

# XANADU MINES

## MANAGEMENT INFORMATION CIRCULAR

The Company is a reporting issuer in Canada. Accordingly, pursuant to the requirements of National Instrument 51-102 – *Continuous Disclosure Obligations* of the Canadian Securities Administrators, the following disclosure is required to be included with the Explanatory Statement.

### GENERAL PROXY INFORMATION

#### Solicitation of Proxies

This management information circular ("Management Information Circular") is furnished in connection with the solicitation of proxies by the management of Xanadu Mines Ltd (the "Company") for use at the annual general meeting of the shareholders of the Company (the "Meeting") to be held at Computershare Investor Services Pty Limited, Level 3, 60 Carrington Street, Sydney, NSW 2000 at 10:00 am (Sydney time) on Thursday, July 30, 2020, and at all adjournments thereof for the purposes set forth in the accompanying notice of annual general meeting (the "Notice"). The solicitation of proxies will be made primarily by mail and may be supplemented by telephone or other personal contact by the directors, officers and employees of the Company. Directors, officers and employees of the Company will not receive any extra compensation for such activities. The Company may also retain, and pay a fee to, one or more professional proxy solicitation firms to solicit proxies from the shareholders of the Company in favour of the matters set forth in the Notice. The Company may pay brokers or other persons holding ordinary shares of the Company ("Shares") in their own names, or in the names of nominees, for their reasonable expenses for sending proxies and proxy materials to beneficial owners of Shares and obtaining proxies therefrom. The cost of the solicitation will be borne directly by the Company.

No person is authorized to give any information or to make any representation other than those contained in this Management Information Circular and the Explanatory Statement included with this Management Information Circular ("**Explanatory Statement and Management Information Circular**"), if given or made, such information or representation should not be relied upon as having been authorized by the Company. The delivery of this Explanatory Statement and Management Information Circular shall not, under any circumstances, create an implication that there has not been any change in the information set forth herein since the date hereof.

#### Non-Registered Shareholders in Canada

Only registered shareholders of the Company, or the persons they appoint as their proxies, are entitled to attend and vote at the Meeting. However, in many cases, Shares beneficially owned by a person (a "**Non-Registered Shareholder**") are registered either:

- (a) in the name of an intermediary (an "**Intermediary**") with whom the Non-Registered Shareholder deals in respect of the Shares (Intermediaries include, among others: banks, trust companies, securities dealers or brokers, trustees or administrators of a self-administered registered retirement savings plan, registered retirement income fund, registered education savings plan and similar plans); or
- (b) in the name of a clearing agency (such as CDS Clearing and Depository Services Inc., in Canada, and the Depository Trust Company, in the United States) of which the Intermediary is a participant.

In accordance with the requirements of National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* of the Canadian Securities Administrators, the Company has

distributed copies of the Notice, this Explanatory Statement and Management Information Circular and the accompanying form of proxy (collectively, the "**Meeting Materials**") to the Intermediaries and clearing agencies for onward distribution to Non-Registered Shareholders. Intermediaries are required to forward the Meeting Materials to Non-Registered Shareholders unless the Non-Registered Shareholders have waived the right to receive them. Intermediaries often use service companies to forward the Meeting Materials to Non-Registered Shareholders. Generally, Non-Registered Shareholders who have not waived the right to receive Meeting Materials will either:

- (a) be given a voting instruction form **which is not signed by the Intermediary** and which, when properly completed and signed by the Non-Registered Shareholder and **returned to the Intermediary or its service company**, will constitute voting instructions (often called a "voting instruction form") which the Intermediary must follow. Typically, the voting instruction form will consist of a one page pre-printed form. Sometimes, instead of the one page pre-printed form, the voting instruction form will consist of a regular printed proxy form accompanied by a page of instructions which contains a removable label with a bar-code and other information. In order for the form of proxy to validly constitute a voting instruction form, the Non-Registered Shareholder must remove the label from the instructions and affix it to the form of proxy, properly complete and sign the form of proxy and submit it to the Intermediary or its service company in accordance with the instructions of the Intermediary or its service company; or
- (b) be given a form of proxy **which has already been signed by the Intermediary** (typically by a facsimile, stamped signature), which is restricted as to the number of Shares beneficially owned by the Non-Registered Shareholder but which is otherwise not completed by the Intermediary. Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the Non-Registered Shareholder when submitting the form of proxy. In this case, the Non-Registered Shareholder who wishes to submit a form of proxy should properly complete the form of proxy and deposit it with Computershare Investor Services Limited, 100 University Avenue, 8<sup>th</sup> Floor, Toronto, Ontario, Canada, M5J 2Y1.

In either case, the purpose of these procedures is to permit Non-Registered Shareholders to direct the voting of the Shares they beneficially own. Should a Non-Registered Shareholder who receives either a voting instruction form or a form of proxy wish to attend the Meeting and vote in person (or have another person attend and vote on behalf of the Non-Registered Shareholder), the Non-Registered Shareholder should carefully follow the instructions provided on the voting instruction form or form of proxy. **In either case, Non-Registered Shareholders should carefully follow the instructions of their Intermediaries and their service companies, including those regarding when and where the voting instruction form or the form of proxy is to be delivered.**

A Non-Registered Shareholder who has submitted a form of proxy may revoke it by contacting the Intermediary through which the Shares of such Non-Registered Shareholder are held and following the instructions of the Intermediary respecting the revocation of proxies.

### **Appointment of Proxies**

Enclosed herewith is a form of proxy for use at the Meeting. **A registered shareholder has the right to appoint a person (who need not be a shareholder) to attend and act for the shareholder and on the shareholder's behalf at the Meeting, and at any adjournment thereof, other than the person designated in the form of proxy and may exercise such right by inserting the full name of the desired person in the blank space provided in the form of proxy.** If a shareholder is entitled to cast two or more votes at the Meeting, the shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll. A shareholder who appoints two proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a shareholder appoints two proxies and the appointments do not specify the proportion or number of the shareholder's votes each proxy is appointed to exercise, each proxy may

exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded.

A form of proxy will not be valid unless it is signed by the shareholder or by the shareholder's attorney duly authorized in writing or, if the shareholder is a Company, executed by a duly authorized officer in accordance with the instructions attached on the enclosed form of proxy. The form of proxy to be acted upon must be delivered:

1. in respect of a shareholder registered on the Company's Australian register, prior to 10:00 am (Sydney time) on Tuesday, July 28, 2020. **Proxies must be received before that time by one of the following methods:**
  - (a) post to Computershare Investor Services Pty Limited, GPO Box 242 Melbourne VIC 3001; or
  - (b) facsimile to Computershare Investor Services Pty Limited on facsimile number +1 800 783 447 (within Australia) and + 61 3 9473 2555 (outside Australia); or
  - (c) by delivery in person to Computershare Investor Services Pty Limited, Level 4, 60 Carrington Street, Sydney, NSW 2000; or
  - (d) online at [www.investorvote.com.au](http://www.investorvote.com.au) (for Shareholders) or [www.intermediaryonline.com](http://www.intermediaryonline.com) (for Intermediary Online subscribers only);
2. in respect of a shareholder registered on the Company's Canadian register, prior to 8:00 pm (Toronto time) on Monday, July 27, 2020, by mail to Computershare Investor Services Inc., at 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1 or by facsimile at +1 866 249 7775.

### Revocation of Proxies

A shareholder executing and delivering a form of proxy has the power to revoke it in accordance with the provisions of the *Corporations Act 2001 (Cth)* (the "**Corporations Act (Australia)**"), which provides that every proxy may be revoked by an instrument in writing executed by the shareholder or by his or her attorney authorized in writing and delivered either to the registered office of the Company at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof at which the proxy is to be used, or to the Chairman of the Meeting on the day of the Meeting or any adjournment thereof, or in any other manner permitted by law.

### Voting of Proxies

**The form of proxy accompanying this Explanatory Statement and Management Information Circular confers discretionary authority upon the proxy with respect to any amendments or variations to the matters identified in the Notice and any other matters that may properly come before the Meeting.** At the time of printing this Explanatory Statement and Management Information Circular, management knows of no such amendment, variation or other matter.

Shareholders must mark the boxes directing its proxy how to vote. **If no voting instructions are indicated on the form of proxy, the proxy may vote as they choose subject to relevant laws.**

The Shares represented by the form of proxy will be voted in accordance with the instructions of the Shareholder on any ballot that may be conducted at the Meeting, or at any adjournment thereof, and if the Shareholder specifies a choice with respect to any matter acted upon, the Shares will be voted accordingly.

## VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

### Description of Share Capital

The Company is authorized to issue an unlimited number of Shares. Each Share entitles the holder of record thereof to one vote per Share at all meetings of the shareholders of the Company subject to certain exclusion of votes described in the Notice and Explanatory Statement. As at the close of business on June 19, 2020, there were 825,174,855 Ordinary Shares are issued and outstanding.

### Record Date

The Board has fixed March 28, 2019 as the record date for the determination of the shareholders of the Company entitled to receive the Notice and March 28, 2019 as the record date for the determination of the shareholders of the Company entitled to vote at the Meeting.

### Ownership of Securities of the Company

As at June 19, 2020, to the knowledge of the directors and executive officers of the Company, no person or Company beneficially owned, or controlled or directed, directly or indirectly, voting securities of the Company carrying 10% or more of the voting rights attached to any class of voting securities of the Company except as stated below:

<u>Name</u>	<u>Designation of Class</u>	<u>Type of Ownership</u>	<u>Number</u>	<u>Percentage of Issued and Outstanding</u>
Asia Capital and Advisers Pte Ltd ("ACA") <sup>(1)</sup>	Ordinary Shares	Registered	170,190,851	20.67%

Note:

- (1) ACA, as fund manager, exercises control over two investment entities which are direct shareholders of the Company, as follows: (i) CAAF Limited, the entity which beneficially owns, directly, 96,758,986 Ordinary Shares; and (ii) Copper Plate Success Limited, the entity which beneficially owns, directly, 73,431,865 Ordinary Shares. The majority beneficial shareholder of Copper Plate Success Limited is Francis Andrew Rozario. The settlor of CAAF Limited is Francis Andrew Rozario.

## PARTICULARS OF MATTERS TO BE ACTED UPON

For a detailed description of the matters to be acted upon, namely (a) presentation of the financial statements; (b) election of Colin Moorhead, Dr. Andrew Stewart, and Michele Muscillo; (c) ratification of prior issue of placement shares – January 2020; (d) ratification of prior issue of placement shares – May 2020; (e) adoption of new constitution; (f) approval of proportional takeover provisions; (g) adoption of remuneration report; (h) adoption of employee share and option plan; and (i) grant of options to each of Colin Moorhead, Michele Muscillo, Dr. Andrew Stewart and Gunbayar Lkhagvasuren, please refer to the Explanatory Statement included with this Management Information Circular and to "Election of Directors" herein.

Ernst & Young has been the auditor of the Company since 2008.

### Election of Directors

For more information concerning the election of directors, please refer to the attached Explanatory Statement.

The board of directors of the Company (the "Board") currently consists of four (4) directors. The following table provides the name, municipality of residence, positions held with the Company, number of securities

beneficially owned or controlled or directed and principal occupation during the preceding five years of each of the directors and proposed directors of the Company.

