



**2020
ANNUAL
GENERAL
MEETING**

XANADU MINES

26 June 2020

Dear Shareholders,

On behalf of the Directors of Xanadu Mines Ltd (the **Company** or **Xanadu Mines**), I am pleased to invite you to participate in the 2020 Annual General Meeting (**AGM**) of the Company. Enclosed is the Notice of Meeting setting out the business of the AGM.

The Company's 2020 AGM will be held on Thursday, 30 July 2020 commencing at 10:00am (Sydney time) in the offices of Computershare Investor Services Pty Limited at Level 3, 60 Carrington Street, Sydney NSW.

In light of the COVID-19 pandemic and restrictions on indoor gatherings, the Board has elected that only shareholders will be entitled to physically attend the AGM, and will impose appropriate social distancing and other necessary health measures. As a result, the Board has decided that no refreshments will be served, and there will be no opportunity for shareholders to interact with Management and Directors after the meeting.

In addition, the AGM will also be held via an online platform. Shareholders will be able to participate in our AGM by:

- joining the AGM in real time via our online platform at <https://web.lumiagm.com/387187905>;
- asking questions of the Board and our external auditor:
 - before the AGM, using the AGM Question Form enclosed with the Notice of Meeting or by lodging questions online at www.investorvote.com.au/xam and/or
 - during the AGM via the online platform; and
- voting on the resolutions to be considered at the AGM either by lodging the enclosed Proxy Form before the AGM or by direct voting during the online meeting,

or by a combination of these steps.

Further details of how to participate in the online meeting are set out in the attached Notice of Meeting and in the Online Meeting Guide that accompanies it. The Online Meeting Guide includes details of how to ensure your browser is compatible with the online platform, and a step-by-step guide to logging in, navigating the site, and asking questions and voting at the online AGM.

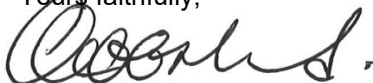
If you are attending the AGM, please bring your Proxy Form with you to facilitate a faster registration. If you are unable to attend the AGM, I encourage you to complete and return the enclosed Proxy Form no later than 10:00am (Sydney time) on Tuesday, 28 July 2020 in one of the ways specified in the Notice of Meeting and the Proxy Form.

I encourage you to read the enclosed Notice of Meeting (including the Explanatory Memorandum) and the Proxy Form and consider directing your proxy how to vote in each resolution by marking either the **For** box, the **Against** box or the **Abstain** box on the Proxy Form.

Subject to the abstentions noted in the Explanatory Memorandum, the Directors of Xanadu Mines unanimously recommend that shareholders vote in favour of all resolutions.

Thank you for your continued support of Xanadu Mines.

Yours faithfully,



Colin Moorhead
Chairman
Xanadu Mines Ltd

XANADU MINES LTD

ABN 92 114 249 026

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting (**AGM** or **Meeting**) of shareholders of Xanadu Mines Ltd (the **Company** or **Xanadu Mines**) will be held:

Date: Thursday, 30 July 2020
Time: 10:00am (Sydney time)
Venue: Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000

The Explanatory Memorandum accompanying this Notice of Meeting provides additional information on matters to be considered at the AGM is hereby incorporated into and forms part of this Notice of Meeting.

ORDINARY BUSINESS

1. CONSIDERATION OF REPORTS

The first item of business is to receive and consider the Financial Report, the Directors' Report, and the Independent Auditor's Report of the Company for the financial year ended 31 December 2019 (**Reports**).

All shareholders can view the 2019 Annual Report, which contains the Reports, under the 'Investors' tab on the Company's website at www.xanadumines.com.

QUESTIONS AND COMMENTS

Following consideration of the Reports, the Chairman of the Meeting will give shareholders a reasonable opportunity to ask questions about, or comment on the management of the Company.

The Chairman of the Meeting will also give shareholders a reasonable opportunity to ask the Auditor questions relevant to:

- (a) the conduct of the audit;
- (b) the preparation and content of the Independent Auditor's Report;
- (c) the accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- (d) the independence of the Auditor in relation to the conduct of the audit.

The Chairman of the Meeting will also give the Auditor a reasonable opportunity to answer any written questions submitted by Shareholders that are relevant to the content of the Independent Auditor's Report or the conduct of the audit. A list of relevant written questions submitted by shareholders will be made available at the start of the AGM and any written answer tabled by the Auditor at the AGM will be made available as soon as practicable after the AGM.

2. RESOLUTIONS

Resolution 1 Election of Director - Mr. Colin Moorhead

To consider and, if thought fit, pass the following resolution as an Ordinary Resolution of the Company:

"That Mr. Colin Moorhead, having been appointed to fill a casual vacancy on 29 November 2019, under clause 11.8 of the Company's Constitution, retires as required under clause 11.8 of the Company's Constitution and offers himself for election and, being eligible, be elected as a Director of the Company."

Resolution 2 Election of Director - Dr. Andrew Stewart

To consider and, if thought fit, pass the following resolution as an Ordinary Resolution of the Company:

"That Dr. Andrew Stewart, having been appointed as Chief Executive Officer and Executive Director with effect from 1 October 2019, retires as required under clause 11.8 of the Company's Constitution and offers himself for election and, being eligible, be elected as a Director of the Company."

Resolution 3 Re-election of Director - Mr. Michele Muscillo

To consider and, if thought fit, pass the following resolution as an Ordinary Resolution of the Company:

“That Mr. Michele Muscillo, who retires in accordance with clause 11.4 of the Company’s Constitution and being eligible for election, is re-elected as a Director of the Company.”

Resolution 4 Ratification of Prior Issue of Placement Shares - January 2020

To consider and, if thought fit, pass the following resolution as an Ordinary Resolution of the Company:

*“That, the agreement dated 15 January 2020 between the Company and Precious Capital Global Mining & Metals Fund c/- SSI Asset Management AG (**Agreement**) to issue up to a total of 78,326,311 fully paid ordinary shares in Xanadu Mines Ltd (**Shares**) at an issue price of 3.3 cents per Share (**Placement**), on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice, is approved under and for the purposes of ASX Listing Rule 7.4.”*

Voting Exclusion Statement

In accordance with ASX Listing Rule 14.11, the Company will disregard any votes cast in favour of Resolution 4 by or on behalf of:

- a) Precious Capital Global Mining & Metals Fund who participated in the Placement; or
- b) an associate of Precious Capital Global Mining & Metals Fund.

Additionally, in accordance with ASX Listing Rule 14.11, the Company will also disregard any votes cast in favour of Resolution 4 by or on behalf of a person who participated in the Placement or is a counterparty to the Agreement being approved.

However, this does not apply to a vote cast in favour of Resolution 4 by:

- a) a person as proxy or attorney for a person who is entitled to vote on Resolution 4, in accordance with the directions given to the proxy or attorney to vote on Resolution 4 in that way; or
- b) the Chairman of the Meeting as proxy or attorney for a person who is entitled to vote on Resolution 4, in accordance with a direction given to the Chairman of the Meeting to vote on Resolution 4 as the Chairman of the Meeting decides; or
- c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - i) *the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on Resolution 4; and*
 - ii) *the holder votes on Resolution 4 in accordance with directions given by the beneficiary to the holder to vote in that way.*

Resolution 5 Ratification of Prior Issue of Placement Shares - May 2020

To consider and, if thought fit, pass the following resolution as an Ordinary Resolution of the Company:

*“That, the issue on 28 May 2020 of a total of 34,000,000 fully paid ordinary shares in Xanadu Mines Ltd (**Shares**) at an issue price of 3.3 cents per Share (**Placement**), on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice, is approved under and for the purposes of ASX Listing Rule 7.4.”*

Voting Exclusion Statement

In accordance with ASX Listing Rule 14.11, the Company will disregard any votes cast in favour of Resolution 5 by or on behalf of a person who participated in the Prior Placement Shares or any associate of that person

However, this does not apply to a vote cast in favour of Resolution 5 by:

- a) a person as proxy or attorney for a person who is entitled to vote on Resolution 5, in accordance with the directions given to the proxy or attorney to vote on Resolution 5 in that way; or
- b) the Chairman of the Meeting as proxy or attorney for a person who is entitled to vote on Resolution 5, in accordance with a direction given to the Chairman of the Meeting to vote on Resolution 5 as the Chairman of the Meeting decides; or

- c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
- i) *the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on Resolution 5; and*
 - ii) *the holder votes on Resolution 5 in accordance with directions given by the beneficiary to the holder to vote in that way.*

Resolution 6 Adoption of New Constitution

To consider and, if thought fit, pass, with or without amendment, the following resolution as a Special Resolution of the Company:

“That, with the effect from the close of the Meeting, for the purposes of section 136(2) of the Corporations Act and for all other purposes, the Company repeal its current Constitution and adopt the Proposed Constitution tabled at the Meeting and signed by the Chair for the purposes of identification.”

Resolution 7 Approval of Proportional Takeover Provisions

To consider and, if thought fit, pass, with or without amendment, the following resolution as a Special Resolution of the Company:

“That, with the effect from the close of the Meeting, in accordance with section 648G of the Corporations Act the proportional takeover provisions set out in Schedule 1 to the Explanatory Memorandum accompanying this Notice be inserted into the Company’s Constitution in force at that time being either:

- a) *as Clause 76 of the Proposed Constitution tabled at the meeting and signed by the Chair for the purposes of identification, if Resolution 7 is passed; or*
- b) *in the current Constitution of the Company as a new Clause 27 if Resolution 6 is not passed.”*

Resolution 8 Remuneration Report

To consider and, if thought fit, pass the following resolution as a non-binding Ordinary Resolution of the Company:

“That, the Company’s Remuneration Report for the financial year ended 31 December 2019 (2019 Remuneration Report), as set out in the Directors’ Report, is adopted.”

The Remuneration Report is contained in the Xanadu Mines 2019 Annual Report, which is available under the ‘Investors’ tab on the Company’s website at www.xanadumines.com. Please note that, in accordance with section 250R(3) of the *Corporations Act 2001* (Cth) (**Corporations Act**), the vote on Resolution 8 is advisory only and does not bind the Directors or the Company.

Voting Exclusion Statement

A vote on Resolution 8 must not be cast (in any capacity) by, or on behalf of, the following persons:

- a) a member of the Key Management Personnel (**KMP**) whose remuneration details are included in the 2019 Remuneration Report; or
- b) a closely related party of such a KMP (including close family members and companies the KMP controls).

However, a person described above may cast a vote on Resolution 8 as a proxy if the vote is not cast on behalf of a person described above and either:

- a) *the proxy appointment is in writing that specifies the way the proxy is to vote (e.g. for, against, abstain) on the resolution; or*
- b) *the vote is cast by the Chairman of the Meeting and the appointment of the Chairman of the Meeting as proxy:*
 - i) *does not specify the way the proxy is to vote on the resolution; and*
 - ii) *expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the KMP.*

Key management personnel and closely related party have the same meaning as set out in the *Corporations Act*.

In accordance with section 250BD of the Corporations Act, a vote must not be cast on Resolution 8 as a proxy by a member of the KMP at the date of the AGM, or a closely related party of those persons, unless it is cast as proxy for a person entitled to vote in accordance with their directions. This restriction on voting undirected proxies does not apply to the Chairman of the Meeting where the proxy appointment expressly authorises the Chairman of the Meeting to exercise undirected proxies even if the resolution is connected, directly or indirectly, with the remuneration of the KMP.

Resolution 9 Adoption of Employee Share and Option Plan

To consider and, if thought fit, pass, with or without amendment, the following as an Ordinary Resolution of the Company:

“That, the Employee Share and Option Plan (ESOP), which is summarised in the attached Explanatory Memorandum accompanying this Notice, be approved and that for the purposes of Listing Rule 7.2 (Exception 13) and for all other purposes, the issue of securities under the ESOP within three years from the date of this Resolution be an exception to Listing Rules 7.1 and 7.1A”

Voting exclusion statement pursuant to Listing Rule 14.11

The Company will disregard any votes cast in favour of the resolution by or on behalf of:

- a) a person who is eligible to participate in the ESOP; and
- b) an associate of that person or those persons.

