

18 June 2019

## Non-renounceable rights issue and cleansing notice

Xanadu Mines Ltd (**ASX:XAM**; **TSX:XAM**) (**Xanadu** or the **Company**) is pleased to announce a pro-rata non-renounceable rights issue to eligible shareholders, on the basis of 1 new fully paid ordinary shares for every 10 shares held at an issue price of \$0.052 per share (**New Share**), to raise approximately \$3,369,829 (before costs) (**Rights Issue**). Assuming no existing options on issue in the Company are exercised, approximately 64,804,413 New Shares will be offered under the Rights Issue.

The Rights Issue will be available to all registered shareholders who hold shares at 7.00pm Sydney time on Friday, 21 June 2019 (**Record Date**) with registered addresses in Australia, New Zealand and Singapore (**Eligible Shareholders**). The Company has formed the view that it is unreasonable to extend the Rights Issue to shareholders who do not have a registered address in other countries due to the size of those holdings and the potential cost of compliance with making the Offer available in those countries.

Existing option holders will need to exercise their options and be a registered holder of shares on the Record Date if they wish to participate in the Rights Issue.

The Company's Directors intend to take up all or some of their entitlement in the Rights Issue.

The Rights Issue is partially underwritten by Patersons Securities Limited, (who is also acting as Lead Manager) up to an amount of \$1,750,000. This underwriting is conditional upon the main shareholders of the Company, CAAF Ltd, Asia Capital and Advisors Pte Ltd and Noble Resources International Pte Ltd giving a firm commitment to the Underwriter to subscribe for a certain number of New Shares as follows:

- in the case of CAAF Ltd and Asia Capital and Advisors Pte Ltd, to subscribe for such number of New Shares as necessary to ensure that each of CAAF Ltd and Asia Capital and Advisors Pte Ltd maintain the percentage interest in the Company after completion of the Rights Issue; and
- in the case of Noble Resources International Pte Ltd, to subscribe for their full entitlement of New Shares under the Rights Issue.

Full details of the underwriting arrangements will be set out in the disclosure document referred to below.

Under the Rights Issue, Eligible Shareholders will be given the opportunity to apply for shares in addition to their entitlements in the event that there is a shortfall (**Shortfall Facility**).

If the Company receives applications from Eligible Shareholders for additional New Shares under the Shortfall Facility that would not result in the Offer being oversubscribed, it will, subject to the other terms of the allocation policy, allocate those Additional New Shares to the Eligible Shareholders who applied for them, before calling upon the Underwriter to discharge its obligations under the underwriting arrangements. No additional New Shares will be issued to an Eligible Shareholder if to do so would be contrary to the Corporations Act or the ASX Listing Rules.

In the event the Offer is well received by shareholders and the Shortfall represents 25% or less of the New Shares available under the Offer, the Lead Manager is authorised, at its election, to facilitate an additional placement of new Shares in the Company on the same terms and price as the Rights Issue to raise up to \$1.5m.

Funds raised from the Rights Issue will be used to expand the current drilling program at the Kharmagtai project, for further exploration at the Red Mountain project, to fund the costs of the Rights Issue and to provide working capital.

A proposed timetable for the Rights Issue is set out in the table below:

<b>Event</b>	<b>Date</b>
Announcement of Rights Issue. Offer Document and Appendix 3B lodged with ASX	Tuesday, 18 June 2019 (pre-market open)
Notice of Rights Issue sent to option holders	Wednesday, 19 June 2019
Notice of Rights Issue sent to shareholders	Wednesday, 19 June 2019
Shares commence trading on an ex basis	Thursday, 20 June 2019
Record Date for the Rights Issue (7.00pm Sydney time)	Friday, 21 June 2019
Despatch Offer Document to shareholders	Tuesday, 25 June 2019
Opening date of Rights Issue (9.00am Sydney time)	Tuesday, 25 June 2019
Closing date of Rights Issue (5.00pm Sydney time)	Monday, 8 July 2019
Shares commence trading on deferred settlement basis	Tuesday, 9 July 2019
Advise ASX of any shortfall	Wednesday, 10 July 2019
Allotment of New Shares under Rights Issue	Monday, 15 July 2019
Despatch of holding statements for New Shares and deferred settlement trading ends	Monday, 15 July 2019
Normal trading of New Shares on ASX begins	Tuesday, 16 July 2019

This timetable is indicative only and may be subject to change subject to the requirements of the Corporations Act and the ASX Listing Rules.

The Rights Issue is being made without a disclosure document, in accordance with section 708AA of the Corporations Act. Xanadu will prepare and send an Offer Document to all Eligible Shareholders on Tuesday, 25 June 2019, as set out in the timetable above.