Name and Place of Residence	Position with the Company	Principal Occupation	Director and/or Officer Since	Number of Ordinary Shares Held (Percentage Held)
<i>Colin Moorhead</i> <sup>(1)(*)</sup> Victoria, Australia	Independent, Non-Executive Chairman	Mining industry executive with 30+ years experience. Former roles include CEO Merdeka Copper Gold, President AusIMM, Executive General Manager Minerals at Newcrest Mining	November 29, 2019	1,000,000 (0.12%)
<i>Dr Andrew Stewart</i> <sup>(*)</sup> Ulaanbaatar, Mongolia	Executive Director and CEO	Exploration Manager, Xanadu Mines Ltd	October 1, 2019 (Executive Director) March 3, 2016 (CEO)	4,931,292 (0.60%)
<i>Ganbayar Lkhagvasuren</i> <sup>(3)</sup> Ulaanbaatar, Mongolia	Executive Director	Director, Xanadu Explorations Mongolia LLC; and Director, Xanadu Mines Mongolia LLC	August 2, 2005	16,558,329 (2.01%)
<i>Michele Muscillo</i> <sup>(1)(2)</sup> Queensland, Australia	Independent Non-Executive Director	Partner, HopgoodGanim Lawyers; Non-Executive Director, Cardinal Resources Limited since November 2016; Non-Executive Director, Aeris Resources Limited since May 2013. Non-Executive Director, Mako Gold Limited since April 2017	August 14, 2017	59,441 (0.01%)

Notes:

- (1) Member of the Audit and Risk Committee. Chair of the Audit and Risk Committee is Michele Muscillo.
- (2) Member the Nomination and Remuneration Committee. Chair of the Nomination and Remuneration Committee is Michele Muscillo.
- (3) Member of the Safety, Health and Environment Committee. Chair of the Safety, Health and Environment Committee is Andrew Stewart.
- (4) The information as to principal occupation has been furnished by each director and/or officer individually.
- (5) Includes direct and indirect interests of the directors and their related entities.

Directors of the Company have a fixed term of office of three years. Pursuant to the Company's constating documents, each director of the Company, other than the Managing Director, must retire from office at the end of the third annual general meeting following such director's last appointment or three years, whichever is longer. Any director appointed by the Board to fill a casual vacancy during the year will hold office until the conclusion of the next annual general meeting of the Company but is eligible for election at such meeting. The term of the Company's Managing Director expires at the discretion of the Company's directors, in accordance with his employment contract. The Company qualifies as an "Interlisted International Issuer" within the meaning of the TSX Company Manual. The Company has applied for, and obtained, pursuant to Section 401.1 of the TSX Company Manual, an exemption from the director election requirements set forth in Sections 461.1 to 461.4 of the TSX Company Manual.

Other than as set out below, none of the nominees for election as a director of the Company is, as at the date hereof, or has been, within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including the Company) that:

- (a) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a

period of more than 30 consecutive days, that was issued while the person was acting in the capacity as director, chief executive officer or chief financial officer; or

- (b) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the person ceased to be a director, chief executive officer or chief financial officer, and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Other than as set out below, none of the nominees for election as a director of the Company:

- (a) is, as at the date hereof, or has been, within 10 years before the date hereof, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of such person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such person; or
- (c) has been subject to (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority, or has entered into a settlement agreement with a securities regulatory authority, or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

#### **OTHER MATTERS WHICH MAY COME BEFORE THE MEETING**

Management of the Company knows of no matters to come before the Meeting other than as set forth in the Notice. However, if other matters, which are not known to management, should properly come before the Meeting, the accompanying proxy will be voted on such matters in accordance with the best judgment of the persons voting the proxy.

#### **STATEMENT OF EXECUTIVE COMPENSATION**

##### ***Compensation Discussion and Analysis***

The following discussion describes the significant elements of the Company's executive compensation, with particular emphasis on the process for determining compensation payable to the Company's "Named Executive Officers" or "NEOs" for the 2019 financial year, which means each of the following individuals: (i) each individual who, in respect of the Company, during any part of the 2019 financial year, served as the CEO, including an individual performing functions similar to a CEO; (ii) each individual who, in respect of the Company, during any part of the 2019 financial year, served as the CFO, including an individual performing functions similar to a CFO; (iii) in respect of the Company, the most highly compensated executive officer than the individuals identified in paragraphs (i) and (ii) at the end of the 2019 financial year whose total compensation was more than C\$150,000; and (iv) each individual who would be an NEO under (iii) but for the fact that the individual was neither an executive officer of the Company, nor acting in a similar capacity, at the end of that financial year. For the purposes of this section, the only NEOs of the Company are: Dr Andrew Stewart, Executive Director and CEO; Spencer Cole, CFO, Munkhsaikhan Dambiinyam, former CFO and current COO; Ganbayar Lkhagvasuren, Executive Director; and Mathew Brown, Chief Geologist.

## Compensation Objectives

Details regarding the Company's compensation objectives and principles are set out below:

### ***Principles used to Determine the Nature and Amount of Remuneration***

The Company's remuneration philosophy is to ensure that the level and composition of remuneration is competitive, reasonable and appropriate to attract, retain and motivate the directors and employees with the skills required to deliver on the Company's strategy. The Company recognizes the importance of its employees and teamwork. The Company recognizes the following as important attributes that have an impact of the success of the Company:

- exploration and safety excellence, dedication and persistence;
- understanding of Mongolia and a strong national team;
- ability to communicate exploration success in the public markets to attract capital and increase shareholder value; and
- adherence to sound corporate governance principles.

When considering remuneration matters, the Nomination and Remuneration Committee reviews and recommends to the Board on matters of remuneration policy, specific recommendations in relation to senior management and all matters concerning equity plans and awards.

### ***Executive Remuneration***

The Company awards up to three of the following categories of remuneration to reward its executives, depending on their role and responsibility of such executive in respect of the Company:

- Total fixed remuneration ("**TFR**");
- Short-term incentive ("**STI**"); and
- Long-term incentives ("**LTI**").

The remuneration mix consists of fixed and variable or "at-risk" pay and of short and longer-term rewards.

#### Total Fixed Remuneration

TFR comprises a base salary plus any relevant allowances and statutory contributions that the Company is legally required to make in the local jurisdiction. TFR is set with reference to market data and will reflect the scope of the role and the size and activities of the Company. See "*Executive Compensation – Compensation Methodology – Market Data*".

TFR is reviewed annually as part of the performance appraisals undertaken in the fourth quarter of the year (prior to finalization of the following year's budget).

Within Mongolia the term net and gross TFR is used. Net TFR is fixed remuneration net of all taxes including personal income tax ("**PIT**") and social insurance tax ("**SIT**") and the Company is responsible for paying all PIT and SIT taxes as it relates to its employees. Gross TFR includes PIT but excludes employer SIT. Within Australia, the term TFR is inclusive of personal income tax but excludes payroll tax.

#### Variable or At-Risk Incentive Remuneration

It is the Board's policy to deliver at-risk incentive remuneration to employees as both an STI and an LTI. The payment of STIs and LTIs are linked to achievement of agreed performance measures and establishes a variable remuneration arrangement that links short and long term performance with short and longer term rewards.

Any equity award granted by the Company as remuneration is governed by the Company's equity incentive plan (the "**Equity Incentive Plan**"). The Equity Incentive Plan permits the granting of various types of

awards to its employees, including Options and Share Rights. The issue of securities under the Equity Incentive Plan is subject to the Company's Securities Trading Policy. Shares issued may be acquired on-market, transferred or issued from the capital of the Company.

The Equity Incentive Plan was initially approved by shareholders of the Company at the 2013 annual general meeting of the Company and was reapproved at the 2016 annual general meeting of the Company. Any equity awards granted to a director of the Company pursuant to the Equity Incentive Plan will be subject to shareholder approval.

#### Short Term Incentive ("STI")

The Company has established awards that are STIs in order to: (i) focus employees on the achievements of annual key safety, financial and business targets that the Board believes will lead to sustained and improved business performance; and (ii) reward and recognise superior performance, if achieved.

The incentives that the Company offers as STIs varies depending upon individual performance relative to key performance indicators ("KPIs") and any discretion employed by the Board. KPIs for the Non-Executive Chairman (for the relevant period), Executive Director and CEO and any direct reports of the Executive Director and CEO are approved by the Board upon recommendation from the Nomination and Remuneration Committee. KPIs for all other employees are approved by the Executive Director and CEO. Depending on the individual's position, KPIs will include a range of metrics including health and safety, exploration results, corporate governance, financial stewardship, risk management, business development and leadership. Payment of STIs can be cash or shares which is also at the discretion of the Board.

#### Long Term Incentive ("LTI")

The Board believes that an appropriately designed LTI is an important component of the Company's remuneration arrangements. The Company believes that its ability to award LTIs allows the Company to attract and retain talented directors, executives and managers and encourages the interest of its executives to align with the Company's shareholders and the creation of long-term shareholder value.

The Board's policy is to design equity style awards as LTIs which are directly linked to achieving Xanadu strategic objectives. The vesting of an LTI award is dependent on both the achievement of longer term objectives and on service during the performance period.

#### Total Reward Mix - Executives

As a guide, the proportion of remuneration attributable to each component of the Xanadu remuneration philosophy is dependent on the level of seniority of the employee.

The target total reward mix on average is as follows:

	<b>Total Fixed Remuneration (%)</b>	<b>STI (% of TFR)</b>	<b>LTI (% of TFR)</b>
Executive Director and CEO and Executive Director	100	50	300
Direct Reports of the Executive Director and CEO	100	30	200

The breakdown of STIs and LTIs as a percentage of TFR as set out above represent the maximum mix of remuneration payable. The actual mix of STIs and LTIs paid depends on individual circumstances, legacy contracts and other benefits associated with expatriate allowances. The value of equity based awards is determined at the time of grant using industry standard valuation techniques.



### ***Non-Executive Remuneration***

The aggregate cash remuneration payable to Non-Executive Directors shall not exceed the maximum amount of A\$350,000 as approved at the 2010 AGM. The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable by shareholders. Non-Executive Directors may also participate in the Equity Incentive Plan if participation is approved by shareholders.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers fees paid and securities issued to Non-Executive Directors of comparable companies when undertaking the annual review as well as the time commitment of directors in discharging duties at Board, committee work and any additional assistance provided to the Company. Currently, the Non-Executive Director base fee is equal to A\$52,000 per annum and a committee Chairman receives A\$4,000 per annum per committee. The Independent Non-Executive Chairman of the Board receives a fee equal to A\$120,000 per annum. Although Stephen Motteram was a Non-Executive Director of the Company for the majority of the year, he did not receive the Non-Executive Director base fee as he was an employee of Noble Resources.

Non-Executive Directors are encouraged by the Board to hold Ordinary Shares purchased in the market in accordance with the Company's Securities Trading Policy. The Board considers that by holding Ordinary Shares, the Non-Executive Directors are aligning themselves with the best interests of the Company's shareholders.

### **Compensation Governance**

The Company has established a standing committee of the Board called the nomination and remuneration committee (the "**Nomination and Remuneration Committee**") (formerly referred to as the Governance Committee) that meets periodically and is responsible for, among other things, assisting the Board in fulfilling its corporate governance responsibilities in regard to remuneration-related matters.