However, this does not apply to a vote cast in favour of the Resolution by:

- a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- b) the chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- c) holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - i) *the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and*
 - ii) *the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.*

Voting Restriction pursuant to Section 250BD of the Corporations Act

The Company will disregard any votes cast on this Resolution by:

- a) any Key Management Personnel (which includes the Chairman) of the Company or if the Company is part of a consolidated entity, of the entity; or
- b) a Closely Related Party of Key Management Personnel,

who is appointed as a Shareholder’s proxy and where the Shareholder does not direct in writing the way the proxy is to vote on the Resolution.

However, the Company need not disregard a vote if it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, where the Shareholder does not direct in writing the way the proxy is to vote on the Resolution, if the appointment of proxy expressly authorises the chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or if the Company is part of a consolidated entity, of the entity.

Voting Intention of Chair

Shareholders should be aware that any undirected proxies given to the chair will be cast by the chair and counted in favour of the Resolutions the subject of this Meeting, including Resolution 9, subject to compliance with the Corporations Act. In exceptional circumstances, the chair of the Meeting may change his or her voting intention on any Resolution in which case an ASX announcement will be made.

Resolution 10 Grant of Options to Mr Colin Moorhead

To consider and, if thought fit, pass the following as an Ordinary Resolution of the Company, with or without amendment:

“That in accordance with the provisions of Listing Rule 10.14 and Part 2E of the Corporations Act and for all other purposes, the Company be authorised to issue 6,840,000 options to subscribe for Shares with a zero exercise price to Mr Colin Moorhead, being a Director of the Company, or his nominee and otherwise on terms set out in the Explanatory Memorandum accompanying this Notice.”

Resolution 11 Grant of Options to Mr Michele Muscillo

To consider and, if thought fit, pass, with or without amendment, the following as an Ordinary Resolution of the Company:

“That in accordance with the provisions of Listing Rule 10.14 and Part 2E of the Corporations Act and for all other purposes, the Company be authorised to issue 3,420,000 options to subscribe for Shares with a

zero exercise price to Mr Michele Muscillo, being a Director of the Company, or his nominee and otherwise on terms set out in the Explanatory Memorandum accompanying this Notice.”

Resolution 12 Grant of Options to Dr Andrew Stewart

To consider and, if thought fit, pass, with or without amendment, the following as an Ordinary Resolution of the Company:

“That in accordance with the provisions of Listing Rule 10.14 and Part 2E of the Corporations Act and for all other purposes, the Company be authorised to issue 12,750,000 options to subscribe for Shares with a zero exercise price to Dr Andrew Stewart, being a Director of the Company, or his nominee and otherwise on terms set out in the Explanatory Memorandum accompanying this Notice.”

Resolution 13 Grant of Options to Mr Ganbayar Lkhagvasuren

To consider and, if thought fit, pass, with or without amendment, the following as an Ordinary Resolution of the Company:

“That in accordance with the provisions of Listing Rule 10.14 and Part 2E of the Corporations Act and for all other purposes, the Company be authorised to issue 8,500,000 options to subscribe for Shares with a zero exercise price to Mr Ganbayar Lkhagvasuren, being a Director of the Company, or his nominee and otherwise on terms set out in the Explanatory Memorandum accompanying this Notice.”

NOTES

- A copy of this Notice of Meeting and the accompanying Explanatory Memorandum has been lodged with the Australian Securities & Investments Commission in accordance with section 218 of the Corporations Act.
- A detailed summary of the proposed terms of the Options to be granted in accordance with Resolutions 10 - 13 is contained within the Explanatory Memorandum.
- The total number of Options to be issued to Mr Moorhead, Mr Muscillo, Dr Stewart and Mr Lkhagvasuren, or their respective nominees in accordance with Resolutions 10 - 13 is 31,510,000.
- The Options are intended to be issued as soon as possible following the Meeting, but in any event, no later than three (3) years after the date of the Meeting.
- The Options are being issued for nil cash consideration and no funds will be raised by the issue or exercise of the Options.

Voting Exclusion Statement - Resolutions 10 - 13, Listing Rule 10.14

The Company will disregard any votes cast in favour of Resolutions 10 - 13 by or on behalf of:

- a) a person referred to in Listing Rule 10.14.1, 10.14.2 or 10.14.3 who is eligible to participate in the employee incentive scheme the subject Resolutions 10 - 13;
- b) an Associate of that person or those persons.

However, this does not apply to a vote cast in favour of Resolutions 10 - 13 by:

- a) a person as proxy or attorney for a person who is entitled to vote on the Resolutions, in accordance with directions given to the proxy or attorney to vote on the Resolutions in that way; or
- b) the chair of the meeting as proxy or attorney for a person who is entitled to vote of the Resolutions, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- c) holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - i) *the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolutions; and*
 - ii) *the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.*

Voting Exclusion Statement - Resolutions 10 - 13, Chapter 2E

For the purposes of Part 2E of the Corporations Act, a vote on Resolutions 10 - 13 must not be cast (in any capacity) by or on behalf of a related party of the Company to whom the resolution would permit a financial benefit to be given, or an associate of such a related party. Accordingly, the Company will disregard any votes cast on:

- a) Resolution 10 by Mr Moorhead and any associate of Mr Moorhead;
- b) Resolution 11 by Mr Muscillo and any associate of Mr Muscillo;
- c) Resolution 12 by Dr Stewart and any associate of Dr Stewart;
- d) Resolution 13 by Mr Lkhagvasuren and any associate of Mr Lkhagvasuren.

However, the Company need not disregard a vote if, in relation to Resolutions 10 – 13, it is cast by a person as a proxy in writing that specifies how the proxy is to vote on the proposed resolution and it is not cast on behalf of a person referred to directly above.

Voting Restriction pursuant to Section 250BD of the Corporations Act

The Company will disregard any votes cast on Resolutions 10- 13 by:

- a) any Key Management Personnel (which includes the chair) of the Company or if the Company is part of a consolidated entity, of the entity; or
- b) a Closely Related Party of Key Management Personnel,

who is appointed as a Shareholder's proxy and where the Shareholder does not direct in writing the way the proxy is to vote on the Resolutions.

However, the Company need not disregard a vote if it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, where the Shareholder does not direct in writing the way the proxy is to vote on the Resolutions, if the appointment of proxy expressly authorises the chair to exercise the proxy even if the Resolutions are connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or if the Company is part of a consolidated entity, of the entity.

Voting Intention of Chair

Shareholders should be aware that any undirected proxies given to the chair will be cast by the chair and counted in favour of the Resolutions the subject of this Meeting, including Resolutions 10- 13, subject to compliance with the Corporations Act. In exceptional circumstances, the chair of the Meeting may change his or her voting intention on any Resolution in which case an ASX announcement will be made.

ENTITLEMENT TO ATTEND AND VOTE

In accordance with Regulation 7.11.37 of the *Corporations Regulations 2001 (Cth)*, the Board has determined that persons who are registered holders of shares of the Company as at 7:00pm (Sydney time) on Tuesday, 28 July 2020 will be entitled to attend and vote at the AGM as a shareholder.

If more than one joint holder of shares is present at the AGM (whether personally, by proxy or by attorney or by representative) and tenders a vote, only the vote of the joint holder whose name appears first on the register is counted.

Appointment of Proxy

If you are a shareholder entitled to attend and vote, you may appoint an individual or a body corporate as a proxy. If a body corporate is appointed as a proxy, that body corporate must ensure that it appoints a corporate representative in accordance with section 250D of the Corporations Act to exercise its powers as proxy at the AGM. A proxy need not be a shareholder of the Company.

A shareholder may appoint up to two proxies and specify the proportion or number of votes each proxy may exercise. If the shareholder does not specify the proportion or number of votes to be exercised, each proxy may exercise half of the shareholder's votes.

To be effective, the proxy must be received at the Share Registry of the Company no later than 10:00am (Sydney time) on Tuesday, 28 July 2020. Proxies must be received before that time by one of the following methods:

- | | |
|---------------|--|
| By post: | Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia |
| By facsimile: | 1800 783 447 (within Australia)
+61 3 9473 2555 (outside of Australia)
Computershare Investor Services Pty Limited |

By delivery in person: Level 3, 60 Carrington Street
Sydney NSW 2000

Online: www.investorvote.com.au (for Shareholders)
www.intermediaryonline.com (Intermediary Online subscribers only)

To be valid, a Proxy Form must be received by the Company in the manner stipulated above. The Company reserves the right to declare invalid any proxy not received in this manner.

Power of Attorney

A Proxy Form and the original power of attorney (if any) under which the Proxy Form is signed (or a certified copy of that power of attorney or other authority) must be received by the Company no later than 10:00am (Sydney time) on Tuesday, 28 July 2020, being 48 hours before the AGM.

Corporate Representatives

A body corporate which is a shareholder, or which has been appointed as a proxy, is entitled to appoint any person to act as its representative at the AGM. The appointment of the representative must comply with the requirements under section 250D of the Corporations Act. The representative should bring to the AGM a properly executed letter or other document confirming its authority to act as the Company's representative.

A *Certificate of Appointment of Corporate Representative* form may be obtained from the Company's share registry or online at www.investorcentre.com under the help tab, "Printable Forms".

IMPORTANT: If you appoint the Chairman of the Meeting as your proxy, or the Chairman of the Meeting becomes your proxy by default, and you do not direct your proxy how to vote on Resolutions 8 – 13 (inclusive), then by submitting the Proxy Form, you will be expressly authorising the Chairman of the Meeting to exercise your proxy on the relevant resolution, even though the resolutions are connected, directly or indirectly, with the remuneration of the KMP.

Voting at the Meeting

It is intended that voting on each of the proposed resolutions at this Meeting will be conducted by a poll, rather than on a show of hands.

SHAREHOLDER QUESTIONS

Shareholders who are unable to attend the Meeting or who may prefer to register questions in advance are invited to do so. Please log onto www.investorcentre.com, select Voting then click 'Ask a Question', or alternatively submit the enclosed *AGM Question Form*.

To allow time to collate questions and prepare answers, please submit any questions by 10:00am (Sydney time) on Thursday, 23 July 2020 (being no later than the fifth business day before the AGM is held). Questions will be collated and, during the AGM, the Chairman of the Meeting will seek to address as many of the more frequently raised topics as possible. However, there may not be sufficient time available at the AGM to address all topics raised. Please note that individual responses will not be sent to shareholders.

ENCLOSURES

Enclosed are the following documents:

- **Proxy Form** to be completed if you would like to be represented at the AGM by proxy. Shareholders are encouraged to use the online voting facility that can be accessed on Xanadu Mines' share registry's website at www.investorcentre.com to ensure the timely and cost-effective receipt of your proxy;
- an **AGM Question Form** to be completed if you would like a specific question to be addressed by the Chairman of the Meeting or Ernst & Young (our external auditor) at the AGM; and
- a **reply-paid envelope** for you to return either or both the Proxy Form and AGM Question Form

BY ORDER OF THE BOARD


Philip Mackey
Company Secretary
26 June 2020

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared to assist shareholders of the Company (**Shareholders**) in considering each of the Resolutions set out in the Company's *Notice of Annual General Meeting*. This Explanatory Memorandum forms part of the Company's Notice of Annual General Meeting to be held at 10:00am (Sydney time) on Thursday, 30 July 2020.

The purpose of this Explanatory Memorandum is to provide Shareholders with information that is reasonably required by Shareholders to decide how to vote upon the Resolutions. The Company's Notice of Annual General Meeting and this Explanatory Memorandum should be read in their entirety and in conjunction with each other.

Subject to the abstentions noted below, the Directors unanimously recommend that Shareholders vote in favour of all Resolutions. The Chairman of the Meeting intends to vote all available undirected proxies in favour of each resolution.

Resolutions 1, 2, 3, 4, 5, 9, 10, 11, 12 and 13 are ordinary resolutions, which requires that a simple majority of votes cast by Shareholders present and entitled to vote on the resolution must be in favour of the Resolution. Resolutions 6 and 7 are special resolutions, which requires at least 75% of the total votes cast by Shareholders present and entitled to vote on the resolution must be in favour of those Resolutions. Resolution 8, relating to the Remuneration Report, is an advisory resolution and does not bind the Directors or the Company.

BACKGROUND TO THE ITEMS OF BUSINESS

ORDINARY BUSINESS

1. CONSIDERATION OF REPORTS

The **2019 Annual Report**, including the Financial Statements, Director's Report and the Auditor's Report (**Reports**), for the Company and its subsidiaries for the year ended 31 December 2019, can be downloaded from the Company's website at www.xanadumines.com under the 'Investors' tab, for Shareholders to read prior to the Meeting.

