

Xanadu Mines Ltd

ACN 114 249 026

BOARD CHARTER

1. OVERVIEW

- 1.1 The Xanadu Mines Ltd (**Xanadu** or the **Company**) Board is primarily responsible for ensuring that Xanadu has an appropriate corporate governance structure to ensure the creation and protection of shareholder value.
- 1.2 The Board is also responsible for ensuring the Xanadu Group recognises its legal and other obligations to all legitimate stakeholders from time to time where and to the extent appropriate. “Stakeholders” are groups that are likely to feel a social, environmental or economic impact from Xanadu’s actions. They include shareholders, employees, contractors, regulatory bodies and members of the communities where Xanadu operates and are affected by Xanadu’s activities.
- 1.3 This Board Charter explains Xanadu’s commitment to corporate governance and sets out the role, responsibilities and conduct of the Board. It is not an “all inclusive” document and should be read as an expression of principle.
- 1.4 To the extent practicable, the Company endorses and seeks to follow the Australian Securities Exchange (**ASX**) Corporate Governance Council’s *Corporate Governance Principles and Recommendations (ASX Principles & Recommendations)*.

2. COMPLIANCE AND GOVERNING MATERIALS

2.1 Constitution

Xanadu’s Constitution is the Company’s key governance document. The Board must ensure that it and Xanadu complies at all times with the provisions of the Constitution.

2.2 Compliance with Laws

As a public company listed on the ASX, Xanadu must comply with the *Corporations Act*, the ASX Listing Rules (Listing Rules) as well as all other applicable laws, regulations, moral codes and statutes both in Australia, Mongolia and other jurisdictions from time to time. Xanadu’s subsidiaries must also comply with all applicable laws, regulations, moral codes and statutes.

2.3 Governance Materials

The operations and conduct of Xanadu are administered in accordance with all governance materials approved by the Xanadu Board from time to time, including but not limited to this Charter, various Committee charters and policies.

3. COMPOSITION OF THE BOARD

3.1 Number of Directors

- a) In accordance with the Constitution and the *Corporations Act*, the Board shall at all times have at least three Directors.
- b) The Board is to consist of a majority of Non-Executive Directors.
- c) The Chairman of the Board is to be an independent Non-Executive Director.
- d) The Board size, diversity and composition is periodically determined and reviewed by the Board as a whole. In relation to the composition after recommendation by the Governance Committee, the Board will consider, and review, the number and balance of Directors with non-executive and independent status.

3.2 Alternate Directors

Directors may appoint Alternate Directors in accordance with the Constitution of the Company.

3.3 Appointment and Removal of Directors

Directors will be appointed and removed in accordance with the *Corporations Act* and the Constitution.

In selecting new Directors, after recommendation by the Governance Committee, the Board must ensure that the candidate has the appropriate range of skills, experience, diversity and expertise that will best complement Board effectiveness.

In addition, any candidate must confirm that they have the necessary time to devote to their Xanadu Board position.

3.4 Nomination and Rotation of Directors

Nomination and rotation of Directors will be governed by the *Corporations Act*, the Listing Rules and the Constitution.

The procedure for the selection of candidates is to be carried out by the Governance Committee which will recommend potential candidates to the Board for consideration. The procedure is as follows:

- a) assess the competencies and skills required by the Board, having regard to the current and future business of Xanadu and the Board skills matrix;
- b) identify individuals with the competencies required by the Board, including engaging recruitment consultants to assist in the identification process, as required;
- c) develop a short list of candidates based upon competencies and ability to fit within the existing Board;
- d) conduct reference appropriate checks; and
- e) by unanimous resolution, approve the most appropriate person from the short list to be invited by the Board to become a Director of Xanadu.

3.5 Board Committees

Pursuant to the Xanadu Constitution and to assist the Board in fulfilling its duties and responsibilities, the Board may delegate its powers to a committee or committees as it thinks fit, from time to time.

Any such committees established will have formal charters. With the exception of certain limited delegations contained in the committees' charters, recommendations of committees are to be referred to the Board for approval

3.6 Independence

Independent Directors are those who have the ability to exercise their duties unfettered by any business or other relationships and are willing to express an objective opinion.