Without limiting its scope, the Nomination and Remuneration Committee is responsible for:

- reviewing and making recommendations to the Board on the remuneration framework for Non-Executive Directors and Executive Directors;
- reviewing senior executive performance and any performance-related incentive recommendations, including the compensation of the Executive Director and CEO, CFO and the other NEOs;
- reviewing and recommending to the Board any awards under the Equity Incentive Plan;
- reviewing and recommending to the Board, employment terms and conditions for Non-Executive Directors and senior executives;
- recommending to the Board the remuneration packages of senior executives including any Executive Directors. Such packages may include a mix of fixed, performance-based and equity-based remuneration;
- establishing the Company's recruitment, retention and termination policies and procedures for senior management;
- reviewing the performance of senior executives;
- reviewing trends in management compensation and, when necessary, recommending to the Board the revision of incentive plans; and
- reviewing periodic reports from management on matters relating to Xanadu's personnel appointments and practices.

The Nomination and Remuneration Committee is comprised of Michele Muscillo and Colin Moorhead. Michele Muscillo is the Chair of the Nomination and Remuneration Committee. Both members of the Nomination and Remuneration Committee are independent as defined under National Instrument 58-101 – "*Disclosure of Corporate Governance Practice*" ("**NI 58-101**"). The direct experience of each of the members of the Nomination and Remuneration Committee that is relevant to their responsibilities in executive compensation is described in further detail below.

Mr Muscillo is a qualified practicing lawyer in Australia specialising in, amongst other matters, corporate governance for listed entities. As part of this role, Mr Muscillo has assisted a variety of entities to develop and implement governance structures to set, monitor and evaluate appropriate remuneration practices for listed companies. Additionally, Mr Muscillo has previously, in his capacity as chairman or member of remuneration committees (and boards of directors generally), been actively involved in the setting and reviewing of executive compensation for listed companies.

Mr Moorhead is a trained geologist, a mining industry executive and Non-Executive Director of multiple listed mining companies. He has also served on the Board and as President of AusIMM, the peak body for professionals in the resources sector in Australasia. As a Chairman and Non-Executive Director, Mr Moorhead has industry specific experience setting governance and compensation structures for mining executives.

The Board recognizes the significance of appointing independent, knowledgeable and experienced individuals to the Nomination and Remuneration Committee who have the necessary background in executive compensation and risk management to fulfill the Nomination and Remuneration Committee's duties and responsibilities. All members of the Nomination and Remuneration Committee enjoy extensive experience in these areas through their prior and current function and implication with other organizations.

### **Compensation Methodology**

The Company expects the Board will review and approve recommendations from the Nomination and Remuneration Committee regarding salaries, annual bonuses and equity incentive compensation for the NEOs and approve corporate goals and objectives relevant to their respective compensation. The Nomination and Remuneration Committee will use discretion and judgment when determining compensation levels as they apply to a specific executive officer.

Individual compensation may be based on individual qualifications and skills, level of responsibility of the position, the compensation terms which may be required to attract an executive of equivalent experience to join the Board from another company or any other criteria deemed important by the Nomination and Remuneration Committee. In order to meet the Company's objectives, the Nomination and Remuneration Committee will be guided by:

- providing executives with an equity-based incentive plan, namely the Equity Incentive Plan;
- aligning employee compensation with the Company's corporate objectives; and
- attracting and retaining highly-qualified individuals in key positions.

The Nomination and Remuneration Committee, in having regard to compensation to be offered to the Board, the CEO and the Company's other executives, will:

- review the competitiveness of the Company's executive compensation programmes to ensure that:
  - the programmes are attractive, with a view to ensuring the retention of corporate officers;
  - the motivation of corporate officers to achieve the Company's business objectives;
  - the alignment of the interests of key leadership with the long term interests of the Company's shareholders;
- consider and make recommendations to the Board on the entire specific remuneration for each individual of management (including fixed pay, incentive payments, equity awards, retirement rights, service contracts) having regard to the executive remuneration policy;
- design the remuneration policy in such a way that it:
  - motivates directors and management to pursue the long-term growth and success of the Company within an appropriate control framework; and
- demonstrates a clear relationship between key executive performance and remuneration; and
- ensure that:
  - the remuneration offered is in accordance with prevailing market conditions, and that exceptional circumstances are taken into consideration;
  - contract provisions reflect market practice; and
  - targets and incentives are based on realistic performance criteria.

**Market Data**

The Nomination and Remuneration Committee reviews the Company's compensation structure and levels relative to a peer group of companies, including fixed remuneration, variable remuneration, actual total remuneration, maximum remuneration and maximum variable % of fixed remuneration for each NEO (save for the Chief Geologist), Executive Director and Non-Executive Director and according to position title, organizational role and overall scope of responsibility. In making its recommendations, the Nomination and Remuneration Committee relies on third party compensation reports which discuss a basket of comparative companies, in order to canvass market data. The 2019 peer group reviewed by the Nomination and Remuneration Committee in making its recommendations to the Board included the 16 ASX and/or TSX-listed mining companies listed in the table below with which the Company competes for executive talent and which the Company sees as its best comparables in order to ensure the Company remains competitive in attracting, motivating, and retaining highly qualified and experienced executives. Companies were selected for inclusion in the peer group based on various factors, including company size, geographic location, market capitalization, asset composition, degree of complexity and stage of operations:

**2019 Peer Group**

Antipa Minerals	Capricorn Metals	MOD Resources	Orion Minerals
Arafura Resources	Dome Gold Mines	Myanmar Metals	Poseidon Nickel
Ardea Resources	Geopacific Resources	Nzuri Copper	Sunstone Metals
Bassari Resources	Kingsgate Consolidated	Oklo Resources	Titan Minerals

**Risk Management**

The Nomination and Remuneration Committee has reviewed the practices the Company uses to identify and mitigate compensation policies and practices that could create or incentivize any inappropriate or excessive risk-taking by executive officers.

**Components of the Compensation Program**

Non-Executive Directors are paid fees from an aggregate sum approved by shareholders of the Company. Non-Executive Directors are remunerated at a fixed fee for time, commitment and responsibilities and their remuneration is not linked to the operating performance of the Company. From time to time and where appropriate, the Company may issue equity awards to Non-Executive Directors subject to shareholder approval.

Pay and rewards for Executive Directors and senior executives consists of a base salary and performance incentives. Long term performance incentives are delivered via Share Rights granted at the discretion of the Board and subject to obtaining the relevant approvals. Executives are offered a competitive level of total remuneration at market rates and these are reviewed annually to ensure market competitiveness.

The compensation package for NEOs is primarily comprised of three main elements: a base salary, long-term incentive compensation and benefits. Each element of compensation is described in more detail below. All salaries, salary increases and share-based compensation for the NEOs are reviewed, considered and approved by the Nomination and Remuneration Committee and, in turn, the Board. The mix of pay and the weighting of short-term and long-term incentives reflects the NEOs' position and his or her ability to impact the short-term and long-term performance of the Company. For this purpose, the Board takes into account compensation paid by other companies which Xanadu deems to be comparable.

**Base Salary**

Base salary is the fixed component of total direct compensation for the NEOs, and is intended to attract and retain executives, providing a competitive amount of income certainty. The actual base salaries of the NEOs reflect numerous factors relevant to the discharge of their duties, including the complexity of their respective roles, the amount of applicable industry experience, the function their respective roles play in

the Company's corporate development and the need to attract and retain talented individuals. Base salaries are reviewed and set with reference to market data and will reflect the scope and role and the size and activities of the Company as well as individual contribution and performance. The Nomination and Remuneration Committee also reviews third party compensation reports in making its recommendations.

See "*Executive Compensation – Compensation Methodology – Market Data*".

### ***Long-Term Incentive Compensation***

The Company understands that the establishment of a balance between short and long-term compensation is essential for the Company's sustained performance, including its ability to attract, motivate and retain a pool of talented executives in a very competitive employment market as well as to ensure a proper alignment of the Named Executives' interests with those of shareholders. As of the date of this Management Information Circular, 20,000,000 Share Rights have been issued under the Equity Incentive Plan, of which, 16,000,000 were granted to directors of the Company, which was approved by shareholders at an extraordinary general meeting on November 16, 2017. These Share Rights represent an Equity Compensation Plan that has expired and will be replaced with a new Plan, subject to approval at the Annual General Meeting. See "*Long-Term Incentive Plans*".

The long-term compensation plan of the Company is comprised of the Equity Incentive Plan, which is designed to align participants' interests with those of the shareholders of the Company. The establishment of a balance between short and long-term compensation is essential for the Company's sustained performance, including its ability to attract, motivate and retain a pool of talented executives in a very competitive employment market as well as to ensure a proper alignment of the NEOs' interests with those of shareholders. The Board will not award incentives under long-term incentive plans using a prescribed formula or target. Instead, the Board will take into account the individual's position, scope of responsibility, ability to affect profits and the individual's historic and recent performance and the value of the awards in relation to other elements of the NEOs' total compensation. See "*Long-Term Incentive Plans*".

### ***Benefits***

There are no retirement schemes for Non-Executive Directors and Executive Directors, other than superannuation. Contributions payable for the year are charged to the statement of comprehensive income. Other than where noted below in "*Employment Agreements and Potential Payments upon Termination*", payments to NEOs are inclusive of retirement (superannuation) payments.

The Company makes payments in accordance with applicable legislation (i.e., Australian legislation) and does not operate a defined contribution plan. However, the Company makes superannuation payments. The effect of the payments made by the Company pursuant to such legislation is similar to that of a defined contribution plan.

### ***Non-Executive Director Remuneration Policy***

The Non-Executive Director Remuneration Policy seeks to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The executive directors, in consultation with independent advisors, determine payments to non-executive directors and review their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting and is currently A\$350,000 per annum, as approved at the 2010 AGM. Fees for independent non-executive directors are not linked to the performance of the Company. To align directors' interests with shareholder interests, directors are encouraged to hold shares in the Company.

Except as detailed in this Explanatory Statement and Management Information Circular, no director has received or become entitled to receive, during or since the financial year end, a benefit because of a contract made by the Company or a related body corporate with a director, a firm of which a director is a member

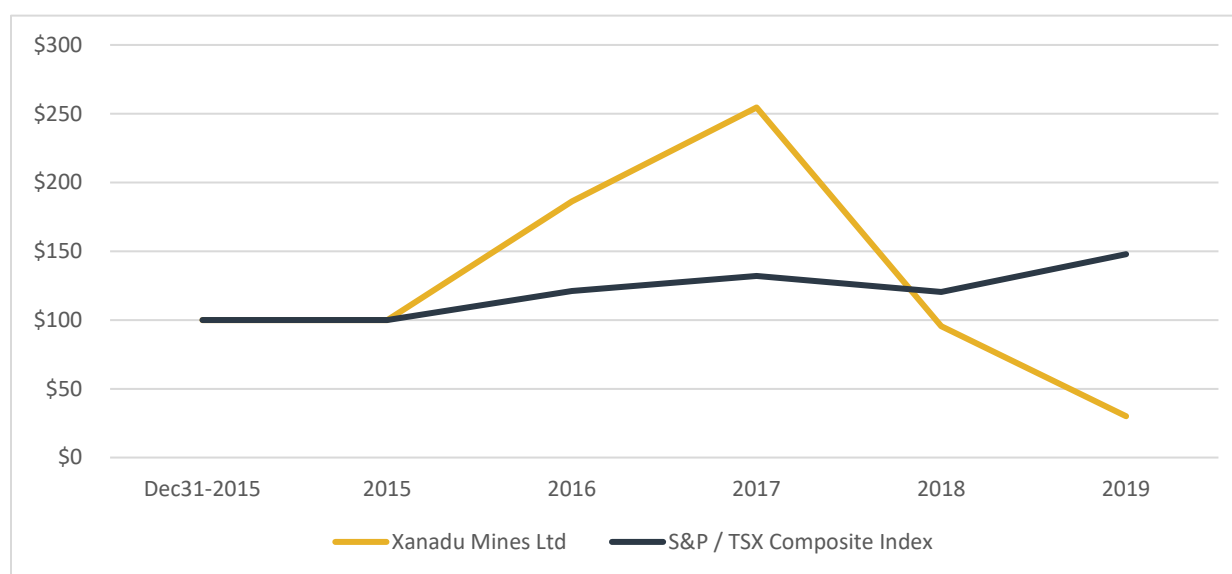
or an entity in which a director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors and shown in the Remuneration Report, prepared in accordance with the Company’s regulations, or the fixed salary of a full time employee of the Company.

