAM in 2017 (Xanadu Mines Ltd, 2018). The project is held under a 57 square kilometre mining licence in a geologically prospective region valid for 30 years. Details of the project's acquisition were not available for review in preparing this report. ERM believes that Vantage LLC secured title to vacant land available for exploration with an unnamed local partner.

A MRE has not been published for the project, but positive results have been received from ongoing exploration. Epithermal gold and porphyry copper-gold mineralisation targets have been identified within the Red Mountain licence.

8.6.2 Analysis of Comparable Transactions

The comparable transactions identified for XAM's Mongolia projects include five projects at pre-resource stage that were the subjects of outright sales or joint ventures in which the purchaser secured either 51% or 80% equity in the projects. These transactions occurred mainly between 2016 and 2021, which covers the period of greatest commercial activity and interest in copper-gold projects in Mongolia.

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Available data permits only an empirical assessment of the transactions, which ranged in value, mainly, between US$40,000 and US$2.2 million on a 100% equity, 2024-dollar basis with two exceptions, where an 80% interest in a portfolio of tenements in Mongolia sold in 2016 for US$32 million, or US$46 million in 2024-dollar terms and a pre-resource project in Kazakhstan sold in 2014 for US$341 million in 2024 dollar terms. The purchasers in these cases were local (Mongolian and Kazakh) groups respectively.

ERM proposes an empirical value of US$2.0 million for Red Mountain, which is at the top of the comparable transactions range (adjusted for XAM's 90% equity) but is considered to reflect the advanced status of the Red Mountain project. This valuation would be superseded by valuations based on exploration results and identified Mineral Resources when a MRE is released for the project by XAM.

8.6.3 Prospectivity Enhancement Multiplier

Exploration expenditure by XAM provides a basis for recognising value of mineralisation identified at Red Mountain. A PEM valuation opinion for Red Mountain is presented in Table 8-8 (below). No information was available for expenditure between 2017 and 2022 which is interpreted to have comprised low-cost, early-stage project generation that contributed to both securing the licence, reviewing previous work and generating targets for subsequent drill testing.

Table 8-8: Red Mountain Project Exploration Expenditure 2022-2024 (US$)

	2022	2023	2024	Total
Red Mountain Exploration (US$)	1.1	0.2	1.4	
Prospectivity Enhancement Multiplier	1.5 - 2.0	1.5 - 2.0	2.5	
Valuation (Expenditure x PEM) (US$)	1.7 - 2.2	0.3 - 0.4	3.5	5.5 – 6.1

A high PEM has been proposed for the project due to the interpreted ability of limited additional drilling to result in public reporting of a maiden Mineral Resource for one or more prospects within the Red Mountain licence.

8.7 Valuation Opinion—Sant Tolgoi

8.7.1 JV Status

Sant Tolgoi is subject to a newly formed JV between XAM and STSM in January 2024 (Xanadu Mines Ltd, 2024a) to earn up to 80% of the project by meeting the requirements of several agreed stages (Philipps, 2024).

XAM is, essentially, in the first stage of the agreement which will entitle it to a 51% interest in the project upon expenditure of US$2 million on exploration within two years (by January 2026). Initial exploration results were released by XAM to the ASX in November 2024 (Xanadu Mines Ltd, 2024c).

At the date of this report, although XAM is progressing towards securing a 51% interest in the Sant Tolgoi Project, the Company has no interest that can be preserved and traded with third parties until the initial JV milestone is achieved.

A copy of the Farm in Agreement between XAM and STSM, executed in July 2024, was provided to ERM for review by XAM during preparation of this report. ERM is, however, unable to attribute value to the project until the requirements of the first stage of the JV are achieved.

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9. VALUATION OPINION AND CONCLUSIONS

9.1 Valuation Opinion

The valuation opinion presented here comprises:

1. Kharmagtai project valuation based on Mineral Resources exclusive of Ore Reserves. The project's Ore Reserves have been valued using an income-based approach by BDO.
2. The value of Red Mountain as an advanced exploration project.

The Sant Tolgoi Project has been assigned no value. XAM has entered into an agreement to acquire an interest in the project through investment in ongoing exploration but has yet to satisfy the trigger for XAM earning equity in the project.