### **Cleansing Notice**

Pursuant to section 708AA(7) of the Corporations Act, Xanadu provides notice of the following:

1. Xanadu will offer the New Shares for issue without disclosure to investors under part 6D.2 of the Corporations Act.
2. Xanadu is providing this notice under section 708AA(2)(f) of the Corporations Act.
3. As at the date of this notice, Xanadu has complied with:
  - (a) the provisions of chapter 2M of the Corporations Act as they apply to Xanadu; and
  - (b) section 674 of the Corporations Act.
4. As at the date of this notice, other than as set out in paragraph 6 below, there is no information:
  - (a) that has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules; and
  - (b) that investors and their professional advisors would reasonably require for the purpose of making an informed assessment of:

- (1) the assets and liabilities, financial position and performance, profits and losses and prospects of Xanadu; or
  - (2) the rights and liabilities attaching to the New Shares.
5. Under the Rights Issue, the proportional shareholdings of ineligible shareholders may be diluted, given they are not entitled to participate in the Rights Issue. Additionally, if an Eligible Shareholder does not take up their entitlement in full, there may be a dilutionary effect on that shareholder's proportionate shareholding.

In the event of a shortfall, the directors of Xanadu in consultation with the Underwriter, reserve the right to place the shortfall at their sole discretion. Acceptance of entitlements or the placement of any shortfall may also result in existing shareholders or new investors significantly increasing their interest in the Company or obtaining a substantial interest in the Company, in particular where an Eligible Shareholder applies for Additional New Shares under the Shortfall Facility. However, the shortfall will only be placed to the extent that such placement is in compliance with the takeover provisions of the Corporations Act, which restrict a person and their associates from having a relevant interest in the Company of not more than 20%, subject to a number of exemptions.

6. The Company advises that as at the date of this notice:
- (a) the Company is investigating and giving consideration to farm-out opportunities in relation to the Red Mountain project. As part of this consideration, the Company is in discussions with a third party regarding a potential transaction. However, as at the date of this notice, no agreements has been reached with any third parties with respect to terms for a farm-out arrangement in relation to that project, and there is no guarantee that a transaction may materialise. Even if agreement is reached on the terms of a farm-out, it is likely that such transaction will be subject to conditions precedent such as satisfactory due diligence, amongst other matters; and
  - (b) following from the board and management changes announced on 26 March 2019 and effective from the conclusion of the Company's Annual General Meeting (**AGM**) held on 30 April 2019, the Company is presently in discussions with Darryl Clark (Executive Chairman) and Andrew Stewart (CEO and Director) in relation to the remuneration arrangements for each of them, including appropriate long term incentives. These discussions are ongoing. Pending such changes, Mr Clark and Mr Stewart are continuing to be remunerated at their pre-board change remuneration. In Mr Clark's case, it is likely that when a remuneration level is set and agreement, it will be deemed effective from the AGM, being the date he assumed the Executive Chairman position. An ASX release will be made in accordance with the ASX Listing Rules once this has been determined.

### **Further information**

If the Rights Issue is fully subscribed, approximately 64,804,413 New Shares will be issued (which number may be increased by 2,941,176 New Shares if existing option holders exercise their options and are registered shareholders by the Record Date). The New Shares will be issued for \$0.052 each.

Upon completion of the Rights Issue, and assuming it is fully subscribed and that existing options are not exercised, the issued capital of Xanadu will comprise:

- (a) approximately 712,848,544 shares,
- (b) 29,411,759 unlisted options exercisable at \$0.25 each;

- (c) 8,000,000 unlisted performance rights subject to hurdle and tenure testing on 26 July 2019, exercisable at \$0.60 and 10,000,000 unvested performance rights; and
- (d) 2,000,000 unlisted performance rights subject to hurdle and tenure testing on 11 October 2019, exercisable at \$0.60.

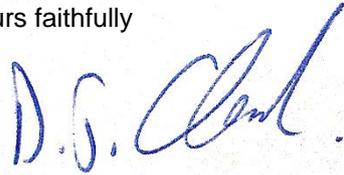
The New Shares will rank equally in all respects with Xanadu's existing shares. If an Eligible Shareholder's entitlement results in a fraction of a New Share, the entitlement will be rounded up to the nearest whole number.

Trading in the New Shares is expected to commence on Tuesday, 16 July 2019.

An Appendix 3B applying for quotation of the New Shares will be released to the ASX separately to this Announcement.

Xanadu encourages all Eligible Shareholders to participate in this important transaction.

Yours faithfully



Mr Darryl Clark  
Executive Chairman  
Xanadu Mines Ltd

For further information please contact Andrew Stewart, Chief Executive Officer, on +61 2 9547 4300. Alternatively visit the Company's website at [www.xanadumines.com](http://www.xanadumines.com).