During the financial year ended December 31, 2019, the Company granted Nil stock options to non-executive directors.

In addition, non-executive directors of the Company are entitled to receive compensation to the extent that they provide services (other than in their capacity as a director) to the Company at rates that would be charged by such directors for such services to arm’s length parties. In addition to director fees, Kevin Tomlinson was paid A\$31,200 for services above his non-executive director compensation, during the year ended December 31, 2019. HopgoodGanim of which Michele Muscillo is a partner, provided legal services to the Company for the year ended December 31, 2019 of A\$24,825 in relation to the Company’s listing on the TSX and A\$29,023 for other legal services.

**Performance Graph**

The following graph compares the total cumulative shareholder return for CDN\$100 invested in the Company on the ASX at December 31, 2015 with the cumulative total return on a \$100 investment in the S&P/TSX Composite Total Return Index for the five most recently completed financial years.



**Five Year Total Shareholder Return on CDN \$100 Investment**

	December 31				
	2015	2016	2017	2018	2019
Xanadu Mines Ltd	\$100	\$186	\$255	\$95	\$30
S&P/TSX Composite Total Return Index	\$100	\$121	\$132	\$120	\$148

The Nomination and Remuneration Committee and the Board generally evaluate performance by reference to the achievement of corporate objectives rather than by short-term changes in the Company’s Share price, which, in the past, has typically been significantly influenced by overall economic, market and industry conditions. The Company does not link executive compensation with changes in the Company’s Share price.

## NEO Summary Compensation Table

The following table sets forth a summary of the compensation paid for each of the Company's three most recently completed financial years for each NEO. Amounts included have been converted from Australian dollars to Canadian dollars at 0.9649 AUD/CAD exchange.

Name and Principal Position	Fiscal Year	Salary (C\$)	Share-Based Awards <sup>(1)</sup> (C\$)	Option-Based Awards (C\$)	Non-Equity Incentive Plan Compensation		Pension Value (C\$) <sup>(7)</sup>	All Other Compensation (C\$)	Total Compensation (C\$)
					Annual Incentive Plans (C\$)	Long-Term Incentive Plans (C\$)			
<i>Dr Andrew Stewart</i> Executive Director and CEO	2019	380,426	49,914	-	118,063 <sup>(4)</sup>	-	4,404	56,570 <sup>(4)</sup>	609,378
	2018	374,638	618,846	-	125,173 <sup>(2)</sup>	-	-	59,655 <sup>(3)</sup>	1,178,312
	2017	364,896	151,887	-	70,314 <sup>(3)</sup>	-	-	67,924 <sup>(2)</sup>	655,021
<i>Spencer Cole</i> CFO <sup>(5)</sup>	2019	N/A	N/A	-	N/A	-	-	-	N/A
	2018	N/A	N/A	-	N/A	-	-	-	N/A
	2017	N/A	N/A	-	N/A	-	-	-	N/A
<i>Munkhsaikhan Dambiinyam</i> <sup>(6)</sup> COO Former CFO	2019	231,807	7,709	-	48,754	-	-	-	288,270
	2018	188,496	100,878	-	33,101	-	-	-	322,475
	2017	147,089	12,990	-	20,630	-	-	-	180,709
<i>Ganbayar Lkhagvasuren</i> Executive Director	2019	367,836	35,638	-	75,734	-	-	-	479,208
	2018	295,802	365,422	-	45,848	-	-	-	707,072
	2017	218,513	67,883	-	34,446	-	-	-	320,842
<i>Mathew Brown</i> Chief Geologist <sup>(8)</sup>	2019	NA	NA	-	NA	-	-	-	NA
	2018	178,271	100,878	-	32,538	-	-	-	311,688
	2017	212,278	12,990	-	-	-	-	-	225,268

## Notes:

- (1) The performance rights have been valued based on the market price of the underlying Ordinary Share. In accordance with the requirements of IFRS, a discount has been applied to the value of the performance rights at the grant date to account for the possibility of not meeting the performance conditions.
- (2) Represents A\$37,782 in housing allowance and A\$30,142 in tuition support for two children at International School of Ulaanbaatar.
- (3) Represents A\$38,763 in housing allowance and A\$21,873 in tuition support.
- (4) Represents A\$28,509 in housing allowance and A\$30,119 in tuition support until Mr Stewart's relocation to Australia, with new Australia based contract effective October 2019.
- (5) Spencer Cole was appointed CFO on June 1, 2020.
- (6) Munksaikhan Dambiinyam served as CFO from May 2018 through May 2020. He was appointed Chief Operating Officer effective June 1, 2020.
- (7) Represents the compulsory 9.5% superannuation contributions payable by the Company under Australian law to any eligible employee that is an Australian tax resident who is employed directly by the Company (instead of by way of an interposed entity).
- (8) Mat Brown ceased to be a full time employee on September 30, 2018 and now supports Xanadu in a part time capacity.

**NEO Incentive Plan Awards – Outstanding Share-Based Awards and Option-Based Awards**

The following table sets forth information with respect to the share-based and option-based awards that have been granted to the NEOs and that were outstanding as of December 31, 2019. Amounts included have been converted from Australian dollars to Canadian dollars at 0.9649 AUD/CAD exchange.

Name and Principal Position	Option-Based Awards				Share-Based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (C\$)	Operation Expiration Date (C\$)	Value of Exercised In-the-Money Options (#)	Number of Ordinary Shares that have not vested <sup>(3)</sup>	Market or payout value of share-based awards that have not vested (C\$)	Market or payout value of vested share-based awards not paid out or distributed (C\$)
<i>Dr Andrew Stewart</i> Executive Director and CEO		-	-	-	7,000,000	520,081	-
<i>Spencer Cole</i> <sup>(1)</sup> CFO		-	-	-	-	-	-
<i>Munkhsaikhan Dambiinyam</i> <sup>(2)</sup> COO Former CFO		-	-	-	2,000,000	104,209	-
<i>Ganbayar Lkhagvasuren</i> Executive Director		-	-	-	4,000,000	208,418	-
<i>Mathew Brown</i> Chief Geologist		-	-	-	2,000,000	104,209	-

Notes:

- (1) Spencer Cole was appointed CFO on June 1, 2020.
- (2) Munkhsaikhan Dambiinyam served as CFO from May 2018 through May 2020. He was appointed Chief Operating Officer effective June 1, 2020.
- (3) Share rights expired in 2019 and have lapsed.

The following table sets forth information with respect to option-based and share-based awards and for non-Equity Incentive Plan compensation for each NEO during the financial year ended December 31, 2019.

	Option-based awards Value vested during the year (C\$)	Share-based awards Value vested during the year (C\$)	Non-Equity Incentive Plan compensation Value vested during the year (C\$)
<i>Dr Andrew Stewart</i> Executive Director and CEO	-	-	118,063
<i>Spencer Cole</i> <sup>(1)</sup> CFO	-	-	-
<i>Munkhsaikhan Dambiinyam</i> <sup>(2)</sup> COO / Former CFO	-	-	48,754
<i>Ganbayar Lkhagvasuren</i> Executive Director	-	-	75,734
<i>Mathew Brown</i> Chief Geologist	-	-	-

Notes:

- (1) Spencer Cole was appointed CFO on June 1, 2020.
- (2) Munkhsaikhan Dambiinyam served as CFO from May 2018 through May 2020. He was appointed Chief Operating Officer effective June 1, 2020.

**Director Summary Compensation Table**

The table below reflects compensation that was paid to non-NEO directors for the fiscal years ended December 31, 2019, 2018 and 2017. Amounts included have been converted from Australian dollars to Canadian dollars at 0.9649 AUD/CAD exchange.

Name and Principal Position	Fiscal Year	Salary (C\$)	Share-Based Awards <sup>(1)</sup> (C\$)	Option-Based Awards (C\$)	Non-Equity Incentive Plan Compensation		Pension Value <sup>(2)</sup> (C\$)	All Other Compensation (C\$)	Total Compensation (C\$)
					Annual Incentive Plans (C\$)	Long-Term Incentive Plans (C\$)			
<i>Colin Moorhead</i> <sup>(3)</sup> Non-Executive Chairman	2019	8,811	-	-	-	-	838	-	9,649
	2018	N/A	N/A	-	-	-	-	-	N/A
	2017	N/A	N/A	-	-	-	-	-	N/A
<i>Kevin Tomlinson</i> <sup>(4)</sup> Former Non-Executive Chairman	2019	38,596	(330,314)	-	-	-	-	-	(291,718)
	2018	137,722	265,220	-	-	-	-	-	402,942
	2017	95,441	65,094	-	-	-	-	-	160,535
<i>Hannah Badenach</i> <sup>(5)</sup> Former Director	2019	-	-	-	-	-	-	-	-
	2018	-	-	-	-	-	-	-	-
	2017	-	-	-	-	-	-	-	-
<i>Dr Darryl Clark</i> <sup>(6)</sup> Former Director	2019	45,235	10,812	-	-	-	4,298	-	60,344
	2018	52,794	93,207	-	-	-	1,562	-	147,563
	2017	54,034	13,217	-	-	-	-	-	67,252
<i>Marcus Engelbrecht</i> <sup>(4)</sup> Former Director	2019	15,274	-	-	-	-	1,451	-	16,726
	2018	46,409	-	-	-	-	4,409	-	50,817
	2017	49,347	18,139	-	-	-	4,687	-	72,174
<i>Stephen Motteram</i> <sup>(5)</sup> Former Director	2019			-	-	-	-	-	
	2018	N/A	N/A	-	-	-	-	-	N/A
	2017	N/A	N/A	-	-	-	-	-	N/A
<i>Michele Muscillo</i> <sup>(7)</sup> Non-Executive Director	2019	57,894	10,812	-	-	-	-	-	68,706
	2018	56,929	93,207	-	-	-	-	-	150,137
	2017	18,816	13,217	-	-	-	-	-	32,033

## Notes:

- (1) The performance rights have been valued based on the market price of the underlying Ordinary Share. In accordance with the requirements of IFRS, a discount has been applied to the value of the performance rights at the grant date to account for the possibility of not meeting the performance conditions.
- (2) Represents the compulsory 9.5% superannuation contributions payable by the Company under Australian law to any eligible employee that is an Australian tax resident who is employed directly by the Company (instead of by way of an interposed entity).
- (3) Mr Colin Moorhead was appointed Non-Executive Chairman of the Company on November 29, 2019.
- (4) Messrs Tomlinson and Engelbrecht resigned as directors on April 30, 2019 and forfeited share based payments.
- (5) Ms Badenach is an employee of Noble Resources and did not receive any compensation as Non-Executive Director of the Company during her term. Ms Badenach resigned as a director effective November 1, 2019 and Mr Stephen Motteram was appointed in her stead. Mr. Motteram resigned effective June 30, 2020.
- (6) Dr Daryl Clark resigned as a director effective November 29, 2019.
- (7) Mr Muscillo was appointed as Non-Executive Director of the Company on August 14, 2017.