It is the approach and attitude of each Non-Executive Director which is critical to determining independence and this must be considered in relation to each Director while taking into account all other relevant factors, which may include whether the Non-Executive Director:

- a) has, within the last three years, been employed in an executive capacity by the Company or any other Group company;
- b) has, within the last three years, been a principal of a material professional adviser or a material consultant to the Company or an employee materially associated with the service provided;
- c) has, within the last three years been a material supplier or contractor of the Company, or an officer of or otherwise associated directly or indirectly with, a material supplier or contractor;

- d) is a substantial shareholder (defined as owning more than five per cent of the issued share capital of the Company), or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- e) has a material contractual relationship with Xanadu other than as a Director which could, or could reasonably be perceived to interfere with the Director's ability to act in the best interests of Xanadu;
- f) has close family ties with any person who falls within any of the categories described above;
- g) has been a Director of the entity for such a period that his or her independence may have been compromised; or
- h) has an interest or any business or other relationship which could, or could reasonably be perceived to interfere with the Director's ability to act in the best interests of Xanadu.

Independence will be reviewed on a regular basis.

The independent directors may hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance including any Executive Directors (as per NP58-201, s.3.3, and NI58-101F1, s.1(e)). The purpose of these meetings will be to provide an opportunity for the independent directors to raise issues that they did not wish to discuss with management and Executive Directors present.

4. INFORMATION AND INDEPENDENT ADVICE

4.1 Due Diligence "Pack"

Prior to any formal offer, any potential director must be given sufficient information about Xanadu as part of his/her personal due diligence. The information will extend to non-public information after the potential director has signed a confidentiality agreement.

4.2 Appointment Letter

Upon appointment, a new Director will be given a formal letter of appointment from the Chairman setting out the key terms, conditions and responsibilities of their position.

4.3 Induction Program

Upon appointment, the Managing Director & Chief Executive Officer is responsible for arranging for the new Director to undertake an induction program with presentations from the Chairman, Managing Director & Chief Executive Officer and the senior management team, to enable them to gain an understanding of:

- a) the role of the Board, its committees and its directors;
- b) the nature and details of Xanadu's operations;
- c) the culture and values of Xanadu;
- d) Xanadu's financial, strategic, operational and risk management position;
- e) their rights, duties and responsibilities; and
- f) any other relevant information.

As part of this induction program, a new Director will meet with (including via technology) all incumbent Directors and senior executives (if this has not already taken place) to gain an understanding of the duties and responsibilities of the Director or manager within Xanadu.

Xanadu is committed to the continuing professional development of its Directors and senior executives. In line with this commitment, there is an expectation that all Directors will commit to a reasonable amount of professional development each year. Directors are encouraged to attend and participate in training and development programs. A Board training and development register for each Director is maintained by the Company Secretary and reviewed on a regular basis to ensure that appropriate professional development is being undertaken by each Director (as per NI 58-101F1, s. 4, NP58-201, s. 3.6 and 3.7).

4.4 Ongoing Information

The Chairman, Managing Director & Chief Executive Officer, Chief Financial Officer, Company Secretary and any other executive officers must ensure that updated information is provided to the Board in a timely fashion to enable them to effectively discharge their duties as Directors. This may be part of, or in addition to, the periodic Board reporting process.

Appropriate professional development opportunities will be offered on an ongoing basis to enable Directors to develop and maintain their skills and knowledge.

4.5 Requested Information

Directors are entitled to request and receive such additional information as they consider necessary to support informed decision-making. Any Director has the authority to seek any information he/she requires from any Xanadu employee and all employees must comply with such requests.

Unless a conflict exists or to do so would be inconsistent with the Director's duties, the Director is to request such information via the Managing Director & Chief Executive Officer.

4.6 Independent Advice

Any Director may take such independent legal, financial or other advice as they consider necessary at the reasonable expense of Xanadu on any matter connected with the discharge of his or her responsibilities. Unless a conflict exists, any Director seeking independent advice must first discuss the request with the Chairman who will facilitate obtaining such advice (and if a conflict exists, the Director should discuss the request with the Company Secretary). Any advice received by a Director should be circulated to the Board.

All Directors are entitled to the benefit of Xanadu's standard Deed of Access, Indemnity and Insurance which provides ongoing access to Board Papers and at the Company's expense, Directors' and Officers' Insurance for seven years after the Director leaves the Board.