Neither the Corporations Act nor the Company's Constitution requires Shareholders to vote on the Reports. However, Shareholders will be given a reasonable opportunity to ask questions on the Reports at the Meeting.

2. RESOLUTIONS

Resolution 1 Election of Mr. Colin Moorhead

Mr. Moorhead was appointed as a Director of Xanadu Mines on 29 November 2019. In accordance with clause 11.4 of the Company's Constitution, Mr. Moorhead retires by rotation and, being eligible, offers himself for re-election as a Non-Executive Director of Xanadu Mines.

ASX Listing Rule 14.4 provides that a director appointed to fill a casual vacancy or as an addition to the board must not hold office (without re-election) past the next annual general meeting of the entity. If Shareholders do not approve the election of Mr. Moorhead, then he will cease to be a Director of the Company at the conclusion of the AGM.

Prior to Mr. Moorhead's appointment, the Company completed several background and screening checks in relation to Mr. Moorhead's character's experience and qualifications, criminal history, bankruptcy, with no adverse findings.

The Board also considered whether Mr. Moorhead had any interest, position or relationship that may interfere with his independence as a Director, having regard to the relevant factors as set out in the ASX Corporate Governance Council Principles & Recommendations (3rd edition) (**ASX Principles**). The Board considers that Mr. Moorhead (if elected), will continue to be an Independent Director.

Mr. Moorhead is a Member of the Audit and Risk Committee, the Nomination and Remuneration Committee and the Safety, Health and Environment Committee.

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. Colin 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 & acquisitions.

A geologist by training, Colin 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. Colin has significant relevant experience as CEO of emerging Indonesian listed producer PT Merdeka Copper Gold, where he built and led the team that constructed and commissioned the highly successful Tujuh Bukit Gold Mine. Colin is a Fellow and immediate Past President of AUSIMM, a graduate of AICD and Harvard Business School Advanced Management Program (AMP).

Prior to submitting himself for election, Mr. Moorhead has confirmed that he would continue to have sufficient time to properly fulfil his duties and responsibilities to the Company.

The Board supports the election of Mr. Moorhead as he will contribute to the Board, significant experience in the areas of *operations & execution, copper & gold exploration, industry relationships and health, safety, environment and community*.

For the reasons set out above, the Directors, with Mr. Moorhead abstaining, unanimously recommend Shareholders vote in favour of Resolution 1.

Resolution 2 Re-election of Dr. Andrew Stewart

Dr. Stewart was appointed as Chief Executive Officer and Executive Director of Xanadu Mines on 1 October 2019. As he no longer holds the role of Managing Director and in accordance with clause 11.4 of the Company's Constitution, Dr. Stewart retires by rotation and, being eligible, offers himself for re-election as a Non-Executive Director of Xanadu Mines.

If Shareholders do not approve the election of Dr. Stewart, then he will cease to be a Director of the Company at the conclusion of the AGM.

Andrew is a geologist with over 15 years' experience in mineral exploration; primarily focused on project generation, project evaluation and exploration strategy development throughout Asia and Eastern Europe. Andrew has particular expertise in porphyry copper and epithermal gold deposits, but has worked across a diverse range of commodities. He holds a BSc (Hons) from Macquarie University and a PhD from the Centre of Ore Deposits and Exploration Studies at the University of Tasmania.

During his time at Ivanhoe Mines and Vale, Andrew held various technical and management positions in Mongolia and Indonesia and has been involved in several green field discoveries. After providing technical and program management for Vale in Indonesia and Mongolia, Andrew joined Xanadu Mines as Chief Geologist leading the gold and base metals project generation and evaluation team in Mongolia. In 2016, Andrew became the Managing Director and Chief Executive Officer of Xanadu Mines, and subsequently was appointed as Chief Executive Officer and Executive Director with effect from 1 October 2019.

Prior to submitting himself for election, Dr. Stewart has confirmed that he would continue to have sufficient time to properly fulfil his duties and responsibilities to the Company.

The Board supports the election of Dr. Stewart as he will contribute to the Board, significant experience in the areas of *operations & execution, copper & gold exploration, industry relationships, health, safety, environment and community and doing business in Mongolia*.

For the reasons set out above, the Directors, with Dr. Stewart abstaining, unanimously recommend Shareholders vote in favour of Resolution 2.

Resolution 3 Re-election of Director - Mr Michele Muscillo

Mr. Muscillo was appointed as a Director of Xanadu Mines on 14 August 2017. In accordance with clause 11.4 of the Company's Constitution, Mr. Muscillo retires by rotation and, being eligible, offers himself for re-election as a Non-Executive Director of Xanadu Mines.

If Shareholders do not approve the election of Mr. Muscillo, then he will cease to be a Director of the Company at the conclusion of the AGM.

The Board also considered whether Mr. Muscillo had any interest, position or relationship that may interfere with each of his independence as a Director, having regard to the relevant factors as set out in the ASX Corporate Governance Council Principles & Recommendations (3rd edition) (**ASX Principles**). The Board considers that Mr. Muscillo (if elected), will continue to be an independent Director.

Mr. Muscillo is a Chair of the Audit and Risk Committee and Chair of the Nomination and Remuneration Committee.

Michele 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. His key areas of practice include Corporate Advisory and Governance, Mergers and Acquisitions, Capital Markets and Resources and Energy.

Michele is also currently a Non-Executive Director with ASX-Listed Aeris Resources Limited (ASX: AIS), a Non-Executive Director with ASX/TSX listed Cardinal Resources Limited (ASX/TSX: CDV) and a Non-Executive Director with ASX listed Mako Gold Limited (ASX: MKG). Formerly, Michele was also Non-Executive Director of Orbis Gold Limited from the time of its ASX listing, through the discovery of its flagship Natougou project and ultimately to the sale of the Company to TSX-Listed SEMAFO Inc. (TSX: SMF) in 2015.

Prior to submitting himself for re-election, Mr. Muscillo has confirmed that he would continue to have sufficient time to properly fulfil his duties and responsibilities to the Company.

The Board supports the election of Mr. Muscillo as he will contribute to the Board, significant experience in the areas of *finance & banking, legal & risk, strategy & growth and public listed company experience.*

For the reasons set out above, the Directors, with Mr. Muscillo abstaining, unanimously recommend Shareholders vote in favour of Resolution 3.

Resolution 4 Ratification of Prior Issue of Placement Shares

On 16 January 2020, the Company announced it had successfully completed a placement to Precious Capital Gold Mining & Metals Fund (**PCG**), managed by SSI Asset Management AG, a Zurich based fund (**SSI**), comprising the issue of 78,326,311 fully paid ordinary shares at a price of 3.3 cents per share raising approximately \$2.6 million (**Placement**).

ASX Listing Rule 7.1 prohibits the Company (subject to certain exceptions such as pro-rata issues) from issuing or agreeing to issue equity securities (such as Shares and Options) representing more than 15% of the Company's total issued securities, during a rolling 12-month period, without Shareholder approval (**15% Threshold**).

ASX Listing Rule 7.4 provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with Shareholder approval for the purpose of ASX Listing Rule 7.1.

The Placement was made within the 15% Threshold permitted under ASX Listing Rule 7.1 without Shareholder approval. Accordingly, the Company is seeking approval of Resolution 4 for the purposes of ASX Listing Rule 7.4, to enable the Company to refresh its issuing capacity under ASX Listing Rule 7.1, thereby providing the Company with the flexibility to issue equity securities in the future up to the 15% Threshold set out in ASX Listing Rule 7.1, without the requirement to obtain prior Shareholder approval if the need arises in the next 12 months.

If Shareholders approve Resolution 4, the issue will be excluded in calculating Xanadu Mines' 15% limit in ASX Listing Rule 7.1, effectively increasing the number of equity securities it can issue without Shareholder approval over the 12-month period following the issue of the Shares.

If shareholders do not approve Resolution 4, the issue will be included in calculating Xanadu Mines' 15% limit under ASX Listing Rule 7.1, effectively decreasing the number of equity securities it can issue without shareholder approval over the 12-month period following the issue of the Shares.

For the purposes of ASX Listing Rule 7.5, the following information is provided:

- a) Shares under the Placement have been issued to Precious Capital Gold Mining & Metals Fund:
 - i) an international institutional sophisticated investor who qualifies under the requirements of sections 9 and 708 of the Corporations Act; and
 - ii) an international resident investor to whom an offer of the Placement Shares did not require disclosure under the laws of the relevant jurisdiction.
- b) 78,326,311 fully paid ordinary shares (**Shares**) were issued under the Placement on 20 January 2020 at a price of 3.3 cents per Share and rank equally with all other existing Shares.
- c) the Placement funds will be used to towards exploration of the Company's flagship Kharmagtai copper-gold project.
- d) the Shares were issued pursuant to Xanadu Mines' 15% placement capacity in accordance with ASX Listing Rule 7.1.
- e) a Voting Exclusion Statement accompanies Resolution 4 in the Notice of Meeting.

- f) the material terms of the Placement Agreement are as follows:
- i) Precious Capital Gold Mining & Metals Fund were invited to subscribe for a total of 78,326,311 fully paid ordinary shares at an issue price of AUD\$0.033 per share (Subscription Shares) for a total consideration of A\$2,584,768.26;
 - ii) The Subscription Shares were being offered to Precious Capital Gold Mining & Metals Fund on the basis that they are, and represented that they were, a "Sophisticated Investor" (within the meaning of section 708(8) of the Corporations Act) or a "Professional Investor" (within the meaning of section 708(11) of the Corporations Act) so that the offer can be made to them without a disclosure document under the Corporations Act;
 - iii) Accordingly, the Subscription Shares are subject to the secondary trading provisions of section 707 of the Corporations Act (Secondary Trading Restrictions); and
 - iv) The offer of Subscription Shares and the agreement arising from acceptance of the offer is personal to Precious Capital Gold Mining & Metals Fund and does not constitute an offer to any other person or to the public generally in Australia or anywhere else. Prior to settlement of the Subscription Shares, Precious Capital Gold Mining & Metals Fund may not assign, transfer, encumber or in any other manner, deal with your Subscription Shares, or their rights or obligations under the agreement arising from the acceptance of this offer, without the prior written agreement of the Company and in accordance with all relevant legal requirements.

The Directors unanimously recommend Shareholders vote in favour of Resolution 4

Resolution 5 Ratification of Prior Issue of Placement Shares

On 21 May 2020, the Company announced it had successfully completed the issue of 34,000,000 fully paid ordinary shares at a price of 3.3 cents per share raising approximately \$1.12 million (**Placement**).

ASX Listing Rule 7.1 prohibits the Company (subject to certain exceptions such as pro-rata issues) from issuing or agreeing to issue equity securities (such as Shares and Options) representing more than 15% of the Company's total issued securities, during a rolling 12-month period, without Shareholder approval (**15% Threshold**).

ASX Listing Rule 7.4 provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with Shareholder approval for the purpose of ASX Listing Rule 7.1.

The Placement was made within the 15% Threshold permitted under ASX Listing Rule 7.1 without Shareholder approval. Accordingly, the Company is seeking approval of Resolution 5 for the purposes of ASX Listing Rule 7.4, to enable the Company to refresh its issuing capacity under ASX Listing Rule 7.1, thereby providing the Company with the flexibility to issue equity securities in the future up to the 15% Threshold set out in ASX Listing Rule 7.1, without the requirement to obtain prior Shareholder approval if the need arises in the next 12 months.

If Shareholders approve Resolution 5, the issue will be excluded in calculating Xanadu Mines' 15% limit in ASX Listing Rule 7.1, effectively increasing the number of equity securities it can issue without Shareholder approval over the 12-month period following the issue of the Shares.

If shareholders do not approve Resolution 5, the issue will be included in calculating Xanadu Mines' 15% limit under ASX Listing Rule 7.1, effectively decreasing the number of equity securities it can issue without shareholder approval over the 12-month period following the issue of the Shares.