**Director Incentive Plan Awards – Outstanding Share-Based Awards and Option-Based Awards**

The following table sets forth information with respect to the option-based awards that have been granted to the directors of the Company and that were outstanding as of December 31, 2019. Amounts included have been converted from Australian dollars to Canadian dollars at 0.9649 AUD/CAD exchange.

Name and Principal Position	Option-Based Awards				Share-Based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (C\$)	Operation Expiration Date	Value of Exercised In-the-Money Options (#)	Number of shares of units of shares that have not vested	Market or payout value of share-based awards that have not vested (C\$)	Market or payout value of vested share-based awards not paid out or distributed (C\$)
<i>Colin Moorhead</i> Non-Executive Chairman		-	-	-	-	-	-
<i>Kevin Tomlinson</i> Former Non-Executive Chairman		-	-	-	-	-	-
<i>Hannah Badenach</i> Former Director		-	-	-	-	-	-
<i>Dr Darryl Clark</i> Former Director		-	-	-	-	-	-
<i>Marcus Engelbrecht</i> Former Director		-	-	-	-	-	-
<i>Stephen Motteram</i> Former Director		-	-	-	-	-	-
<i>Michele Muscillo</i> Non-Executive Director		-	-	-	-	-	-

**Director Incentive Plan Awards – Value Vested or Earned During the Year**

The following table sets forth information with respect to option-based and share-based awards and for non-Equity Incentive Plan compensation for each director during the financial year ended December 31, 2019. Amounts included have been converted from Australian dollars to Canadian dollars at 0.9649 AUD/CAD exchange.

	Option-based awards Value vested during the year (C\$)	Share-based awards Value vested during the year (C\$)	Non-Equity Incentive Plan compensation Value vested during the year (C\$)
<i>Colin Moorhead</i> Non-Executive Chairman	-	-	-
<i>Kevin Tomlinson</i> Former Non-Executive Chairman	-	-	-
<i>Hannah Badenach</i> Former Director	-	-	-
<i>Dr Darryl Clark</i> Former Director	-	-	-
<i>Marcus Engelbrecht</i> Non-Executive Director	-	-	-
<i>Stephen Motteram</i> Former Director	-	-	-
<i>Michele Muscillo</i> Non-Executive Director	-	-	-

## NEO Employment and Consulting Agreements

Each of the NEOs has entered into an executive employment agreement with the Company, providing for the payment of base salary, specified cash bonuses, share options, and any entitlements to participate in the Company's standard benefits plan.

### ***Dr Andrew Stewart, Executive Director and CEO***

Dr Stewart's fixed remuneration, effective October 1, 2019, is an annual salary package of A\$365,000 including compulsory taxes and superannuation contributions. In the event of termination of Dr Stewart's employment other than in the case of misconduct, the executive must give a minimum of nine months' notice prior to termination, and the Company must give nine months' notice prior to termination. The Company may, at its discretion, provide Dr Stewart with payment of fixed remuneration in whole or in part in lieu of notice. For the avoidance of doubt, the Company's right to make such a payment does not give Dr Stewart any right to receive such a payment.

### ***Spencer Cole, CFO***

Mr Cole's fixed remuneration, effective June 1, 2020, is an annual salary package of A\$300,000 including compulsory taxes and superannuation contributions. In the event of termination of Mr Cole's employment other than in the case of misconduct, Mr Cole must give a minimum of six months' notice prior to termination, and the Company must give six months' notice prior to termination.

### ***Munkhsaikhan Dambiinyam, COO***

Mr Dambiinyam's fixed remuneration is an annual salary package of US\$167,000 including compulsory taxes and social insurance applicable as an employee in Mongolia. In the event of termination of Mr Dambiinyam's employment other than in the case of misconduct, Mr Dambiinyam must give a minimum of six months' notice prior to termination, and the Company must give six months' notice prior to termination.

### ***Ganbayar Lkhagvasuren, Executive Director***

Mr Lkhagvasuren's fixed remuneration is an annual salary package of US\$265,000 including compulsory taxes and social insurance applicable as an employee in Mongolia. In the event of Mr Lkhagvasuren's employment being terminated other than in the case of misconduct, Mr Lkhagvasuren must give a minimum of six months' notice prior to termination, and the Company must give nine months' notice prior to termination.

## Termination and Change of Control Benefits

The Company does not have in place any pension or retirement plan. The Company has not provided compensation, monetary or otherwise, during the preceding fiscal year, to any person who now acts or previously acted as a NEO of the Company in connection with or related to the retirement, termination or resignation of such person or as a result of change of control of the Company, its subsidiaries or affiliates. If a termination or change of control event had occurred on December 31, 2019, the incremental payments, payables and benefits that would have been payable to each of the NEOs would be as shown in the following table.

Name	Annual remuneration	Termination notice period (without cause)	Termination payment (without cause)	Termination compensation for change of control	Termination notice period for Prescribed Event or Material Change	Termination compensation for Prescribed Event or Material Change
<i>Dr Andrew Stewart</i> Executive Director and CEO	A\$365,000 (C\$352,189) <sup>(2, 4)</sup>	9 months	A\$273,750 (C\$264,141) <sup>(2)</sup>	US\$273,750 (C\$264,141) <sup>(2)</sup>	9 months	A\$273,750 (C\$264,141) <sup>(2)</sup>
<i>Spencer Cole</i> CFO	A\$300,000 (C\$289,470) <sup>(3)</sup>	6 months	A\$150,000 (C\$144,735)	A\$150,000 (C\$144,735)	6 months	A\$150,000 (C\$144,735)

Name	Annual remuneration	Termination notice period (without cause)	Termination payment (without cause)	Termination compensation for change of control	Termination notice period for Prescribed Event or Material Change	Termination compensation for Prescribed Event or Material Change
Munkhsaikhan Dambiinyam COO	US\$167,000 (C\$221,192) <sup>(1)</sup>	6 months	US\$83,500 (C\$110,596) <sup>(1)</sup>	US\$83,500 (C\$110,596) <sup>(1)</sup>	6 months	US\$83,500 (C\$110,596) <sup>(1)</sup>
Ganbayar Lkhagvasuren Executive Director	US\$265,000 (C\$350,993) <sup>(1)</sup>	9 months	US\$198,750 (C\$263,245) <sup>(1)</sup>	US\$198,750 (C\$263,245) <sup>(1)</sup>	9 months	US\$198,750 (C\$263,245) <sup>(1)</sup>

Notes:

- (1) USD amounts included have been converted to Canadian dollars at 1.324 USD/CAD exchange.
- (2) Australian dollar amounts have been converted to Canadian dollars at 0.9649 AUD/CAD exchange.
- (3) Effective June 1, 2020.
- (4) Effective October 1, 2019.

### **Long Term Incentive Plan**

The long-term compensation plan of the Company is comprised of an Equity Incentive Plan for employees, officers and directors, which is designed to align the interest of participants in the Equity Incentive Plan (the "**Participants**") with those of the shareholders of the Company.

The Board has the power and discretionary authority to determine the terms and conditions of any grants under the Equity Incentive Plan, including the individuals who will receive the grants, the term, the exercise price, the number of Ordinary Shares subject to each grant, the limitations or restrictions on vesting and exercisability of grants, acceleration of vesting or the waiver of forfeiture or other restrictions on awards, the form of consideration payable on exercise, whether grants will entitle the participant to receive dividend equivalents and the timing of the grants. The Nomination and Remuneration Committee will also have the power to establish award exercise procedures and procedures for payment of withholding tax obligations with cash.

### **Equity Incentive Plan**

The following is a summary of the principal terms of the Equity Incentive Plan. See also "*Executive Compensation – Components of the Compensation Program – Long-Term Incentive Compensation*".

#### **Purpose of the Equity Incentive Plan**

The Equity Incentive Plan is designed to create a direct link between compensation and shareholder value, reflected in delivery of Xanadu strategic objectives. It also means that a portion of the director and senior executive's emolument is "at-risk" and tied commensurately with Company performance. The principal purposes of the Equity Incentive Plan are as follows:

- to provide eligible persons with an incentive plan which recognises ongoing contribution to the achievement by the Company of its strategic goals thereby encouraging the mutual interdependence of the eligible persons and the Company;
- to establish an employee share scheme within the meaning of Division 83A of the *Income Tax Assessment Act 1997* (Australia) and Australian Securities and Investment Commission Class Order 14/1000 (as applicable) (to the extent the employee share scheme provisions of the *Income Tax Assessment Act 1997* (Australia) and ASIC Class Order 14/1000 may be applicable to current or future plans);
- to align the interests of the Participants with shareholders of the Company through the sharing of a personal interest in the future growth and development of the Company as represented in the price of the Company's ordinary fully paid shares;
- to encourage eligible persons to improve the performance of the Company and its total return to shareholders; and
- to provide a means of attracting and retaining skilled and experienced employees.

**Eligibility**

The Equity Incentive Plan is open to eligible persons, namely Non-Executive Directors, Executive Directors of the Company, employees, contractors, consultants and or any other person whom the Board determines to be eligible to participate in the Equity Incentive Plan from time to time (the "**Eligible Person**").

**Participation**

Each Eligible Person who acquires a legal or beneficial interest in Ordinary Shares, options or rights allocated under a plan (the "**Plan Interests**") (including the legal personal representative of the person) becomes a 'Participant' in respect of the Equity Incentive Plan.

**Invitation**

An offer by the Board to acquire a Plan Interest and become a Participant in the Equity Incentive Plan will be in such form and subject to such conditions as the Board determines. The invitation will specify the terms attaching to the offer, including each of the following (as applicable):

- the number or value of Plan Interests to which the invitation relates and/or the basis on which the number or value of Plan Interests to which the invitation relates is to be determined;
- the date the Plan Interests will be allotted and/or the basis on which the date on which the Plan Interests will be acquired is to be determined;
- the amount payable by an Eligible Person to acquire the Plan Interests and/or the basis on which the amount payable by the Eligible Person to acquire Plan Interests is to be determined;
- the period of time determined by the Board in relation to a Plan Interest (the "**Performance Period**"), if any;
- the conditions determined by the Board that must be satisfied within the Performance Period (the "**Performance Conditions**"), if any;
- the conditions determined by the Board at the time of offer of the Plan Interest that will result in forfeiture of the Plan Interest (the "**Forfeiture Conditions**");
- the restrictions determined by the Board at the time of the offer of the Equity incentive Plan that must be satisfied before the Plan Interest may be disposed by a Participant (the "**Disposal Restrictions**");
- the period commencing on the date of registration and expiring on the date as determined by the Board at the time of offer of the Plan Interest, such as satisfaction of the Disposal Restrictions;
- the price payable per Ordinary Share to exercise an Option or a Share Right;
- the date on which a Plan Interest lapses, or the date determined by a method of calculating when a Plan Interest lapses, as specified at the time of the offer; and
- any other matters required to be specified at the time of the offer by either the Corporations Act (Australia) or the official listing rules of the ASX and the TSX.