5. DUTIES AND RESPONSIBILITIES

- 5.1 The Board is responsible for setting Xanadu's values and standards of conduct and ensuring that these are adhered to, in the interests of Xanadu's stakeholders and, generally in safeguarding Xanadu's reputation. The Board is also responsible for risk oversight and the risk management framework within Xanadu, as further described in Clause 6.
- 5.2 The Board is responsible for the stewardship of the Company, including responsibility for, to the extent feasible, and satisfying itself as to, the integrity of the Managing Director & Chief Executive Officer and other executive officers and that the Managing Director & Chief Executive Officer and other executive officers create a culture of integrity throughout the organization (as per NP58-201, 3.4(a)).
- 5.3 The Board is responsible for setting the strategic direction of Xanadu and for the senior executives of Xanadu, including:
- a) appointing the Chairman of the Company;
 - b) appointing, appraising and removal of the:
 - i. Managing Director & Chief Executive Officer;
 - ii. Chief Financial Officer; and
 - iii. Company Secretary;
 - c) setting financial strategic objectives;
 - d) the adoption of a strategic planning process and approving, on at least an annual basis, a strategic plan which takes into account opportunities and risks of the business (as per NP58-201, s. 3.4(b));
 - e) overseeing control and accountability systems;

- f) reviewing and monitoring the Company's audit function;
- g) financial risk management;
- h) the oversight and management of material business risks;
- i) approving and monitoring financial and other reporting to the market, shareholders, employees and other stakeholders;
- j) reviewing the declaration signed by the Managing Director & Chief Executive Officer and Chief Financial Officer (or equivalent) required by section 295A of the Corporations Act and the statement requirement by Recommendation 4.2 of the ASX Principles & Recommendations for the Quarterly Reports (Appendix 5B) of Xanadu;
- k) inputting into and final approval of corporate strategy;
- l) evaluating and approving the annual operating budget and business plans and holding management accountable for delivery of same;
- m) evaluating, approving and monitoring the progress of major capital and operating expenditure, capital management and all major corporate transactions;
- n) monitoring compliance with all legal and regulatory and ethical obligations;
- o) approving the remuneration framework for Non-Executive Directors and Executive Directors;
- p) approving employment terms and conditions for Non-Executive Directors and senior executives; and
- q) succession planning (including appointing, training and monitoring senior management) (as per NP 58-201, s. 3.4(d)).

5.4 It is the role of the Managing Director & Chief Executive Officer and the Senior Management Team to manage the Company in accordance with the direction and delegations of the Board and it is the responsibility of the Board to oversee the activities of management in carrying out these delegated duties. The Board shall approve all delegations of authority.

Role of the Chairman

The Chairman of the Board is responsible for:

- a) leadership of the Board;
- b) developing and maintaining key strategic relationships;
- c) working with the Managing Director & Chief Executive Officer to ensure a productive relationship between the Board and management;
- d) overseeing the Board in the effective discharge of its supervisory role;
- e) the efficient organisation and conduct of the Board's function and meetings;
- f) facilitating the effective contribution of all Directors;
- g) briefing all Directors in relation to issues arising at meetings;
- h) the promotion of constructive and respectful relations between Directors; and
- i) committing the time necessary to discharge effectively his/her role as Chairman.

Should the Chairman of the Board be absent from a meeting, the Directors present must resolve which Director should act as chairman of that meeting.

The board has not developed written position descriptions for the Chair of the board and each board committee, and the Managing Director & Chief Executive Officer and is satisfied that this charter adequately delineates the role and responsibilities of Chair of the board and the Managing Director & Chief Executive Officer. The role of the Chair of each board committee is adequately set out in each committee's charter (as per NI 58-101F1, s. 3(a) and (b), NP 58-201, s. 3.5).

Role of the Managing Director & Chief Executive Officer

The Managing Director & Chief Executive Officer is responsible to the Board for the overall management and performance of Xanadu. The Managing Director & Chief Executive Officer should manage the Company in accordance with the strategy, plans, practices and policies approved by the Board to achieve the agreed objectives. In particular, the Managing Director & Chief Executive Officer's responsibilities include:

- a) managing the day-to-day operations of the Company;
- b) being the conduit through which the Board is provided sufficient and relevant information to act effectively;
- c) providing leadership to Xanadu and acting as the Company's interface with its operating environment and the general business and investment community;
- d) taking action to implement the corporate strategy of Xanadu, including being active in identifying new initiatives for consideration;
- e) ensuring policies are complied with; referring all matters outside of the Managing Director & Chief Executive Officer's delegation to the Board for approval;
- f) establishing criteria for and monitoring performance of management and staff;
- g) the employment, supervision and the setting terms and conditions of human resources; and
- h) other responsibilities as delegated by the Board from time to time.