For the purposes of ASX Listing Rule 7.4, the following information is provided:

- a) 34,000,000 fully paid ordinary shares (**Shares**) were issued under the Placement on 28 May 2020 at a price of 3.3 cents per Share and rank equally with all other existing Shares.
- b) the Shares issued were all fully paid ordinary shares in the capital of the Company issue on the same terms and conditions as the Company's existing Shares;
- c) the Shares were issued to sophisticated and professional investors identified by Bell Potter Securities Limited, none of which are a related party of the Company;
- d) the Placement funds will be used towards exploration of the Company's flagship Kharmagtai copper-gold project.
- e) the Shares were issued pursuant to Xanadu Mines' 15% placement capacity in accordance with ASX Listing Rule 7.1.
- f) a Voting Exclusion Statement accompanies Resolution 5 in the Notice of Meeting.

The Directors unanimously recommend Shareholders vote in favour of Resolution 5

Resolution 6 Adoption of New Constitution

General

Under section 136(2) of the Corporations Act, a company may modify or repeal its constitution or a provision of its constitution by a special resolution of its shareholders.

The Company's current Constitution was adopted by the Company on 14 October 2010 and has not been comprehensively reviewed or materially amended since then. Since that time, there have been developments in Australian corporate law and practice, including a number of amendments to the Corporations Act, the Listing Rules and other applicable laws and rules which impact on the Company which are not reflected in the existing Constitution (such as practical changes to the ways a company can interact with its shareholders).

The Company has conducted a review of its existing Constitution to bring it into line with current law and market practice and to ensure it reflects the amendments to the Corporations Act, Listing Rules and other applicable laws and rules since the current Constitution was adopted on 14 October 2010. As the changes introduced affect numerous provisions in the current Constitution, the Board has determined that it is more appropriate that a new Constitution (**Proposed Constitution**) be adopted, rather than amending the current Constitution. The Board also considers this a good opportunity to modernise and simplify some of the existing language in the Constitution. In accordance with the Listing Rules, the Proposed Constitution has been approved by ASX.

A summary of the material differences between the existing Constitution and the Proposed Constitution are set out below.

Resolution 6 is a Special Resolution, requiring approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative) in order to be passed.

The Directors unanimously recommend Shareholders vote in favour of Resolution 6.

Summary of Material Differences between the existing Constitution and the Proposed Constitution

The Proposed Constitution is broadly consistent with the provisions of the Company's current Constitution. Many of the changes are administrative or minor in nature and the Directors believe that the amendments will not have a material impact on Shareholders.

It is not practicable to list all of the differences between the existing Constitution and the Proposed Constitution, and the Directors encourage Shareholders to review the Proposed Constitution in detail before deciding how to vote on the Resolution. Set out below is a summary of the material differences between the existing Constitution and the Proposed Constitution:

Material Change	Summary
Securities (Clauses 5 and 6)	The Proposed Constitution now makes specific provision for the issue of preference shares and convertible securities on terms as the Directors determine (in accordance with the Corporations Act and the Listing Rules).
Variation of Rights (Clause 9)	The Proposed Constitution provisions require a higher quorum for a Class Meeting (being persons holding (or representing by proxy) 25% of the nominal amount of the varied issued Shares of the class than contemplated in the current Constitution, and are therefore more robust and in favour of Members.
Call on Shares (Clause 14)	The process regarding calls made by the Company in respect of any amount unpaid on a Share has been set out in greater detail in the Proposed Constitution. In addition to ensuring compliance with Appendix 6A of the Listing Rules, the Proposed Constitution allows the Directors to, on the issue of Shares, differentiate between the holders as to the amount of calls to be paid and the times of payment.

<p>Transfer of Shares (Clause 16)</p>	<p>Under the Proposed Constitution, subject to the Listing Rules, the Company is permitted to charge a reasonable fee for registering a paper-based transfer in registrable form. The fee is intended to represent the cost incurred by the Company in upgrading its verification processes specific to paper-based instruments of transfer.</p> <p>The current Constitution does not include a similar provision however, the Listing Rules permit fees to be charged in certain circumstances.</p>
<p>Calling a general meeting (Clause 21)</p>	<p>The Proposed Constitution requires a majority of Directors to agree to call a general meeting, rather than allowing a single Director to do so as is currently the case.</p>
<p>Quorum (Clause 22.6 and 22.4)</p>	<p>The Proposed Constitution increases the members required to be present at a meeting to form a quorum to three members (the quorum requirements are two members in the current Constitution).</p> <p>The Proposed Constitution also contains more detailed provisions regarding establishing a quorum.</p>
<p>Hybrid and virtual general meetings (Clauses 22 to 32)</p>	<p>The Proposed Constitution better facilitates the Company's ability to hold a general meeting of Members utilising technology, by:</p> <ol style="list-style-type: none"> 1. (clause 22) allowing the Directors to determine that the place of a general meeting of Members is determined not to be a physical location and is facilitated by an instantaneous communication device (i.e. a virtual meeting). Clause 22 also allows a meeting of Members to be held in two of more venues using technology (i.e. a hybrid meeting); 2. (clauses 22.3 and 22.4) confirming that a Member attending a virtual or hybrid meeting convened under clause 22 is taken to be "present" for quorum purposes, if the technology allows the Members a reasonable opportunity to participate in the business of the general meeting of Members, vote on a show of hands, a poll or by direct voting (as set out in proposed new clause 28 described below); 3. ensuring that clauses 22 (Quorum), 26 (Voting rights of Members) and 27 (Poll) specifically include Members who attend a general meeting of Members in accordance with hybrid and virtual meeting provisions set out in clause 22 above; 4. (clause 28) allowing the Directors to determine that direct voting may occur before or during a general meeting of Members. Such a provision allows Members to deliver votes by non-traditional methods approved by the Directors including voting via electronic means, and allows Directors to prescribe regulations, rules and procedures in relation to direct voting, including specifying the form, method and timing of giving a direct vote at a general meeting of Members in order for the vote to be valid. If direct voting is proposed to be used at a general meeting of Members, the Directors must, among other matters, put in place direct voting regulations before despatching the relevant notice of meeting, and include information on the application of direct voting in that notice of meeting. <p>The Proposed Constitution also includes other additional provisions in order to further facilitate the orderly and proper conduct of general meetings.</p>
<p>Proxies (Clause 30)</p>	<p>The Proposed Constitution contains provisions to more easily facilitate the appointment of proxies, including:</p> <ol style="list-style-type: none"> 1. the electronic appointment of a proxy in accordance with the Corporations Act; and 2. where any Share is jointly held, the instrument appointing a proxy may be signed by the Joint Holders of such Share or by any one or more of them.

<p>Directors</p>	<p>There are a number of differences between the current Constitution and Proposed Constitution in relation to the provisions relating to Directors.</p> <p>The current constitution provides that the maximum number of directors is set by members, however the Proposed Constitution simplifies this by requiring that the number of directors is not less than three and no more than nine.</p> <p>Clauses relating to the election of Directors have been amended so that they are more closely aligned with the Listing Rules. In particular:</p> <ol style="list-style-type: none"> 1. (Clause 37) Directors who are appointed to fill a casual vacancy or as an addition to the Board (other than a managing director) must not hold office without re-election past the first annual general meeting after their appointment; and 2. (Clause 39) the Proposed Constitution provides a robust mechanism for the rotation and term of Directors, such that Directors must not hold office without re-election for more than three years or past the third annual general meeting after they were last elected (whichever is longer).
<p>Nomination of Directors (Clause 39.13)</p>	<p>The Proposed Constitution aligns with the Listing Rules, and provides that nominations for election of Directors will be accepted up to 35 Business Days (or in the case of meetings that Members have requested Directors to call, up to 30 Business Days), unless the director is subject to re-election (i.e. by rotation or due to being a casual appointment) in which case a nomination is not needed.</p>
<p>Remuneration of Directors (Clause 40)</p>	<p>The Proposed Constitution is more prescriptive in relation to remuneration requirements as required under the Listing Rules.</p> <p>The Proposed Constitution also permits payment to a retiring director in accordance with the Corporations Act. Payments in excess of those permitted by the Corporations Act can only be paid where first approved by Members prior to retirement of the Director and the director has not ceased to be a Director by virtue of the Corporations Act or court order.</p>
<p>Directorship in other Companies (Clause 41)</p>	<p>The Proposed Constitution provides that directors can be appointed to other companies but the other company cannot be in competition with Xanadu. The Directors consider this is beneficial to the interests of the Company as a whole.</p>
<p>Dividends (Clause 62)</p>	<p>The Proposed Constitution requires dividends to be paid out of the equity of the Company in accordance with the Corporations Act, and is more detailed regarding the Company's procedure for declaring a dividend and how dividends are paid (among other matters).</p> <p>Under the Proposed Constitution, all dividends, interest or other money payable in cash in respect of Shares or Debt Securities unclaimed after having been declared (including where the Directors determine that payments will be made by electronic funds transfer into an account under Clause 62.13(b), but no such account is nominated by the Member or an electronic transfer into a nominated account is rejected or refunded) may be invested and otherwise made use of by the Directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect of those funds, to the extent permitted by law.</p>
<p>Sale of Unmarketable Parcels (Clause 74)</p>	<p>The Proposed Constitution provides a more detailed and clearer procedure with respect to the sale of parcels of shares which are less than a minimum holding. This procedure in the Proposed Constitution is more closely aligned with the current Listing Rule requirements.</p>
<p>Restricted Securities (Clause 82 of the Proposed Constitution)</p>	<p>On 2 December 2019, amendments to the Listing Rules came into effect. Specifically, amendments to Listing Rule 15.12 relate to new requirements for listed entities' constitutions in respect of restricted securities. These amendments apply to currently listed entities, or those that issue restricted securities, on or after 2 December 2019.</p> <p>Restricted securities are securities which are subject to escrow requirements, meaning they are restricted from being traded for a period of time. Whether securities are treated as restricted securities is</p>

	<p>determined on a case-by-case basis. They may be held by certain persons who acquired them as part of their participation in a fundraising, such as seed capitalists, professional advisers or employees, or acquired in conjunction with an acquisition or can be securities that ASX determines should be treated as restricted securities.</p> <p>The updated Listing Rules require listed entities to include specific wording in their constituent documents regarding treatment of restricted securities such that they be subject to mandatory escrow restrictions, must be held on the issuer sponsored sub-register, and be subject to a holding lock.</p> <p>The Board considers that inclusion of the express language contained in Listing Rule 15.12 of the Listing Rules is prudent to ensure it complies with these new requirements.</p>
<p>Takeover Approval Provisions (Clause 76)</p>	<p>Discussed in the Explanatory Statement below with respect to Resolution 7.</p>

Copies of the Proposed Constitution

A copy of the Proposed Constitution is available for review by Shareholders on the Company's website www.xanadumines.com. A copy of the Proposed Constitution can also be sent to Shareholders upon request by the Company Secretary by email to info@xanadumines.com. Shareholders are encouraged to contact the Company if they have any concerns or queries.

The Directors unanimously recommend Shareholders vote in favour of Resolution 6.

Resolution 7 Approval of Proportional takeover provisions

General

Resolution 7 proposes to approve the insertion of the proportional takeover provisions (which have been extracted in Schedule 1 of this Notice) included in the Proposed Constitution, and failing approval of the Proposed Constitution under Resolution 6, in the existing Constitution as a new Clause 27.

Introduction

Schedule 1 (being Clause 76 of the Proposed Constitution) contains provisions dealing with proportional takeover bids for the Company's Shares that are made in accordance with the Corporations Act.

Under section 648G of the Corporations Act, the provisions must be renewed every 3 years or they will cease to have effect.

If Resolution 7 is approved and:

- a) Resolution 6 is approved and the Proposed Constitution is adopted, the proportional takeover approval provisions will be incorporated into the Proposed Constitution at Clause 76 and will operate for three years after their adoption under the Proposed Constitution; or
- b) Resolution 6 is not approved, the proportional takeover approval provisions will be incorporated into the Company's current Constitution as a new Clause 27 and will operate for a period of three years after their adoption.

In accordance with the Corporations Act, the Company provides the following information to Shareholders when considering the inclusion of the proportional takeover approval provisions in the Company's Constitution.

What is a proportional takeover bid, and why do we need the proportional takeover approval provisions?

A proportional takeover bid includes the bidder offering to buy a proportion only of each Shareholder's Shares in the Company. This means that control of the Company may pass without Members having the chance to sell all their Shares to the bidder. It also means the bidder may take control of the Company without paying an adequate amount for gaining control.

In order to deal with this possibility, the Company may provide in its constitution that:

- a) in the event of a proportional takeover bid being made for Shares in the Company, Members are required to vote by ordinary resolution and collectively decide whether to accept or reject the offer; and
- b) the majority decision of the Company's Members will be binding on all individual members.