Acceptance of an invitation must be made in accordance with the instructions that accompany the invitation, or in any other way the Board determines.

The Board may only allow the participation of an Eligible Person where that Eligible Person continues to satisfy any relevant conditions imposed by the Board (which may include, without limitation that the Eligible Person continues to be an employee of the Company at the time of the grant of Plan Interests).

Nothing limits the Board's ability to treat the conduct of an Eligible Person in respect of an invitation (including the failure of an Eligible Person to lodge an election not to participate within the time specified in the instructions accompanying the invitation) as valid acceptance of that invitation under the terms and conditions of the Equity Incentive Plan.

**Term and Vesting**

Unless Forfeiture Conditions are triggered or the expiry date reached, Plan Interests remain subject to the terms and conditions of the Equity Incentive Plan until all applicable Performance Conditions and Disposal Restrictions are achieved.

Subject to the achievement of the vesting conditions described below, the Plan Interests (Zero Exercise Price Options or ZEPO) will vest and become exercisable and convert upon exercise of the Share Rights to Ordinary Shares on a one-for-one basis for nil financial consideration.

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 ~three 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 following requirements 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 (the "**Vesting Conditions**"):

- 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),

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"> <li>- Kharmagtai sale as an asset with &gt;1Bt JORC Mineral Resource Estimate</li> <li>- Xanadu company sale (or JV at least 30%) at &gt;5% premium to market</li> <li>- Kharmagtai JV, funding at least 50% through to PFS</li> </ul>

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.

<b>Name</b>	<b>NED Tranche A</b>	<b>NED Tranche B</b>	<b>NED Tranche C</b>
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.

***Rights of Participants***

If Options or Share Rights have been granted, upon vesting and exercise (as applicable), Participants will receive either a beneficial entitlement to Plan Shares (as such term is defined in the Equity Incentive Plan) (i.e., subject to Disposal Restrictions) or a legal and beneficial entitlement to Ordinary Shares (which are no longer held under the Equity Incentive Plan). Plan Shares will rank equally with Ordinary Shares in respect of dividends and voting entitlements.



In respect of a Share Right or Option, a Participant may not participate in:

- new issues of Ordinary Shares to shareholders;
  - bonus issues of Ordinary Shares or other securities to shareholders; or
  - any pro rata issue of Ordinary Shares or other securities pro rata to shareholders,
- unless the Option is exercised or the Share Right is converted into Ordinary Shares, in each case before the record date for the relevant issue.

The Company will apply for quotation on the official list of the ASX and the TSX of the Ordinary Shares issued upon exercise of an Option issued or a vested Share Right that vests under the Equity Incentive Plan. The Company will not seek official quotation by the ASX and the TSX of any Options or Share Rights.

In the event of a Control Event, the Board may in its discretion give written notice to Participants and deal with the Plan Interests by:

- converting Participants' Share Rights to Ordinary Shares whether or not all conditions have been met;
- permitting the exercise of some or all Options whether or not vesting conditions have been met; and/or
- removing any Disposal Restrictions attaching to Plan Shares.

### ***Insider Participation Limit***

Participants must comply with the Company's trading policy (including insider trading laws and restrictions) in relation to the sale of any Ordinary Shares acquired on vesting and/or exercise of a Share Right or Option.

### ***Cessation***

Unless the Board determines otherwise, either prior to or within three months of the date of cessation of employment, where a Participant ceases to be an employee of the Company, all unvested Plan Interests held by the Participant, or on the Participant's behalf, will lapse or be forfeited, as the case may be.

Where the Board exercises its discretion under the Equity Incentive Plan, it will give written notice to the Participant of its decision and the impact on the Participant's Plan Interests.

Where, in the opinion of the Board, a Participant acts fraudulently or dishonestly, or is in breach of his or her obligations to the Company, any: (i) unvested Plan Interests held by the Participant; (ii) vested but unexercised Options held by the Participant; and/or (iii) Plan Shares will lapse or are deemed to be forfeited (as the case may be) immediately, unless the Board determines otherwise.

### ***Assignability and Transferability***

Unless the Board determines otherwise, Plan Interests issued under the Equity Incentive Plan are not transferable or assignable.

### ***Administration***

The Equity Incentive Plan will be administered by the Board, which has an absolute discretion to determine appropriate procedures for its administration and resolve questions of fact or interpretation and formulate special terms and conditions (subject to any applicable ASX and TSX listing rules) in addition to those set out in the Equity Incentive Plan.

### ***Termination and Amendment Provisions***

The Equity Incentive Plan may be terminated or suspended at any time by the Board but any such suspension or termination will not affect nor prejudice rights of any Participant holding Plan Interests at that time. The Equity Incentive Plan may be amended at any time by the Board.

Subject to certain restrictions therein, the terms and conditions of the Equity Incentive Plan may be amended at any time and from time to time by the Board, in the Board's absolute unfettered discretion.

### **Financial Assistance**

Subject to the Corporations Act (Australia), the Company may (but is not obliged to) financially assist a person to acquire Plan Interests under the Equity Incentive Plan.

### **Change of Control Provisions**

If there is a Control Event, the Board may in its discretion give written notice to Participants of the Control Event and:

- convert all or any of the Participant's rights to shares whether or not the Performance Conditions have been met; and/or
- permit the exercise of some or all Options whether or not the vesting conditions have been met; and/or
- remove any Disposal Restrictions whether or not all requirements have been met.

### **Equity Compensation Plan Information**

The following table sets out information as of December 31, 2019 with respect to equity securities of the Company which have been and are authorised for issuance as compensation under the Equity Incentive Plan. As shown below, the previous Equity Compensation Plan has expired and will be replaced with a new Plan as described in the previous section, subject to approval at the Annual General Meeting.

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)</b>
Equity compensation plans approved by securityholders	Nil	N/A	Nil
Equity compensation plans not approved by securityholders	Nil	N/A	Nil
Total	Nil	N/A	Nil

## **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

No person who is, or at any time during the most recently completed financial year was, a director or executive officer of the Company, no person proposed to be nominated for election as a director of the Company, nor any associate of any such director, executive officer or proposed nominee, is, or at any time since the beginning of the most recently completed financial year of the Company has been, indebted to the Company or any of its subsidiaries, or indebted to another entity, where such indebtedness is, or at any time since the beginning of the most recently completed financial year has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries, pursuant to a security purchase program of the Company or otherwise.

## **INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

Except as otherwise set out in the Explanatory Statement and Management Information Circular, no person who has been a director or executive officer of the Company at any time since the beginning of the Company's last financial year, no proposed nominee for election as a director of the Company nor any associate or affiliate of the foregoing persons has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting.

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as otherwise disclosed herein, no informed person (as that term is defined in National Instrument 51-102 – *Continuous Disclosure Obligations* of the Canadian Securities Administrators) of the Company, no person proposed to be nominated for election as a director of the Company, nor any associate or affiliate of any of them, has or has had any material interest, direct or indirect, in any transaction since the commencement of the Company's most recently completed financial year or in any proposed transaction which has materially affected or is reasonably expected to materially affect the Company or any of its subsidiaries.

## STATEMENT OF CORPORATE GOVERNANCE PRACTICES

### ***Board of Directors***

The Board is made up of two Executive Directors and two Non-Executive Directors. Dr Andrew Stewart and Ganbayar Lkhagvasuren are the Executive Directors.

NI 58-101 sets out the standard for director independence. Under NI 58-101, a director is independent if he or she has no direct or indirect material relationship with the Company. A material relationship is a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a director's independent judgment. NI 58-101 also sets out certain situations where a director will automatically be considered to have a material relationship with the Company. Applying the definition of 'independence' set out in NI 58-101, a majority of the directors are not independent. The following members of the Board are independent: Colin Moorhead and Michele Muscillo. The following members of the Board are not independent for the following reasons: (i) Ganbayar Lkhagvasuren is Executive Director of the Company; and (ii) Dr Andrew Stewart is the CEO of the Company. As such, the Board facilitates its exercise of independent judgement in carrying out its responsibilities by requiring that for all Board decisions, the directors must bring an independent judgement to bear, and in accordance with the Company's Conflict of Interest Protocols, must abstain from participating deliberations of any decisions to which they are not impartial.

The Chairman of the Board is Colin Moorhead, who is an independent Non-Executive Director. As Chairman, Mr Moorhead is responsible for the leadership of the Board, for the efficient organization and conduct of the Board's function and the briefing of all directors in relation to issues arising at Board meetings. The Chairman is also responsible for shareholder communication and arranging Board performance evaluation.

It is the Board's policy to maintain independence by having at least half of the Board comprising Non-Executive Directors who are free from any material business or other relationship with the Company. The structure of the Board ensures that no one individual or group is able to dominate the decision making process.

The independent directors do not hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. However, where deemed necessary by the independent directors, the independent directors hold in-camera sessions exclusive of non-independent directors and members of management, which process facilitates open and candid discussion among the independent directors.

The Board ordinarily meets on a regular basis providing effective leadership and overall control and direction of the Company's affairs through the schedule of matters reserved for its decision. This includes the approval of the budget and business plan, major capital expenditures, acquisitions and disposals, risk management policies and the financial statements. Formal agendas, papers and reports are sent to the directors in a timely manner, prior to Board meetings. The Board also receives summary financial and operational reports before each Board meeting. The Board delegates certain of its responsibilities to management, who have clearly defined terms of reference.

## Attendance Record

The number of meetings of the Board and each Board committee held during the year ended December 31, 2019 and the number of meetings attended by each director are set forth in the table below:

	Full Board		Audit and Risk Committee		Nomination and Remuneration Committee		Safety, Health and Environment Committee	
	Attended	Held	Attended	Held	Attended	Held	Attended	Held
Colin Moorhead <sup>(1)</sup>	1	1	-	-	-	-	-	-
Kevin Tomlinson <sup>(2)</sup>	7	7	1	1	1	1	-	-
Andrew Stewart	16	16	-	-	-	-	2	2
Ganbayar Lkhagvasuren	14	16	-	-	-	-	2	2
Hannah Badenach <sup>(3)</sup>	12	14	-	1	1	1	-	-
Daryl Clark <sup>(1)</sup>	15	15	2	2	1	1	1	1
Marcus Engelbrecht <sup>(2)</sup>	6	7	-	-	-	-	-	-
Stephen Motteram <sup>(3)</sup>	2	2	-	-	-	-	-	-
Michele Muscillo	16	16	2	2	2	2	-	-

Notes:

- (1) Daryl Clark resigned as a director effective November 29, 2019 and Colin Moorhead was appointed as a director effective November 29, 2019.
- (2) Kevin Tomlinson and Marcus Engelbrecht resigned as directors effective April 30, 2019.
- (3) Hannah Badenach resigned as a director effective November 1, 2019 and Stephen Motteram was appointed in her stead. Stephen Motteram resigned as a director effective June 30, 2020.

## Board Charter

Xanadu's Board charter is available on the Company's website at [www.xanadumines.com](http://www.xanadumines.com).

## Position Descriptions

The Board and the CEO have developed a written position description for the Chairman, Executive Director, Managing Director and the role of senior management team (i.e., the CEO and CFO).