In relation to Red Mountain and Sant Tolgoi, the valuations of these projects will increase with the release of a maiden MRE for Red Mountain and XAM meeting the initial commitment required to earn equity in the project.

9.1.1 Comparable Transactions

ERM conducted a search for comparable transactions using S&P's Capital IQ^{pro} database. It focused on copper-gold projects in Mongolia and Kazakhstan to confine results to broadly comparable geological settings and geopolitical regimes with implications for exploration investment attractiveness. This limited the number of comparable transactions identified, especially in recent years. Transactions more than 10 years prior to the effective date of this report were considered cautiously due to the influence of geopolitical changes in both Mongolia and Kazakhstan over the past decade in particular but extending back to the lessening of Russian influence in Mongolia that commenced during the late 1990s and has led to several paths being followed to minerals industry regulation in Mongolia in particular since.

The transactions considered comparable by ERM presented in Table 8-3 to Table 8-5 comprise:

1. Sale of 94.75% of the Karchiga deposit in Kazakhstan by Orsu Metals Corporation to CMSS Global Supply and Trading FZC in October 2017
2. Sale of FML Kazakhstan LLP by Frontier Mining Ltd to Union Transnationale Miniere SA in February 2014
3. Sale of 90% of the Kharmagtai project in Mongolia by Turquoise Hill Resources Ltd to Mongol Metals LLC in February 2014
4. Sale of a 50% interest in the Bankala project in Kazakhstan by Coville Intercorp Ltd to Frontier Mining Ltd September 2007.

A further five transactions presented in Table 8-3 to Table 8-5 could be considered to be comparable but have been excluded from further analysis due to the very high dollar per tonne of Ore Reserves and Mineral Resources implied by the transaction values, which ERM considers may reflect factors that result in the transaction not reflecting market value, and would imply a very high multiplier for Mineral Resources and Ore Reserves that exceed industry accepted conventions. ERM has exercised discretion in excluding these from further consideration.

9.1.2 Kharmagtai Project Ore Reserve

The principal source of value for XAM's three exploration projects in Mongolia is the Ore Reserve estimated for the Kharmagtai project, the value of which is derived using the financial model for the project for which ERM has reviewed the inputs and identified several key concerns:

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- ERM was concerned that the CAPEX estimated to be required by the project was low. ERM met with the consultants responsible for the CAPEX estimate presented in the PFS and is satisfied that the estimate was prepared in a manner consistent with industry best practice and satisfies PFS requirements. The difference between the CAPEX estimate for the Kharmagtai project and comparable projects globally may be attributed to the limited number of comparable projects in Mongolia available for comparison.
- The mining cost estimate for the project is considered by ERM to have been developed for the Kharmagtai PFS using a process that follows sound industry practice.

9.1.3 Kharmagtai Mineral Resource

ERM is concerned that a large proportion of the Indicated Mineral Resource reported for Kharmagtai as being potentially amenable to open cut mining has not been incorporated in the project's Ore Reserve which leverages open pit optimisation results based on the project's Mineral Resource model. Any Indicated Mineral Resource with reasonable prospects for open cut mining should report to the project's Ore Reserve but this has not occurred.

The underground Mineral Resource reported for the project is relatively small. ERM recommends that prospects for underground bulk mining need to be assessed to determine whether sufficient mineralisation is concentrated in coherent volumes that have potential to support the development of mining development and infrastructure required. The capital cost of block cave mining needs to be assessed, and the availability of suitable contractors confirmed if contract underground mining is to be considered as an option.

9.1.4 Kharmagtai Valuation Approach

ERM has elected to use analysis of comparable transactions and exploration multiple approaches for developing a valuation opinion for the project. A Rule of Thumb valuation opinion was considered but discontinued due to concerns relating to the reporting of mineral resources discussed above.

9.1.5 Red Mountain

Red Mountain is a pre-resource exploration project where exploration is expected to result in public reporting of a MRE in the near future, which will provide additional valuation options for the project. This is also expected to contribute to significant enhancement of project value.

The project has been valued using analysis of comparable transactions and project exploration multiplier approaches.