The Directors consider that Members should be able to vote on whether a proportional takeover bid ought to proceed given such a bid might otherwise allow control of the Company to change without Members being given the opportunity to dispose of all of their shares for a satisfactory control premium. The Directors also believe that the right to vote on a proportional takeover bid may avoid Members feeling pressure to accept the bid even if they do not want it to succeed.

What is the effect of the proportional takeover approval provisions?

If a proportional takeover bid is made, the Directors must ensure that Members vote on a resolution to approve the bid not less than 15 days before the bid period closes.

The vote is decided on a simple majority. Each person who, as at the end of the day on which the first offer under the bid was made, held bid class securities, is entitled to vote. However, the bidder and its associates are not allowed to vote.

If this resolution is not passed, transfers which would have resulted from the acceptance of a bid will not be registered and the bid will be taken to have been withdrawn. If the bid is approved (or taken to have been approved), the transfers must be registered if they comply with the Corporations Act and the Company's Constitution.

The bid will be taken to have been approved if the resolution is not voted on within the deadline specified under the Corporations Act.

The proportional takeover approval provisions do not apply to full takeover bids, and only apply for 3 years after the date they are adopted as part of the Company's Constitution. As noted above, the provisions may be renewed or reinserted upon the expiry of the initial 3-year period, but only by a special resolution passed by Shareholders.

Potential advantages and disadvantages

The renewal of the proportional takeover provisions approval will allow the Directors to ascertain Members' views on a proportional takeover bid, it does not otherwise offer any advantage or disadvantage to the Directors who remain free to make their own recommendation as to whether the bid should be accepted.

The proportional takeover approval provisions set out in Schedule 1 and incorporated in Clause 76 of the Proposed Constitution (and as a new Clause 27 if Resolution 6 is not approved by Shareholders) will ensure that all Members have an opportunity to study a proportional bid proposal and vote on the bid at a general meeting. This is likely to ensure a potential bidder structures its offer in a way which is attractive to a majority of Members, including by using appropriate pricing. Similarly, knowing the view of the majority of Members may help individual Members assess the likely outcome of the proportional takeover when determining whether to accept or reject the offer.

However, it is also possible that the inclusion of such provisions in the Constitution may discourage proportional takeover bids and may reduce any speculative element in the market price of the Company's shares arising from the possibility of a takeover offer being made. The inclusion of the provisions may also be considered to constitute an unwarranted additional restriction of the ability of members to freely deal with their Shares.

The Board considers that the potential advantages for Members of the proportional takeover approval provisions outweigh the potential disadvantages.

Existing proposals

As at the date on which this statement was prepared, no Director is aware of any proposal by any person to acquire, or to increase the extent of, a substantial interest in the Company.

Recommendation of Directors

Directors consider that it is in the interest of Shareholders to have the right to vote on a proportional takeover bid and therefore recommend that Shareholders adopt the proportional takeover provisions by voting in favour of Resolution 7.

The Chair intends to vote all available proxies in favour of Resolution 7.

Resolution 8 Remuneration Report

Section 250R(2) of the Corporations Act requires that the section of the Directors' Report dealing with the remuneration of Directors and Key Management Personnel (**KMP**) of the Company (**Remuneration Report**) be put to the vote of Shareholders for adoption by way of a non-binding vote. The vote on this resolution is advisory only and does not bind the Directors of the Company. However, the Board will take the outcome of the vote into account in setting remuneration policy for future years.

Shareholders can view the full Remuneration Report in the 2019 Annual Report which is available under the 'Investors' tab on the Company's website at www.xanadumines.com.

Following consideration of the Remuneration Report, the Chairman of the Meeting will give Shareholders a reasonable opportunity to ask questions about, or make comments on, the Remuneration Report.

The Directors abstain, in the interests of corporate governance, from making a recommendation in relation to Resolution 8.

Resolution 9 Adoption of Employee Share and Option Plan

Background

Resolution 9 seeks approval by Shareholders for the adoption of an employee incentive plan called the Xanadu Mines Employee Share and Option Plan (**ESOP**) under Exception 13 of Listing Rule 7.2 so that any issue of securities under the ESOP over the next 3 years is disregarded when determining the Company's capacity to issue equity securities under Listing Rule 7.1 and 7.1A (if applicable).

The ESOP is designed to provide an incentive to the Company's employees to achieve the long term objectives of the Company and to attract employees of experience and ability.

ASX Listing Rule 7.1

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12-month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12-month period.

ASX Listing Rule 7.2 (Exception 13)

Listing Rule 7.2 (Exception 13(b)) sets out an exception to Listing Rule 7.1 which provides that issues under an employee incentive scheme are exempt for a period of 3 years from the date on which shareholders approve the issue of securities under the scheme as an exception to ASX Listing Rule 7.1.

If Resolution 9 is passed, the Company will be able to issue Shares and Options under the ESOP to eligible participants over a period of 3 years without impacting on the Company's ability to issue up to 15% of its total ordinary securities without Shareholder approval in any 12-month period.

For the purposes of Exception 13(b) of Listing Rule 7.2, the Company advises that:

- (a) a summary of the terms and conditions of the ESOP is set out in Schedule 2 below;
- (b) the Company has not previously issued any securities pursuant to the ESOP. The Company has previously issued 31,250,000 rights under a prior incentive plan approved by Shareholders in 2013 (between 2013 – 2017); and
- (c) it is proposed that a maximum number of 42,000,000 Equity Securities will be issued under the ESOP following Shareholder approval; and
- (d) a voting exclusion statement is included in the Notice in relation to this Resolution.

The objective of the ESOP is to attract, motivate and retain key employees and it is considered by the Directors that the adoption of the ESOP and the future issue of Options or Shares under the ESOP will provide selected employees with the opportunity to participate in the future growth of the Company. It is intended the ESOP will align the interests of employees with Shareholders thus allowing the employee to consider themselves an owner of the business and enhance his or her commitment to Shareholder return.

Directors of the Company are entitled to participate in the ESOP. Any future issues of Shares under the ESOP to a related party or a person whose relation with the Company or the related party is, in ASX's opinion, such that approval should be obtained will require additional Shareholder approval under ASX Listing Rule 10.14 at the relevant time. For completeness it is noted that pursuant to Resolutions 10 - 13 the Company is seeking approval under ASX Listing Rule 10.14 for the issue of Options to certain Directors, however, these are not being issued under the ESOP.

A summary of the key terms and conditions of the ESOP is set out in Schedule 2 below. In addition, a copy of the ESOP is available for review by Shareholders at the registered office of the Company until the date of the Meeting. A copy of the ESOP can also be sent to Shareholders upon request to the Company Secretary by email to info@xanadumines.com. Shareholders are invited to contact the Company if they have any queries or concerns.

The Directors abstain, in the interests of corporate governance, from making a recommendation in relation to Resolution 9.

Resolutions 10, 11, 12 and 13 - Issue of Options to Directors

Introduction

The Company has recently undertaken an extensive review of, and has implemented an updated policy in respect of, board, executive and employee remuneration. The purpose of the policy is to establish clear and guiding principles for decisions by the Company around employee, executive and director remuneration and to ensure fair, competitive and appropriate pay for the markets in which the Company operates. The Company's goal is to ensure that the mix and balance of remuneration is appropriate to attract, motivate and retain high calibre directors, senior executives and key management personnel, utilising a policy that is consistent with the Company's business strategy and contemporary corporate governance standards.

As part of this review, the Directors have resolved to refer to Shareholders for approval the proposed grant of 3,420,000 Options to Mr Moorhead and 1,710,000 Options to Mr Muscillo (the **Non-Executive Director Options**) and 12,750,000 Options to Dr Stewart and 8,500,000 Options to Mr Lkhagvasuren, (the **Executive Director Options**). The Non-Executive Director Options and the Executive Director Options are referred to collectively as the **Director Options**.

The terms of the Director Options are set out in more detail below.

Approval for the issue of the Director Options is sought in accordance with the provisions of Listing Rule 10.14 and Part 2E of the Corporations Act. As approval is being sought under Listing Rule 10.14, approval will not be required under Listing Rules 7.1 or 10.11. In order for the Director Options to be granted to a Director, the board has determined that the requirements of Chapter 2E of the Corporations Act should also be observed.

Options Terms

The Executive Directors Options and the Non-Executive Directors Options each have different terms. A summary of each is set out below.

Executive Director Options

- The Executive Director Options are directly linked to the Company's business strategy (from 2020 through 2022), which aims to deliver the following objectives:
 - Position Xanadu for the next copper cycle in ~3 years
 - Increase latent value of Kharmagtai to ~A\$300M, growing it to a Tier 1 copper deposit
 - Position Kharmagtai for a liquidity event or to progress to PFS for further value creation
 - Achieve a significant copper porphyry discovery at Red Mountain JV
 - Explore a new prospect in the portfolio, aiming to make another Tier 1 discovery
- The Executive Director Options are intended to be issued promptly after the meeting and in any event within three (3) years of the Meeting (as permitted by Listing Rule 10.15) and, subject to:
 - the satisfaction of one or more performance criteria described in the table below; and
 - the Executive Director remaining continuously employed or engaged with the Company (or any related body corporate) for a period of two years from the issue of the Executive Director Options (Continuous Employment Condition),

will vest at the end of the calendar year (2022, 2023) in which the relevant tranche performance condition and the Continuous Employment Condition is achieved (**Vesting Conditions**).

Tranche	Performance Criteria
A	Approval by Government of Mongolia to progress exploration at Yellow Mountain, or replacement of Yellow Mountain with new prospective ground in the portfolio.
B	Discovery at Red Mountain of a pre-JORC >60Mt @0.6% CuEq, confirmed as a highly prospective discovery by an Independent Competent Person review.
C	Define a JORC compliant Mineral Resource Estimate >1000Mt @ 0.5% CuEq at Kharmagtai with an accompanying Independent Competent Person sign-off
D	Define a high grade starter pit or block at Kharmagtai supported by a JORC compliant Mineral Resource Estimate >100Mt @0.8% CuEq and an Independent Competent Person sign-off
E	Shareholder Liquidity Event taking the form of: <ul style="list-style-type: none"> • Kharmagtai sale as an asset with >1Bt JORC Mineral Resource Estimate • Xanadu company sale (or JV at least 30%) at >5% premium to market • Kharmagtai JV, funding at least 50% through to PFS

- The number of Executive Director Options which will vest on satisfaction of the relevant Vesting Conditions is set out below.