The Company has not adopted a written position description in respect of the Chair of the Audit and Risk Committee or in respect of the Chair of the Nomination and Remuneration Committee. However, the Company envisages that the role of the Chair of each of the Audit and Risk Committee and the Nomination and Remuneration Committee will have primary responsibility to:

- effectively manage the duties of the committee;
- ensure that the committee is properly organised, functions effectively and meets its obligations and responsibilities;
- establish the frequency of committee meetings;
- Chair committee meetings; and
- liaise and communicate with the Chairman of the Board to co-ordinate input from the committee for Board meetings.

## Other Directorships

Certain of the directors of the Company are also directors of other issuers that are "reporting issuers" as that term is defined in and for the purposes of Canadian securities legislation, which positions are summarized as follows:

Name of Director	Other Reporting Issuer	Market	Position	Director Since
Colin Moorhead	PT Merdeka Copper Gold	IDX	Director	January 2016
	Coda Minerals Limited	ASX <sup>(1)</sup>	Director	August 2019
Michele Muscillo	Aeris Resources Limited	ASX	Director	May 2013
	Cardinal Resources Limited	ASX/TSX	Director	October 2017
	Mako Gold Limited	ASX	Director	April 2017

Note: (1) Listing in process.

### Orientation and Continuing Education

Prior to any formal offer, any potential incoming director will be provided with sufficient information about Xanadu to gain a full understanding of the Company, its projects, personnel and policies and procedures. The information will extend to non-public information after the potential director has signed a confidentiality agreement, including access to Board packages and Board minutes, and may also include copies of certain contracts and reports.

Upon appointment, the Executive Director and CEO is responsible for arranging for the new director to undertake an induction program to enable them to gain an understanding of: (i) Xanadu's operations; (ii) the culture and values of Xanadu; (iii) Xanadu's financial, strategic, operational and risk management position; (iv) their rights, duties and responsibilities; and (v) any other relevant information.

New directors undergo a formal induction program in which they are given a full briefing on Xanadu, its operations and the industry in which it operates. This includes meeting members of the existing Board, the Company Secretary and the senior management for new directors to familiarise themselves with the Company and Board practices and procedures. The Nomination and Remuneration Committee is responsible for reviewing induction procedures for newly appointed Directors to facilitate their ability to discharge their responsibilities.

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

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

Directors are entitled to request and receive such additional information as they consider necessary to support informed decision-making. Any director has the authority to seek any information he/she requires from any Xanadu employee and all employees must comply with such requests. Unless a conflict exists or to do so would be inconsistent with the director's duties, the director is to request such information via the Executive Director and CEO.

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

To achieve continuing improvement in Board performance and to enhance the skills of Board members, a director may request and undertake training and professional development, as appropriate, at the Company's expense.

### Ethical Business Conduct

The Company has adopted a written code of conduct (the "**Code of Conduct**"), which has been agreed to by each of the directors, employees, contractors, consultants and all other people when they represent Xanadu. The Code of Conduct governs all Xanadu's commercial operations and discloses the practices necessary to maintain confidence in the integrity of the Company and its subsidiaries, the practices necessary for the Company to fulfil its legal obligations, the responsibility and accountability of individuals for reporting and investigating reports of unethical behaviour; and clarifies the standards of ethical behaviour required of the Board, senior executives and all employees to encourage the observance of those standards.

The Board monitors implementation of the Code of Conduct. All Personnel are requested to report immediately any circumstances which may involve a breach of this Code of Conduct to the Company Secretary, the Executive Director and CEO or the Chairman. The Code of Conduct protects individuals who, in good faith, report conduct which they reasonably believe to be corrupt, illegal or unethical on a confidential basis, without fear of reprisal, dismissal or discriminatory treatment. The Code of Conduct can be accessed on the Company's website.

### **Board Committees**

The Board has appointed the Audit and Risk Committee, the Nomination and Remuneration Committee and the Safety, Health and Environment Committee (the "**SHE Committee**").

#### ***Audit and Risk Committee***

The Audit and Risk Committee is responsible for oversight of the Company's internal processes and practices and assessing the effectiveness of the Company's risk management and internal control processes. The Audit and Risk Committee is also responsible for liaising with the Company's auditors to discuss accounts and the Company's internal controls.

The members of the Audit and Risk Committee are Michele Muscillo and Colin Moorhead. Michele Muscillo is the Chair of the Audit and Risk Committee. Both members of the Audit and Risk Committee are independent as defined under NI 58-101.

The Audit and Risk Committee charter is attached to this Management Information Circular as Schedule A and is also available on the Company's website at [www.xanadumines.com](http://www.xanadumines.com).

See "*Audit and Risk Committee*".

#### ***Nomination and Remuneration Committee (formerly Governance Committee)***

The Nomination and Remuneration Committee (formerly referred to as the Governance Committee) was established to, among other things, assist the Board in fulfilling its corporate governance responsibilities in regard to remuneration related matters. Without limiting its scope, the Nomination and Remuneration Committee is responsible for: (i) reviewing and making recommendations to the Board on the remuneration framework for Non-Executive Directors and Executive Directors; (ii) reviewing senior executive performance and making any performance-related incentive recommendations; and (iii) reviewing and recommending to the Board any awards under the Equity Incentive Plan.

The members of the Nomination and Remuneration Committee are Michele Muscillo and Colin Moorhead. Michele Muscillo is the Chair of the Nomination and Remuneration Committee. All of the members of the Nomination and Remuneration Committee are independent as defined under NI 58-101.

The Nomination and Remuneration Committee charter is available on the Company's website at [www.xanadumines.com](http://www.xanadumines.com).

See "*Executive Compensation*".

#### ***Safety, Health and Environment Committee***

The SHE Committee assists the Board in fulfilling its corporate governance responsibilities in regard to safety, health, environment and community matters concerning Xanadu, including operational risk management.

The SHE Committee comprises one independent Non-Executive Directors, Colin Moorhead and two Executive Directors, Ganbayar Lkhagvasuren and Andrew Stewart (SHE Committee Chairman). From

October 24, 2016 to November 28, 2019, the SHE Committee comprised a majority of Non-Executive Directors. Prior to and after this, the Company considers that, whilst it does not comprise a majority of Non-Executive Directors, its members collectively had the mix of skills and expertise appropriate for the SHE Committee to assist the Board.

The profile of each of the SHE Committee members are included under the heading Compensation Governance. The attendance of each SHE Committee member at SHE Committee meetings during the reporting period are set out under "*Corporate Governance – Attendance Record*".

During 2019, there were two meetings of the SHE Committee, despite the SHE Committee charter specifying that the SHE Committee is to meet at least four times a year. During its internal review, the SHE Committee considered its performance, noting:

- during 2019, the SHE Committee had been less directly active due to the direct attention that safety, health, environment and community matters were receiving at meetings of the full Board;
- that Xanadu's safety, health, environment performance and community matters had not suffered as a result of the paucity of specific SHE Committee meetings; and
- each of its responsibilities described in the SHE Committee charter and that each of these duties remains appropriate. The SHE Committee undertook to have a greater degree of specific engagement in 2019.

The SHE Committee charter is available on the Company's website at [www.xanadumines.com](http://www.xanadumines.com).

### ***Nomination of Directors***

The Nomination and Remuneration Committee is responsible for identifying and recommending candidates for the Board. The Nomination and Remuneration Committee: (i) reviews the composition of the Board and its committees; (ii) assesses the necessary and desirable competencies of directors to ensure that collectively, the directors have an appropriate mix of competencies to enable the Board to discharge its responsibilities effectively; (iii) develops Board succession plans to ensure an appropriate balance of skills, experience and expertise is maintained; (iv) considers diversity related matters for both the Board and management; (v) oversees the directors' induction program; and (vi) ensures that directors have access to appropriate continuing education to update and enhance their skills and knowledge.

As of June 30, 2020, the Company no longer has shareholder nominees on the Board. Former nominees from ACA and Noble resigned on April 30, 2019 and June 30, 2020, respectively.

### ***Compensation***

The Board, with the assistance of the Nomination and Remuneration Committee, is responsible for approving compensation objectives and the specific compensation programs for policies and practices of the Company. For more information, see "*Executive Compensation*".

### ***Assessments***

The Nomination and Remuneration Committee is responsible for developing and implementing a process for evaluating the performance of the Board, its committees, the Chair and individual directors. The Nomination and Remuneration Committee periodically undertakes reviews, which may include a review of the performance of the Chair, the Executive Directors, Executive Director and CEO and CFO by evaluating their performance against their respective key performance indicators set for the year and included within the Company's short term incentive plan. Any outcomes of such performance evaluations would be presented by the Nomination and Remuneration Committee to the Board.

***Policies Regarding the Representation of Women***

The Board has not adopted any written policy relating to the identification and nomination of women directors or officers. Similarly, the Board has not adopted a target regarding women on the Board or in executive officer positions of the Company. Given the size of the Company's workforce which is predominantly located in Mongolia, the Board has determined that it is not currently necessary or practicable to implement a policy concerning diversity or to establish measurable objectives for achieving gender diversity. The Board will consider and review matters relating to diversity, including whether it is necessary to establish formal policies and objectives as the Company matures. As at the date of this Management Information Circular, none of the members of the Board is a woman and none of the executive officers of the Company are women.

**ADDITIONAL INFORMATION**

Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and on the ASX website at [www.asx.com.au](http://www.asx.com.au). Further financial information is provided in the audited consolidated financial statements of the Company for the financial year ended December 31, 2019 and related management's discussion and analysis which accompany this Explanatory Statement and Management Information Circular and have also been filed on SEDAR. Shareholders may also contact Phil Mackey, the Secretary of the Company, by e-mail at [mackey@company matters.com.au](mailto:mackey@company matters.com.au) to request a copy of these documents.

The Company will provide any shareholder of the Company, without charge, upon request to the Corporate Secretary of the Company:

- (a) one copy of the audited consolidated financial statements of the Company for the financial year ended December 31, 2019, together with the report of the auditor thereon;
- (b) one copy of the management's discussion and analysis for the financial year ended December 31, 2019; and
- (c) one copy of this Explanatory Statement and Management Information Circular.

**APPROVAL**

The directors of the Company have approved the contents of this Explanatory Statement and Management Information Circular and the sending thereof to the shareholders of the Company.

DATED at Toronto, Ontario this 30<sup>th</sup> day of June, 2020.

BY ORDER OF THE BOARD OF DIRECTORS

*Signed: "Colin Moorhead"*

Colin Moorhead  
Chairman  
Xanadu Mines Ltd



SCHEDULE A

AUDIT & RISK COMMITTEE CHARTER

---

## AUDIT AND RISK COMMITTEE CHARTER

---

### 1. ROLE

The role of the Audit and Risk Committee is to assist the Board in monitoring and reviewing any matters of significance affecting financial reporting and compliance. This Charter defines the Audit and Risk Committee's function, composition, mode of operation, authority and responsibilities.

---

### 2. COMPOSITION

The Board will adhere to the following composition requirements for the Committee.

- (a) The Committee must comprise at least three members.
- (b) All members of the Committee must be independent non-executive Directors.
- (c) Except as permitted by NI 52-110, all members of the Committee must be independent in accordance with the criteria set out in Annexure A.
- (d) The Board will appoint members of the Committee. The Board may remove and replace members of the Committee by resolution.
- (e) All members of the Committee must be able to read and understand financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and level of complexity of the issues reasonably expected to be raised by the Company's financial statements.
- (f) The Chairman of the Committee shall have leadership experience and a strong finance, accounting or business background and will not be the Chair of the Board.
- (g) The external auditors, the other Directors, the Managing Director, Chief Financial Officer, Company Secretary and other senior executives may be invited to Committee meetings at the discretion of the Committee.