9.1.6 Sant Tolgoi

ERM has not developed a valuation opinion for Sant Tolgoi. The JV between XAM and STSM has not reached a point where XAM has earned equity in the project, which ERM considers a trigger point for attribution of project value. Early exploration results are, however, clearly encouraging and will represent a source of project value when the requirements of Stage 1 agreement between XAM and STSM are achieved.

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9.2 Valuation Opinion

A valuation opinion for XAM's Mongolia exploration projects is summarised in Table 9-1. The opinions listed in the table do not include the value of the Kharmagtai Ore Reserve.

Table 9-1: XAM Mongolian Projects Valuation Opinion

Value Source	Equity	Low	Preferred	High	Notes
	(%)	(US$M)	(US$M)	(US$M)	
Kharmagtai comparable transactions	100.0	56	75	94	XAM has entered a JV with Zijun Mining that distributed XAM's former 76.5% equity in the project between the two groups. Shareholdings of other JV participants were not affected. The value quoted is based on the project's Mineral Resource exclusive of Ore Reserves.
	38.25	21	29	36	
Kharmagtai Prospectivity Enhancement Multiplier	100.0	26.4	26.8	27.1	XAM were contributing all exploration funds prior to the Zijin Mining agreement.
	38.25	10.1	10.3	10.4	
Red Mountain comparable transactions	100.0	1.5	2.0	3.2	Pre-resource exploration project, opinion based on limited suitable transactions.
Red Mountain Prospectivity Enhancement Multiplier	100.0	5.5	5.8	6.1	XAM is contributing all exploration funds.

Project valuation opinions based on comparable transactions are considered to represent market values. These are considerably lower than the technical values obtained using the Exploration Prospectivity Enhancement Approach, interpreted to reflect negative sentiment towards exploration and mining investment in Mongolia. The surveys that provide evidence of this are surveys of exploration and mining managers and investors in western countries, especially Canada, USA and Australia, which may express different sentiment to their counterparts in Mongolia, Kazakhstan and China. Companies based in western countries, however, are major sources of capital for investment in exploration and mining projects. Investment attractiveness has an undeniable influence on the market value of projects.

There is upside in the valuation opinions expressed in Table 9-1 that will be realised on the public reporting of Mineral Resources for the Red Mountain project and successful completion of the initial stage of the Sant Tolgoi JV.

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9.3 Conclusions

ERM considers the PFS prepared for the Kharmagtai project to be an effective and accurate description of development options for the Kharmagtai project. Inputs to the financial models prepared for the project are also considered to be defensible and a suitable basis for further studies. Uncertainty exists regarding several important factors, including royalties and the project's cost of capital. The assumptions made in the PFS are considered to be well considered by ERM and able to be revised as necessary prior to completion of the project's FS.

Red Mountain is able to be valued as an exploration using market value and expenditure approaches. ERM expects that modest additional exploration will provide a basis for public reporting of a MRE for the project which will provide additional valuation options and enhance project value.

XAM have yet to reach a stage in the Sant Tolgoi JV agreement to secure equity in the project. Reaching this milestone will enable value to be ascribed to the project.

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- Exploration strategy & project management
- Project review & due diligence
- Geometallurgical optimisation & orebody characterisation

Resource Estimation & Mine Geology

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- Grade control & reconciliation
- Drill hole spacing analysis
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Data & Mapping

- Data management (capture, data validation, & quality assurance/quality control)
- Geological Database administration
- Data visualisation, analytics, & cartography
- Geographic Information systems (GIS), plans, sections, & 3D plots
- Machine learning

Mining Engineering

- Mining & engineering studies (concept to feasibility)
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- Productivity improvement & project management

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- Water management & groundwater supply
- Project approvals
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- Efficiently bringing new mines to fruition in adherence to ESG best practices
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- Risk assessment & management systems
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- Occupational health & safety systems & compliance auditing

Rehabilitation & Mine Closure

- Planning for repurposing or transitioning sites
- Rehabilitation appraisals, planning, & progress monitoring, closure plans
- Community development & economic transition
- Earthworks, cover, landform designs, & modelling, erosion & sediment management
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