Name	Tranche A	Tranche B	Tranche C	Tranche D	Tranche E
Dr Stewart	750,000	1,500,000	2,250,000	2,250,000	6,000,000
Mr Lkhagvasuren	500,000	1,000,000	1,500,000	1,500,000	4,000,000

- In the event that the Tranche E performance criteria and the Continuous Employment Condition is satisfied, the Vesting Conditions associated with all other Executive Director Options will be deemed to have been satisfied and all Executive Director Options will vest (if they have not already).
- If vested, the Executive Director Options will be subject to the following restrictions (**Restriction Conditions**):
 - Vested and unrestricted = 80%
 - Vested, but restricted from exercise or disposal for two years = 20%
- If an Executive Director leaves the Company prior to the satisfaction of the relevant Vesting Conditions for a tranche, they will not be eligible for vesting of that tranche of Executive Director Options. If an Executive Director leaves after the date that the relevant Vesting Conditions for a tranche are achieved, they will remain eligible to receive the Executive Director Options for that tranche at the end of the relevant calendar year.
- Where the cessation of an Executive Directors' employment is due to death of the Executive Director, and the Executive Director has been continuously employed with the Company (or any related body corporate) at least since 12 months up to and including the date of death, the Vesting Conditions and any Restriction Conditions applicable to all or any of their Options and Shares cease to apply.
- In all other cases of a 'Good Leaver' (as determined by the Board), the Board may, in its discretion, determine that some or all of the Executive Director's Options or Shares continue to be subject to their Vesting Conditions or Restriction Conditions (as the case may be) or that some or all of those Vesting Conditions or Restriction Conditions will be waived, and/or that some or all of the Executive Director's unvested Executive Director Options will lapse.
- Where the Board determines that an Executive Director is a 'Bad Leaver' all unvested Executive Director Options would automatically lapse.
- If the Executive Director remains with the Company at the time of a Change in Control, 100% of all Executive Director Options will vest immediately with no Restriction Conditions.
- A Change in Control will occur where there is publicly announced any proposal in relation to the Company which the Board reasonably believes may lead to:

- the Company entering into a scheme of arrangement with its creditors or Shareholders or any class thereof pursuant to section 411 of the Corporations Act;
- the commencement of a bid period (as defined in the Corporations Act) in relation to the Company to acquire any Share where the takeover bid extends to Shares issued and allotted after the date of the takeover bid; or
- when a person or group of associated persons having a relevant interest in, subsequent to the issue of the Director Options, sufficient Shares in the Company to give it or them the ability, in general meeting, to replace all or a majority of the Directors in circumstances where such ability was not already held by a person associated with such person or group of associated persons.
- The Board may also determine that an Executive Director's Options will lapse or be forfeited in circumstances where the Board may also determine that the Executive Director has:
 - committed an act of fraud, defalcation or gross misconduct in relation to the affairs of the Company;
 - hedged the value of, or entered into a derivative arrangement in respect of, unvested Executive Director Options;
 - purported to dispose of, or grant any security Interest, over an Executive Director Options other than in accordance with any policy of the Company in place at the relevant time or as otherwise approved by the Board; or
 - become subject to the application of any applicable malus and clawback Policy adopted by the Company from time to time (included as set out below).
- The Board may also take action on the recommendation of the Remuneration Committee to adjust (malus) or clawback unvested Executive Director Options where there is reasonable evidence that an Executive Director has materially contributed to, or been materially responsible for, the need for the restatement of financial results for the reasons including:
 - personally acting fraudulently or dishonestly or in a manner that adversely affects the Company's reputation or which is characterised as gross misconduct;
 - directing an employee, contractor or advisor to act fraudulently, dishonestly or to undertake other misconduct;
 - breaching their material obligations to the Company through error, omission or negligence;
 - receiving a short term incentive (STI) or long term incentive (LTI) award because of fraud, dishonesty or a breach of obligation committed by another person; and/ or
 - receiving a STI or LTI award because of an error in the calculation of a performance measure.
- Examples of a breach of material obligation that could trigger application of this the above malus or clawback could include:
 - a material misstatement in the accounts of the group entity for the years relevant to an unvested or unpaid award; or
 - conduct exposing the Company to potential reputational damage or legal action or that is otherwise in a breach of the Company's Code of Conduct.
- The Board may also take action on the recommendation of the Remuneration Committee to cancel or adjust unvested Executive Director Options where the Board is not satisfied that an award is appropriate or warranted due to exceptional circumstances.
- Any tranche that does not vest within 48 months of their issue will expire.
- Any vested Executive Director Options that are not exercised within 48 months of their vesting will expire.

Non-Executive Director Options

- The Non-Executive Director Options are intended to drive consistent governance and oversight of Xanadu and its management and are awarded based on service.

- The number of Non-Executive Director Options which will vest at the end of each calendar year is set out below.

Name	NED Tranche A	NED Tranche B	NED Tranche C
Mr Colin Moorhead	2,280,000	2,280,000	2,280,000
Mr Michele Muscillo	1,140,000	1,140,000	1,140,000

- There are no restrictions on exercise or disposal of the Non-Executive Director Options or Shares issued on their exercise for 18 months after vesting.
- Any vested Non-Executive Director Options not exercised within 18 months of the date on which they vested will expire.
- If a Non-Executive Director leaves the Board, their Non-Executive Director Options will vest on a pro-rata basis calculated on the number of months served during the calendar year with the balance of the Non-Executive Director Options which have not vested expiring.
- If the Non-Executive Director remains with the Company at the time of a Change in Control, 100% of all Non-Executive Director Options will vest immediately with no restrictions on exercise or disposal of the Non-Executive Director Options or Shares issued on their exercise.

Common terms applying to all Director Options

- The securities to be issued to each Director are options to subscribe for fully paid Shares.
- The Director Options are to be issued for no cash consideration.
- The exercise price of each Director Option is zero (**Exercise Price**).
- Shares issued on exercise of the Director Options will rank equally with all existing Shares from the date of issue.
- The Director Options, once vested, may be exercised wholly or in part by notice in writing to the Company received at any time on or before they expire.
- The Director Options shall be unlisted but shall be transferable.
- Upon allotment of Shares pursuant to the exercise of Director Options, the Company shall use its best endeavours to have such Shares quoted and listed on the Official List of the ASX.
- Option holders do not have any right to participate in new issues of securities in the Company made to Shareholders generally. The Company will, where required pursuant to the Listing Rules, provide Option holders with notice prior to the books record date (to determine entitlements to any new issue of securities made to Shareholders generally) to exercise the Director Options, in accordance with the requirements of the Listing Rules.
- Option holders do not participate in dividends or in bonus issues unless the Options are exercised and the resultant shares of the Company are issued prior to the record date to determine entitlements to the dividend or bonus issue.
- In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company:
 - the number of Director Options, the exercise price, or both will be reconstructed (as appropriate) in a manner consistent with the Listing Rules, but with the intention that such reconstruction will not result in any benefits being conferred on the Director Option holder which are not conferred on Shareholders; and
 - subject to the provisions with respect to rounding of entitlements as sanctioned by a meeting of Shareholders of the Company approving a reconstruction of capital, in all other respects the terms for the exercise of the Director Options will remain unchanged.
- If there is a bonus issue to the holders of Shares, the number of Shares over which a Director Option is exercisable will be increased by the number of Shares which the Director Option holder would have received if the Director Options had been exercised before the record date for the bonus issue.
- The terms of the Director Options shall only be changed if holders (whose votes are not to be disregarded) of Shares approve of such a change. However, the terms of the Director Options shall

not be changed to increase the number of Director Options or change any period for exercise of the Director Options.

Regulatory Requirements

Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of a public company unless the benefit falls within one of various exceptions to the general prohibition. One of the exceptions includes where the company first obtains the approval of its shareholders in general meeting in circumstances where the requirements of Chapter 2E in relation to the convening of that meeting have been met. A “related party” for the purposes of the Corporations Act is defined widely and includes a director of the public company.

A “financial benefit” for the purposes of the Corporations Act has a very wide meaning. It includes the public company paying money or issuing securities to the related party. In determining whether or not a financial benefit is being given, it is necessary to look to the economic and commercial substance and effect of what the public company is doing (rather than just the legal form). Any consideration which is given for the financial benefit is to be disregarded, even if it is full or adequate.

The proposed Resolutions 10 to 13, if passed, will confer financial benefits to the recipients of the Director Options and the Company seeks to obtain member approval in accordance with the requirements of Chapter 2E of the Corporations Act and for this reason, and for all other purposes, the following information is provided to Shareholders.

(a) The related parties to whom Resolutions 10, 11, 12 and 13 would permit the financial benefit to be given

With respect to:

- Resolution 10, Mr Moorhead;
- Resolution 11, Mr Muscillo;
- Resolution 12, Dr Stewart; and
- Resolution 13, Mr Lkhagvasuren,

(or their respective nominees), being directors of the Company.

(b) The nature of the financial benefit

The nature of the proposed financial benefit to be given is:

- the grant of 6,840,000 Non-Executive Director Options to Mr Moorhead as referred to in Resolution 10;
- the grant of 3,420,000 Non-Executive Director Options to Mr Muscillo as referred to in Resolution 11;
- the grant of 12,750,000 Executive Director Options to Dr Stewart as referred to in Resolution 12;
- the grant of 8,500,000 Executive Director Options to Mr Lkhagvasuren as referred to in Resolution 13.
- the Director Options shall be issued for no cash consideration; and
- the Director Options shall be exercisable into fully paid Shares at a nil exercise price.

(c) Directors’ recommendations

With respect to Resolution 10, Mr Muscillo, Dr Stewart and Mr Lkhagvasuren recommend that Shareholders vote in favour of this Resolution. The reasons for their recommendation include:

- (i) the grant of the Non-Executive Director Options as proposed to Mr Moorhead are intended to drive consistent governance and oversight of Xanadu and its management and are awarded based on service;
- (ii) the Non-Executive Director Options are not intended as a substitute for salary or wages or as a means for compensation for past services rendered; and
- (iii) in the Company’s circumstances as they existed as at the date of this Explanatory Memorandum, Mr Muscillo, Dr Stewart and Mr Lkhagvasuren considered that the incentive provided a cost-effective and efficient incentive as opposed to alternative forms of incentives (eg. cash bonuses, increased remuneration). However, it must be recognised that there will be an opportunity cost to the

Company, being the price at which the Company could grant the Non-Executive Director Options (and resulting Shares) to a third party.

Mr Motteram makes no recommendation in relation to Resolution 10 on the basis that he intends to retire from the Board as of 30 June 2020 and does not consider it appropriate to make a recommendation in respect of remuneration of directors post 30 June 2020. Mr Motteram is the nominee director of Noble Resources International Pte Ltd (**Noble**). Pursuant to the *First Variation Agreement US\$4,000,000 Facility Agreement* between Noble and the Company, Noble retained the right to nominate a director to the Xanadu Board until the earlier of (a) 30 June 2020 or (b) the date upon which Noble's shareholding falls below 20,017,114 Shares.

As Mr Moorhead is interested in the outcome of Resolution 10, he accordingly makes no recommendation to Shareholders in respect of this Resolution.

With respect to Resolution 11, Mr Moorhead, Dr Stewart and Mr Lkhagvasuren recommend that Shareholders vote in favour of this Resolution. The reasons for their recommendation include:

- (i) the grant of the Non-Executive Director Options as proposed to Mr Muscillo are intended to drive consistent governance and oversight of Xanadu and its management and are awarded based on service;
- (ii) the Non-Executive Director Options are not intended as a substitute for salary or wages or as a means for compensation for past services rendered; and
- (iii) in the Company's circumstances as they existed as at the date of this Explanatory Memorandum, Mr Moorhead, Dr Stewart and Mr Lkhagvasuren considered that the incentive provided a cost-effective and efficient incentive as opposed to alternative forms of incentives (eg. cash bonuses, increased remuneration). However, it must be recognised that there will be an opportunity cost to the Company, being the price at which the Company could grant the Director Options (and resulting Shares) to a third party.

Mr Motteram makes no recommendation in relation to Resolution 11 on the basis that he intends to retire from the Board as of 30 June 2020 and does not consider it appropriate to make a recommendation in respect of remuneration of directors post 30 June 2020.

As Mr Muscillo is interested in the outcome of Resolution 11, he accordingly makes no recommendation to Shareholders in respect of this Resolution.

With respect to Resolution 12, Mr Moorhead, Mr Muscillo and Mr Lkhagvasuren recommend that Shareholders vote in favour of this Resolution. The reasons for their recommendation include:

- (i) the grant of the Executive Director Options as proposed to Dr Stewart are directly linked to the Company's business strategy (from 2020 through 2022) and will provide him with reward and incentive for future services he will provide to the Company to further the progress the Company;
- (ii) the Executive Director Options are not intended as a substitute for salary or wages or as a means for compensation for past services rendered; and
- (iii) in the Company's circumstances as they existed as at the date of this Explanatory Memorandum, Mr Moorhead, Mr Muscillo and Mr Lkhagvasuren considered that the incentive provided a cost-effective and efficient incentive as opposed to alternative forms of incentives (eg increased remuneration). However, it must be recognised that there will be an opportunity cost to the Company, being the price at which the Company could grant the Executive Director Options (and resulting Shares) to a third party.

Mr Motteram makes no recommendation in relation to Resolution 12 on the basis that he intends to retire from the Board as of 30 June 2020 and does not consider it appropriate to make a recommendation in respect of remuneration of directors post 30 June 2020.

As Dr Stewart is interested in the outcome of Resolution 12, he accordingly makes no recommendation to Shareholders in respect of this Resolution.

With respect to Resolution 13, Mr Moorhead, Mr Muscillo and Dr Stewart recommend that Shareholders vote in favour of this Resolution. The reasons for their recommendation include:

- (i) the grant of the Executive Director Options as proposed to Mr Lkhagvasuren are directly linked to the Company's business strategy (from 2020 through 2022) and will provide him with reward and incentive for future services he will provide to the Company to further the progress the Company;
- (ii) the Executive Director Options are not intended as a substitute for salary or wages or as a means for compensation for past services rendered; and

(iii) in the Company's circumstances as they existed as at the date of this Explanatory Memorandum, Mr Moorhead, Mr Muscillo and Dr Stewart considered that the incentive provided a cost-effective and efficient incentive as opposed to alternative forms of incentives (eg. increased remuneration). However, it must be recognised that there will be an opportunity cost to the Company, being the price at which the Company could grant the Executive Director Options (and resulting Shares) to a third party.