---

### 3. PURPOSE

The primary purpose of the Committee is to assist the Board in fulfilling its statutory and fiduciary responsibilities relating to:

- (a) the quality and integrity of the Company's financial statements, accounting policies and financial reporting and public disclosure practices;
- (b) compliance with all applicable laws, regulations and company policy;
- (c) the effectiveness and adequacy of internal control processes;
- (d) the performance of the Company's external auditors and their appointment and removal;
- (e) the independence of the external auditor and the rotation of the lead engagement partner;
- (f) the scope and adequacy of the external audit;
- (g) any proposal for the external auditor to provide non-audit services and whether it might compromise the independence of the external auditor;
- (h) the identification and management of business, economic, environmental and social sustainability risks; and

- (i) the review of the Company's risk management framework at least annually to satisfy itself that it continues to be sound and to determine whether there have been any changes in the material business risks the Company faces and to ensure that they remain within the risk appetite set by the Board.

A secondary function of the Committee is to perform such special reviews or investigations as the Board may consider necessary.

The Company seeks to follow NI 52-110 - Audit Committees.

---

## **4. DUTIES AND RESPONSIBILITIES OF THE COMMITTEE**

### **4.1 Review of Financial Reports**

- (a) Review the appropriateness of the accounting principles adopted by management in the financial reports and the integrity of the Company's financial reporting.
- (b) Directly oversee the work of the external auditor engaged to prepare or issue an auditor's report and the results of the external audits of those reports.
- (c) Assess whether external reporting is adequate for shareholder needs.
- (d) Assess management processes supporting external reporting.
- (e) Establish procedures for receipt, retention and treatment of accounting complaints and confidential, anonymous submission by employees of the Company of complaints regarding questionable accounting or auditing matters.
- (f) Directly oversee the resolution of disagreements between management and the external auditor regarding financial reporting.
- (g) Review the impact of any proposed changes in accounting policies on the financial statements.
- (h) Review the financial statements, MD&A and annual and interim profit or loss press releases before the Company publicly discloses the information.
- (i) Ensure that, before the Board approves the Company's financial statements for a financial period, the Chief Executive Officer and Chief Financial Officer (or, if none, the person(s) fulfilling those functions) have declared that, in their opinion, the financial records of the Company have been properly maintained and that the financial statements comply with the appropriate accounting standards and give true and fair view of the financial position and performance of the Company and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.
- (j) Ensure that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from its financial statements and periodically assess the adequacy of those procedures.

### **4.2 Relationship with External Auditors**

- (a) Recommend to the Board (i) the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing another audit, review or attestation services for the Company and (ii) the compensation of the external auditor.
- (b) Review performance, succession plans and rotation of lead engagement partner.
- (c) Approve the external audit plan and fees proposed for audit work to be performed.

- (d) Discuss any necessary recommendations to the Board for the approval of quarterly, half yearly or annual reports.
- (e) Review the adequacy of accounting and financial controls together with the implementation of any recommendations of the external auditor in relation thereto.
- (f) Meet with the external auditors at least twice in each financial year and at any other time the Committee considers appropriate.
- (g) Provide pre-approval of audit and non-audit services that are to be undertaken by the external auditor.
- (h) Ensure adequate disclosure as may be required by law of the Committee's approval of all non-audit services provided by the external auditor.
- (i) Review the Company's public disclosure required by applicable securities laws concerning the audit committee and its members to ensure it is accurate and complete.
- (j) Ensure that the external auditor prepares and delivers an annual statement as to their independence which includes details of all relationships with the Company.
- (k) Receive from the external auditor their report on, among other things, critical accounting policies and alternative accounting treatment, prior to the filing of their audit report in compliance with applicable securities law requirements and/or the Corporations Act.
- (l) Ensure that the external auditor attends the Company's Annual General Meeting and is available to answer questions from security holders relevant to the audit.

#### **4.3 Internal Audit Function**

- (a) Monitor the need for a formal internal audit function and its scope.
- (b) Review and monitor the appointment or removal of the head of internal audit.
- (c) Assess the performance and objectivity of any internal audit procedures that may be in place.
- (d) Review risk management and internal compliance procedures.
- (e) Monitor the quality of the accounting function.
- (f) Review the internal controls of the Company via consideration of any comments from the Company's internal and/or external auditors and/or commissioning an independent report on the Company's internal controls.

#### **4.4 Risk Management**

- (a) Oversee the Company's risk management systems, practices and procedures to ensure effective risk identification and management and compliance with the Company's Risk Management Policy, internal guidelines and external requirements.
- (b) Assist in identifying and managing potential or apparent business, economic, environmental and social sustainability risks (if appropriate) that could adversely affect the Company's prospects currently and for future financial years.
- (c) Review the Company's Risk Management Policy at least annually to satisfy itself that it continues to be sound.
- (d) Review reports by management on the efficiency and effectiveness of the Company's Risk Management Policy and associated internal compliance and control procedures.

#### 4.5 Other

- (a) The Committee will oversee the Company's environmental risk management, insurance and occupational health and safety processes.
- (b) The Committee will oversee procedures for whistleblower protection.
- (c) As contemplated by the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, and to the extent that such deviation or waiver does not result in any breach of the law, the Committee may approve any deviation or waiver from the "*Corporate code of conduct*". Any such waiver or deviation will be promptly disclosed where required by applicable law.
- (d) The Committee will monitor related party transactions.
- (e) The Committee will review and approve the Company's hiring policy regarding partners, employees and former partners and employees of the present and former external auditor of the Company.

---

#### 5. MEETINGS

- (a) The Committee will meet at least twice in each financial year and additionally as circumstances may require for it to undertake its role effectively.
- (b) Meetings are called by the Secretary as directed by the Board or at the request of the Chairman of the Committee.
- (c) Where deemed appropriate by the Chairman of the Committee, meetings and subsequent approvals and recommendations can be implemented by a circular written resolution or conference call.
- (d) A quorum shall consist of two members of the Committee. In the absence of the Chairman of the Committee or their nominees, the members shall elect one of their members as Chairman of that meeting.
- (e) Decisions will be based on a majority of votes with the Chairman having a casting vote.
- (f) The Committee Chairman, through the Secretary, will prepare a report of the actions of the Committee to be included in the Board papers for the next Board meeting.
- (g) Minutes of each meeting are included in the papers for the next full Board meeting after each Committee meeting.

---

#### 6. SECRETARY

- (a) The Company Secretary or their nominee shall be the Secretary of the Committee and shall attend meetings of the Committee as required.
- (b) The Secretary will be responsible for keeping the minutes of meetings of the Committee and circulating them to Committee members and to the other members of the Board.
- (c) The Secretary shall distribute supporting papers for each meeting of the Committee as far in advance as possible.

---

#### 7. RELIANCE ON INFORMATION OR PROFESSIONAL OR EXPERT ADVICE

Each member of the Committee is entitled to rely on information, or professional or expert advice, to the extent permitted by law, given or prepared by:

- (a) an employee of the Group whom the member believes on reasonable grounds to be reliable and competent in relation to the matters concerned;
  - (b) a professional adviser or expert in relation to matters that the member believes on reasonable grounds to be within the person's professional or expert competence; or
  - (c) another Director or officer of the Group in relation to matters within the Director's or officer's authority.
- 

#### **8. ACCESS TO ADVICE**

- (a) Members of the Committee have rights of access to management and to the books and records of the Company to enable them to discharge their duties as Committee members, except where the Board determines that such access would be adverse to the Company's interests.
  - (b) Members of the Committee have the authority to communicate directly with the auditors, both internal and external, without management being present.
  - (c) Members of the Committee have the authority to engage independent legal counsel or other advisers they consider necessary to assist them in carrying out their duties and responsibilities and set and pay the compensation for any advisors employed by the Committee. Any costs incurred as a result of the Committee consulting an independent expert will be borne by the Company.
- 

#### **9. REVIEW OF CHARTER**

- (a) The Board will conduct an annual review of the membership to ensure that the Committee has carried out its functions in an effective manner, and will update the Charter and Risk Management Policy as required or as a result of new laws or regulations.
  - (b) The Charter and Risk Management Policy shall be made available to members on request, to senior management, to the external auditor and to other parties as deemed appropriate, will be posted to the Company's website and will be included, where required, in the Company's public disclosure documents.
- 

#### **10. REPORT TO THE BOARD**

- (a) The Committee must report to the Board formally at the next Board meeting following from the last Committee meeting on matters relevant to the Committee's role and responsibilities.
- (b) The Committee must brief the Board promptly on all urgent and significant matters.

**Approved by the Board on 20 July 2018**

---

## ANNEXURE A – DEFINITION OF INDEPENDENCE

An audit committee member is independent if he or she:

- (a) has no direct or indirect material relationship with the Company, being a relationship which could, in the view of the Company's board of directors, be reasonably expected to interfere with the exercise of a member's independent judgement; and
- (b) is free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect his or her capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the entity and its security holders generally.

### Material relationships

Subject to certain exemptions and further clarification set out in Canadian securities laws applicable to the Company, the following individuals are considered to have a material relationship with the Company:

- (a) an individual who (i) accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the Company or any subsidiary entity of the Company, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee; or (ii) is an affiliated entity of the Company or any of its subsidiary entities,
- (b) an individual who is, or has been within the last three years, an employee or executive officer of the Company;
- (c) an individual whose immediate family member is, or has been within the last three years, an executive officer of the Company;
- (d) an individual who:
  - i. is a partner of a firm that is the Company's internal or external auditor,
  - ii. is an employee of that firm, or
  - iii. was within the last three years a partner or employee of that firm and personally worked on the Company's audit within that time;
- (e) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:
  - i. is a partner of a firm that is the Company's internal or external auditor,
  - ii. is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or
  - iii. was within the last three years a partner or employee of that firm and personally worked on the Company's audit within that time;
- (f) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the Company's current executive officers serves or served at that same time on the entity's compensation committee; and
- (g) an individual who received, or whose immediate family member who is employed as an executive officer of the Company received, more than \$75,000 in direct compensation from the Company during any 12 month period within the last three years.

### **Examples of interests, positions, associations or relationships affecting independence**

Examples of interests, positions, associations and relationships that might cause doubts about the independence of a director include if the director:

- (a) is, or has been, employed in an executive capacity by the Company or any of its child entities and there has not been a period of at least three years between ceasing such employment and serving on the board;
- (b) is, or has within the last three years been, a partner, director or senior employee of a provider of material professional services or a material consultant to the Company or any of its child entities;
- (c) is, or has been within the last three years, in a material business relationship (e.g. as a supplier or customer) with the Company or any of its child entities, or an officer of, or otherwise associated with, someone with such a relationship;
- (d) is a substantial security holder of the Company or an officer of, or otherwise associated with, a substantial security holder of the Company;
- (e) has a material contractual relationship with the Company or its child entities other than as a director;
- (f) has close family ties with any person who falls within any of the categories described above; or
- (g) has been a director of the Company for such a period that his or her independence may have been compromised.

In each case, the materiality of the interest, position, association or relationship needs to be assessed to determine whether it might interfere, or might reasonably be seen to interfere, with the director's capacity to bring an independent judgment to bear on issues before the Board and to act in the best interests of the Company and its security holders generally.