All Directors will have access to the Managing Director & Chief Executive Officer.

Role of the Senior Management Team:

Along with the Managing Director & Chief Executive Officer, the responsibility of senior managers includes:

- a) assisting to maintain an effective risk management framework across the Company;
- b) inputting into the corporate strategy process;
- c) preparing and implementing the annual operating budget and business;
- d) implementing, maintaining and control and accountability of financial and operating systems;
- e) implementing and monitoring the progress of major capital and operating expenditure, capital management and all major corporate transactions; and
- f) complying with all legal and regulatory and ethical obligations.

5.5 In discharging his/her duties, each Director must:

- a) exercise care and diligence;
- b) act honestly and in good faith in the best interests of the Company as a whole;
- c) not improperly use his/her position or misuse information of the Company;
- d) disclose to the Board any actual or perceived conflicts of interest, whether of a direct or indirect nature, of which the Director becomes aware and which the Director reasonably believes may compromise the reputation or performance of the Company; and
- e) commit the time necessary to discharge effectively his/her role as a Director.

5.6 All Directors are entitled to be heard at all meetings and to the extent practicable, should bring an objective and independent judgement to bear in decision-making.

5.7 All Directors have access to the Company Secretary, who is accountable to the Board, through the Chairman, on all governance matters.

6. RISK MANAGEMENT

The Board will use all reasonable endeavours in overseeing the risk management framework which is designed to identify, assess, monitor and manage risk. The Board will:

- a) Oversee Xanadu's risk management strategies;
- b) establish an overall profile of the risks and risk appetite of Xanadu;
- c) review the risk management process within Xanadu so that all medium and high risks are identified and that appropriate risk management processes are in place;
- d) review periodic risk management reports prepared by the executive management;
- e) review the effectiveness and suitability of the risk management framework commensurate with the approval of statutory accounts each half-year and full year; and
- f) when appropriate, approve and keep current a formal risk management policy.

7. MEETINGS

- 7.1 The Board will meet as frequently as required to manage the business and deal with urgent matters which might arise between the scheduled meetings.
- 7.2 A meeting of the Board will usually be convened by the Chairman, although under Xanadu's Constitution, a meeting may be called by any Director.
- 7.3 All Directors are expected to diligently prepare for, attend, and participate in all Board meetings. At a minimum, a quorum of Directors under Xanadu's Constitution is two.
- 7.4 Meetings of the Board may be held or participated in by teleconference/videoconference or similar means. Resolutions of the Board may be passed by circular resolution or in writing in accordance with Xanadu's Constitution.
- 7.5 The Chairman in conjunction with the Managing Director & Chief Executive Officer should ensure the availability and, if necessary, the attendance at the relevant meeting, of any member of the senior executives responsible for a matter included as an agenda item at the relevant meeting.
- 7.6 The external auditor should meet with the Board at the time the Board considers approving Xanadu's half-yearly and annual accounts.

8. DIRECTOR SHARE TRADING

The Company's Securities Trading Policy imposes restrictions on the trading of shares by Directors and others with undisclosed material price sensitive information. All Directors must comply with that Policy.

9. CORPORATE GOVERNANCE

- 9.1 The Board is responsible for the adoption, oversight and administration of the Company's corporate governance materials.
- 9.2 The Corporate Governance Statement will be published on the website and will contain the content required by the ASX Principles & Recommendations (as well an explanation of any departures from the ASX Principles & Recommendations).
- 9.3 As part of an effective communications strategy, the Company will maintain and keep current its Corporate Governance website.
- 9.4 The board has adopted a written ethical business conduct code for the directors, officers, and employees. The code discloses how personnel may obtain the code, how the board monitors

compliance with its code and satisfies itself regarding compliance with the code and the process for reporting and departure from the code, and the rules for dealing with any perceived or real conflicts of interest (as per NP58-201, s. 3(b) and s. 5(a)).

10. PERFORMANCE

To determine whether it is functioning effectively, the Board shall:

- a) review this Charter annually; and
- b) through the Nomination and Remuneration Committee, undertake an evaluation of its performance, the performance of each of its committees and individual directors at intervals considered appropriate by the Chairman of the Board.

Each assessment will consider:

- a) in the case of a board or a board committee, its mandate or charter; and
 - b) in the case of an individual director, the applicable position description as well as the competencies and skills each individual director is expected to bring to the board (as per NP 58-201, s. 3.18).
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Approved by the Board on 20 July 2018