Mr Motteram makes no recommendation in relation to Resolution 13 on the basis that he intends to retire from the Board as of 30 June 2020 and does not consider it appropriate to make a recommendation in respect of remuneration of directors post 30 June 2020.

As Mr Lkhagvasuren is interested in the outcome of Resolution 13, he accordingly makes no recommendation to Shareholders in respect of this Resolution.

(d) Directors' interests and other remuneration

Mr Moorhead - Resolution 10

Mr Moorhead has a material personal interest in the outcome of Resolution 10, as it is proposed that Director Options be granted to him (or his nominee) as set out in Resolution 10.

Excluding the Director Options, Mr Moorhead (and entities associated with him) holds 1,000,000 Shares in the Company. Please refer to the table below which indicates the holdings of Mr Moorhead (and entities associated with him).

Other than the Director Options to be issued to Mr Moorhead pursuant to Resolution 10, Mr Moorhead currently receives directors' remuneration of \$120,000 per annum (total cost to the Company) from the Company for his services as Non-Executive Chairman.

Mr Muscillo - Resolution 11

Mr Muscillo has a material personal interest in the outcome of Resolution 11, as it is proposed that Director Options be granted to him (or his nominee) as set out in Resolution 11.

Excluding the Director Options, Mr Muscillo (and individuals associated with him) holds 59,441 Shares in the Company. Please refer to the table below which indicates the holdings of Mr Muscillo (and individuals associated with him).

Other than the Director Options to be issued to Mr Muscillo pursuant to Resolution 11, Mr Muscillo currently receives director's remuneration of \$60,000 per annum (total cost to the Company) from the Company for his services as a Non-Executive Director and chair of the Audit and Risk Committee and the Remuneration Committee.

Dr Andrew Stewart - Resolution 12

Dr Stewart has a material personal interest in the outcome of Resolution 12, as it is proposed that Director Options be granted to him (or his nominee) as set out in Resolution 12.

Excluding the Director Options, Dr Stewart holds 4,931,292 Shares in the Company. Please refer to the table below which indicates the holdings of Dr Stewart.

Other than the Director Options to be issued to Dr Stewart pursuant to Resolution 12, Dr Stewart currently receives total fixed remuneration of \$365,000 per annum (total cost to the Company) from the Company for his services as Chief Executive Officer and an Executive Director. In addition, Dr Stewart is eligible for an annual short term incentive payable in cash of up to 50% of this total fixed remuneration (being up to a further \$182,500).

Mr Lkhagvasuren - Resolution 13

Mr Lkhagvasuren has a material personal interest in the outcome of Resolution 13, as it is proposed that Director Options be granted to him (or his nominee) as set out in Resolution 13.

Excluding the Director Options, Mr Lkhagvasuren holds 16,558,329 Shares in the Company. Please refer to the table below which indicates the holdings of Mr Lkhagvasuren .

Other than the Director Options to be issued to Mr Lkhagvasuren pursuant to Resolution 13, Mr Lkhagvasuren currently receives total fixed remuneration of US\$265,000 per annum (total cost to the Company) from the Company for his services as an Executive Director. In addition, Mr Lkhagvasuren is eligible for an annual short term incentive payable in cash of up to 30% of this total fixed remuneration (being up to a further US\$79,500).

If all of the new Director Options granted vest and are exercised by Mr Moorhead, Mr Muscillo, Dr Stewart and Mr Lkhagvasuren, the following will be the effect on their holdings in the Company (assuming no other Shares in the Company are issued or acquired by those Directors):

Director (including associated entities)	Current Share Holding	% of Total Share Capital*	Share Capital Upon Exercise	% of Total Share Capital*
Mr Moorhead	1,000,000	0.12%	7,840,000	0.92%
Mr Muscillo	59,441	0.01%	3,479,441	0.41%
Dr Stewart	4,931,292	0.60%	17,681,292	2.06%
Mr Lkhagvasuren	16,558,329	2.01%	25,058,329	2.93%
All Other Holders	802,625,793	97.27%	802,625,793	93.69%
Total	825,174,855	100.00%	856,684,855	100.00%

(e) Valuation

The Director Options are not currently quoted on the ASX and as such have no readily observed market value. The Director Options each grant the holder thereof a right to subscribe for one Share upon exercise of each Director Option and payment of the Exercise Price of the Director Option described above. Accordingly, the Director Options may have a present value at the date of their grant.

The Director Options may acquire future value dependent upon the extent to which the Shares exceed the Exercise Price of the Director Options during the term of the Director Options.

As a general proposition, options to subscribe for ordinary fully paid shares in a company have value. Various factors impact upon the value of options including things such as:

- the period outstanding before the expiry date of the options;
- the exercise price of the options relative to the underlying price or value of the securities into which they may be converted;
- the proportion of the issued capital as expanded consequent upon exercise represented by the shares issued upon exercise (i.e. whether or not the shares that might be acquired upon exercise of the options represent a controlling or other significant interest);
- the value of the shares into which the options may be converted; and
- whether or not the options are listed (i.e. readily capable of being liquidated),
and so on.

There are various formulae which can be applied to determining the theoretical value of options (including the formula known as the Black-Scholes Model option valuation formula).

The Company has undertaken a valuation of the Director Options utilising the Black-Scholes Model, which is the most widely used and recognised model for pricing options.

Inherent in the application of the Black-Scholes Model are a number of inputs, some of which must be assumed. The data relied upon in the valuation applying the Black-Scholes Model was:

- an exercise price of the options being zero;
- a market price of Shares of \$0.045 being the closing price of Shares prior to the 5 June 2020 valuation, as a proxy for the market price at the future date of issue, being the date of the Meeting to approve the issue;
- the Executive Director Options vesting on 31 December 2022;
- the Non-Executive Director Options vesting in equal tranches on 31 December 2020, 31 December 2021 and 31 December 2022;
- an Expiry Date of 5 June 2024 for the Executive Director Options;
- Expiry Dates of 30 June 2022, 30 June 2023 and 30 June 2024 for the respective tranches of the Non-Executive Director Options

- a volatility measure of 80%;
- a risk-free interest rate of 0.28%; and
- a dividend yield of Nil.

Some relatively minor variables were included in the calculation to estimate the value of Director Option as “American style” options (being exercisable at any time prior to the stated expiry date). Theoretically, the Black-Scholes Model prices “European style” options (being exercisable only on this exercise date).

Based on the valuation, the Company has adopted an indicative value for the Non-Executive Director Options as follows:

Item	Non-Executive Director Options		
	Tranche A	Tranche B	Tranche C
Underlying security spot price	\$0.045	\$0.045	\$0.045
Exercise price	Nil	Nil	Nil
Valuation date	5-Jun-20	5-Jun-20	5-Jun-20
Commencement of vesting period	5-Jun-20	5-Jun-20	5-Jun-20
Vesting date	31-Dec-20	31-Dec-21	31-Dec-22
Vesting period (years)	0.57	1.57	2.57
Expiry date	30-Jun-22	30-Jun-23	30-Jun-24
Life of the Options (years)	2.07	3.07	4.07
Volatility	80%	80%	80%
Risk-free rate	0.28%	0.28%	0.28%
Dividend yield	Nil	Nil	Nil
Number of Options	3,420,000	3,420,000	3,420,000
Valuation per Option	\$0.045	\$0.045	\$0.045
Valuation per Tranche	\$153,900	\$153,900	\$153,900

Based on the valuation, the Company has adopted an indicative value for the Executive Director Options as follows:

Item	Executive Director Options				
	Tranche A	Tranche B	Tranche C	Tranche D	Tranche E
Underlying security spot price	\$0.045	\$0.045	\$0.045	\$0.045	\$0.045
Exercise price	Nil	Nil	Nil	Nil	Nil
Valuation date	5-Jun-20	5-Jun-20	5-Jun-20	5-Jun-20	5-Jun-20
Commencement of performance period	5-Jun-20	5-Jun-20	5-Jun-20	5-Jun-20	5-Jun-20

Performance measurement/vesting date	31-Dec-22	31-Dec-22	31-Dec-22	31-Dec-22	31-Dec-22
Performance period/vesting period (years)	4.00	4.00	4.00	4.00	4.00
Expiry date	5-Jun-24	5-Jun-24	5-Jun-24	5-Jun-24	5-Jun-24
Life of the Options (years)	8.00	8.00	8.00	8.00	8.00
Volatility	80%	80%	80%	80%	80%
Risk-free rate	0.28%	0.28%	0.28%	0.28%	0.28%
Dividend yield	Nil	Nil	Nil	Nil	Nil
Number of Options	1,250,000	2,500,000	3,750,000	3,750,000	10,000,000
Valuation per Option	\$0.045	\$0.045	\$0.045	\$0.045	\$0.045
Valuation per Tranche	\$56,250	\$112,500	\$168,750	\$168,750	\$450,000

On that basis, the respective value of the Non-Executive Director Options to be issued pursuant to Resolutions 10 and 11 are as follows:

Name	NED Tranche A	NED Tranche B	NED Tranche C	Total
	(Number)	(Number)	(Number)	(Number)
Mr Colin Moorhead (Resolution 10)	2,280,000	2,280,000	2,280,000	6,840,000
Mr Michele Muscillo (Resolution 11)	1,140,000	1,140,000	1,140,000	3,420,000
Total	3,420,000	3,420,000	3,420,000	10,260,000

Name	NED Tranche A	NED Tranche B	NED Tranche C	Total
	(Value)	(Value)	(Value)	(Value)
Mr Colin Moorhead (Resolution 10)	\$102,600	\$102,600	\$102,600	\$307,800
Mr Michele Muscillo (Resolution 11)	\$51,300	\$51,300	\$51,300	\$153,900
Total	\$153,900	\$153,900	\$153,900	\$461,700

On that basis, the respective value of the Executive Director Options to be issued pursuant to Resolutions 12 and 13 are as follows:

Name	Tranche A	Tranche B	Tranche C	Tranche D	Tranche E	Total
	(Number)	(Number)	(Number)	(Number)	(Number)	(Number)
Dr Stewart (Resolution 12)	750,000	1,500,000	2,250,000	2,250,000	6,000,000	12,750,000
Mr Lkhagvasuren (Resolution 13)	500,000	1,000,000	1,500,000	1,500,000	4,000,000	8,500,000
Total	1,250,000	2,500,000	3,750,000	3,750,000	10,000,000	21,250,000

Name	Tranche A	Tranche B	Tranche C	Tranche D	Tranche E	Total
	(Value)	(Value)	(Value)	(Value)	(Value)	(Value)
Dr Stewart (Resolution 12)	\$33,750	\$67,500	\$101,250	\$101,250	\$270,000	\$573,750
Mr Lkhagvasuren (Resolution 13)	\$22,500	\$45,000	\$67,500	\$67,500	\$180,000	\$382,500
Total	\$56,250	\$112,500	\$168,750	\$168,750	\$450,000	\$956,250

(f) Any other information that is reasonably required by Shareholders to make a decision and that is known to the Company or any of its Directors

There is no other information known to the Company or any of the Directors save and except as follows:

Market Price movements

The option valuation noted above is based on a market price of the Shares at the time of the valuation dated 5 June 2020 of \$0.045.

There is a possibility that the market price of the Shares on the date of issue of the Director Options will be different to this and that the market price of the Shares will change up to the date of the Meeting.

The effect on the valuation per option of movements in the market price of the Shares is set out below:

Market Price	Valuation per option
\$0.040	\$0.040
\$0.050	\$0.050
\$0.055	\$0.055
\$0.060	\$0.060

Opportunity Costs

The opportunity costs and benefits foregone by the Company issuing the Director Options to Mr Moorhead, Mr Muscillo, Dr Stewart and Mr Lkhagvasuren, or their respective nominees, is the potentially diluted impact on the issued Share capital of the Company (in the event that the Director Options are exercised). Until exercised, the issue of the Director Options will not impact upon the number of Shares on issue in the Company. To the extent that upon their exercise the dilutionary impact caused by the issue of the Shares will be detrimental to the Company, this is more than offset by the advantages accruing from the Company securing the services of experienced and skilled directors on appropriate incentive terms. It is also considered that the potential increase of value in the Director Options is dependent upon a concomitant increase in the value of the Company generally.

Trading History of the Shares

As at 5 June 2020, the closing price of Shares on ASX was \$0.045.

Set out below is the trading history of the Shares over the past 12 months.

	Market Price 6 months prior to Notice of Meeting	Market Prices 12 months prior to Notice of Meeting
High	\$0.045	\$0.073
Low	\$0.022	\$0.022
VWAP	\$0.033	\$0.044

Taxation Consequences

No stamp duty will be payable in respect of the grant of the Director Options. No GST will be payable by the Company in respect of the grant of the Director Options (or if it is then it will be recoverable as an input credit).

AASB 2 “Share Based Payments” requires that these payments shall be measured at the more readily determinable fair value of the equity instrument. Under the accounting standards this amount will be expensed in the statement of financial performance. Where the grant date and the vesting date are different the total expenditure calculated will be allocated between the two dates taking into account the terms and conditions attached to the instruments and the counterparties as well as management’s assumptions about probabilities of payments and compliance with and attainment of the set out terms and conditions.

Dilutionary Effect

The dilutionary effect on the Company and its shareholders is summarized in the table on pages 23-24 above.

Listing Rule 10.14

The Company is proposing to issue the Director Options.

Listing Rule 10.14 provides that a listed company must not permit any of the following persons to acquire equity securities under an employee incentive scheme:

- **Listing Rule 10.14.1:** a director of the Company;
- **Listing Rule 10.14.2:** an associate of a director of the Company; or
- **Listing Rule 10.14.3:** a person whose relationship with the Company or a person referred to in Listing Rule 10.14.1 or 10.14.2 is such that, in ASX’s opinion, the acquisition should be approved by its Shareholders,

unless it obtains the approval of its Shareholders.

The issue of the Director Options falls within Listing Rule 10.14.1 above and therefore requires the approval of Xanadu’s Shareholders under Listing Rule 10.14.

Resolutions 10-13 seeks the required Shareholder approval to issue the Director Options under and for the purposes of Listing Rule 10.14.

If Resolutions 10-13 are passed, the Company will be able to proceed with the issue of the Director Options and the Directors will be remunerated accordingly based on the achievement of the criteria set out above.

If any of the Resolutions 10-13 are not passed, the Company will not be able to proceed with the issue of the relevant Director Options (the subject of the Resolution(s) which was not passed) and the Company may need to consider other forms of performance-based remuneration in that regard.

For the purposes of Listing Rule 10.15, the Company advises as follows:

- The following directors (or their respective nominees) are to be the recipients of the Director Options:
 - Resolution 10, Mr Moorhead;
 - Resolution 11, Mr Muscillo;
 - Resolution 12, Dr Stewart; and
 - Resolution 13, Mr Lkhagvasuren.
- As each of the above are directors of the Company they fall within the category stipulated by Listing Rule 10.14.1. In the event the Director Options are issue to a nominee of the Director, that person will fall within the category stipulated by Listing Rule 10.14.2
- The maximum number of Director Options to be issued to Mr Moorhead, Mr Muscillo, Dr Stewart and Mr Lkhagvasuren is 31,510,000 Director Options, being:
 - the grant of 6,840,000 Non-Executive Director Options to Mr Moorhead or his nominee;
 - the grant of 3,420,000 Non-Executive Director Options to Mr Muscillo or his nominee;
 - the grant of 12,750,000 Executive Director Options to Dr Stewart or his nominee;
 - the grant of 8,500,000 Executive Director Options to Mr Lkhagvasuren or his nominee.
- Details of the total remuneration package of each of Mr Moorhead, Mr Muscillo, Dr Stewart and Mr Lkhagvasuren is set out on page 23 above. Details of the value of the Director Options are set out on pages 24 – 27 above.
- No securities have previously been issued to any Director under the newly adopted remuneration policy.

- A summary of the material terms of the Director Options is set out above.
- The Company has proposed to issue the Director Options to reward and incentivise the Directors to contribute to the growth of the Company. The Executive Director Options are directly linked to the Company's business strategy (from 2020 through 2022). The Non-Executive Director Options are intended to drive consistent governance and oversight of Xanadu and its management and are awarded based on service. The Company believes that the grant of the Director Options provides a cost-effective and efficient incentive as opposed to alternative forms of incentives (eg increased remuneration).
- Details regarding the value of the Director Options are set out on pages 24 - 27.
- The Director Options are intended to be granted as soon as possible following the meeting, but in any event, within three (3) years of the date of the Meeting.
- The Director Options are being issued for nil cash consideration and the Director Options have a zero exercise price.
- A summary of the material terms of the Director Options is set out above. For completeness it is noted that the Director Options are not being issued pursuant to the ESOP the subject of Resolution 9.
- No funds are being raised by the grant or exercise of the Director Options. Accordingly, no loans of any description will be provided to the Directors in relation to the Director Options.
- Details of any securities issued under the ESOP will be published in the Company's Annual Report relating to the period in which they were issued, along with a statement that approval for the issue was obtained under Listing Rule 10.14.
- Any additional Directors covered by Listing Rule 10.14 who will become entitled to participate in an issue of securities under the remuneration policy after Resolutions 10, 11, 12 and 13 are approved (should they be approved) and who are not named in this Notice will not participate until approval is obtained under Listing Rule 10.14.

In accordance with Listing Rule 7.2, as approval is being sought under Listing Rule 10.14, approval is not required to be obtained under Listing Rule 7.1.

Save as set out in this Explanatory Memorandum, the Directors are not aware of any other information that will be reasonably required by Shareholders to make a decision in relation to benefits contemplated by Resolutions 10, 11, 12 and 13.

SCHEDULE 1 - PROPORTIONAL TAKEOVER PROVISIONS

76. Takeover approval provisions

Subject to the provisions of the Corporations Act, where offers have been made for Shares in the Company under a Takeover Bid and each such offer relates to a proportion of these Shares in the Company included in a class of Shares being a proportion that is the same in respect of each offer, the Directors shall refuse to register a transfer giving effect to a contract resulting from the acceptance of any offer under the Takeover Bid unless the following provisions have been complied with:

- a) the Directors shall convene a Meeting of the Company to be held in accordance with this Constitution on a day which is not less than 15 days prior to the end of the period during which the offers made under the Takeover Bid remain open;
- b) at the Meeting referred to the Members entitled to vote in accordance with Rule 76(c) shall consider and vote on a resolution approving the Takeover Bid which resolution shall be taken to have been passed if the votes cast in favour of the resolution exceed 50% of all votes validly passed in respect of the resolution; and
- c) for the purposes of the resolution referred to in Rule 76(b), a person (other than the offerer under the Takeover Bid or a person associated within the meaning of the Corporations Act with the bidder) who, as at 5.00pm on the day on which the first offer under the Takeover Bid was made, held Shares included in the class of Shares the subject of the Takeover Bid is entitled to vote and despite anything contained in this Constitution shall have one vote for each such Share held.

SCHEDULE 2 - TERMS AND CONDITIONS OF ESOP

Note that terms not otherwise defined in the Notice or Explanatory Memorandum have the meaning given to them under the ESOP.

1. The ESOP is to extend to Eligible Persons or Eligible Associates (as the case may be) of the Company or an Associated Body Corporate of the Company as the Board may in its discretion determine.
2. The total number of Securities which may be offered by the Company under the ESOP shall not at any time exceed 5% of the Company's total issued Shares when aggregated with the number of Securities issued or that may be issued as a result of offers made at any time during the previous three-year period under:
 - (a) an employee incentive scheme covered by ASIC CO 14/1000; or
 - (b) an ASIC exempt arrangement of a similar kind to an employee incentive scheme.
3. The Shares are to be issued at a price determined by the Board.
4. The Options are to be issued for no consideration.
5. The exercise price of an Option is to be determined by the Board at its sole discretion.
6. The Option Commencement Date will be any such date or dates with respect to the Options or tranches of Options (as the case may be) as may be determined by the Board prior to the issuance of the relevant Options.
7. The Option Period commences on the Option Commencement Date and ends on the earlier of:
 - (a) the expiration of such period nominated by the Board at its sole discretion at the time of the grant of the Option but being not less than two years;
 - (b) if an Eligible Person's employment or engagement with the Company or an Associated Body Corporate ceases because of an Uncontrollable Event, the earlier of:
 - (1) the expiry of the Option Period; or
 - (2) six months (or such other period as the Board shall, in its absolute discretion, determine) from the end of the calendar year in which the Eligible Person ceased that employment or engagement where a relevant Performance Hurdle was satisfied; ;
 - (c) if an Eligible Person's employment or engagement with the Company or an Associated Body Corporate ceases because of a Controllable Event:
 - (1) the expiry of the Option Period; or
 - (2) three months (or such other period as the Board shall, in its absolute discretion, determine) from the end of the calendar year in which the Eligible Person ceased that employment or engagement where a relevant Performance Hurdle was satisfied; or
 - (d) the Eligible Person ceasing to be employed or engaged by the Company or an Associated Body Corporate of the Company due to fraud, dishonesty or being in material breach of their obligations to the Company or an Associated Body Corporate or having materially contributed to, or been materially responsible for, the need to restate or adjust the financial results of the Company or an Associated Body Corporate. The Board may also cancel unvested Participant Options where it determines they are not appropriate or warranted due to exceptional circumstances.
8. Eligibility to participate is determined by the Board. Eligibility is restricted to Eligible Persons (or their Eligible Associates where applicable) of the Company or an Associated Body Corporate of the Company. The Board is entitled to determine:
 - (a) subject to paragraph 2, the total number of Shares and Options to be offered in any one year to Eligible Persons or Eligible Associates;
 - (b) the Eligible Persons to whom offers will be made; and
 - (c) the terms and conditions of any Shares and Options granted, subject to the ESOP.
9. In respect of Options, Option holders do not participate in dividends or in bonus issues unless the Options are exercised.

10. Option holders do not have any right to participate in new issues of securities in the Company made to shareholders generally. The Company will, where required pursuant to the ASX Listing Rules, provide Option holders with notice prior to the books record date (to determine entitlements to any new issue of securities made to shareholders generally) to exercise the Options, in accordance with the requirements of the ASX Listing Rules.
11. In the event of a pro rata issue (except a bonus issue) made by the Company during the term of the Options the Company may adjust the exercise price for the Options in accordance with the formula in the terms of the Plan.
12. The Board has the right to vary the entitlements of Participants to take account of the effect of capital reorganisations, bonus issues or rights issues.
13. The terms of the Options shall only be changed if holders (whose votes are not to be disregarded) of Shares in the Company approve of such a change. However, the terms of the Options shall not be changed to reduce the Exercise Price, increase the number of Options or change any period for exercise of the Options.
14. The Board may impose as a condition of any offer of Shares and Options under the ESOP any restrictions on the transfer or encumbrance of such Shares and Options as it determines.
15. The Board may vary the ESOP.
16. The ESOP is separate to and does not in any way form part of, vary or otherwise affect the rights and obligations of an Eligible Person under the terms of his or her employment or arrangement.
17. At any time from the date of an Offer until the Acceptance Date of that Offer, the Board undertakes that it shall provide information as to:
 - (a) the Current Market Price of the Shares; and
 - (b) the acquisition price of the Shares or Options offered where this is calculated by reference to a formula, as at the date of the Offer,to any Participant within three Business Days of a written request to the Company from that Participant to do so.
18. Any Offer made pursuant to the ESOP will specify whether subdivision 83A-C of the applicable Tax Laws applies to that Offer such that any tax payable by a Participant under the Offer will be deferred to the applicable deferred taxing point described in that subdivision.
In the ESOP:

Controllable Event means cessation of employment or engagement other than by an Uncontrollable Event.

Uncontrollable Event means:

- (a) death, serious injury, disability or illness which renders the Eligible Person incapable of continuing their employment or engagement (or providing the services the subject of the engagement) with the Company or Associated Body Corporate;
- (b) forced early retirement, retrenchment or redundancy; or
- (c) such other circumstances which results in an Eligible Person leaving the employment of or ceasing their engagement with the Company or Associated Body Corporate and which the Board determines is an Uncontrollable Event.