

Rights Issue Offer Document

Pursuant to s708AA(2) *Corporations Act 2001* (Cth)

A non-renounceable rights issue to existing shareholders of Xanadu Mines Ltd of 1 fully paid ordinary share for every 10 Shares held at an Issue Price of \$0.052 to raise up to approximately \$3,369,829 before costs of the Offer.

The Offer is partially underwritten by Patersons Securities Limited up to an amount of \$1,750,000

Important notice

This document is not a prospectus. This document does not contain all of the information that an investor may require in order to make an informed investment decision regarding the New Shares offered by this document. The New Shares offered by this document should be considered speculative.

This document should be read in its entirety. If after reading this document you have any questions about the Offer or the New Shares then you should consult your stockbroker, accountant or other professional advisor.

Important information

Offer statistics

Number of New Shares to be issued: up to 64,804,413*

Issue Price: \$0.052

*Excludes any New Shares which may be issued in the event that any Existing Options are exercised prior to the Record Date.

Key dates for investors

Record Date for determining entitlements under the Issue: 7.00pm Sydney time on 21 June 2019

Offer opens: 25 June 2019

Offer expected to close: 5.00pm Sydney time on 8 July 2019

Anticipated date for issue of New Shares: 15 July 2019

Deferred settlement trading end: 15 July 2019

Commencement of trading of New Shares on ASX: 16 July 2019

Further details regarding the timetable for the Offer are set out in section 1.3. All dates are subject to change and accordingly are indicative only. In particular, the Company has the right to vary the dates of the Offer, without prior notice. Investors are encouraged to submit their Entitlement and Acceptance Forms as soon as possible after the Offer opens.

Important notice

The Offer made pursuant to this Offer Document is for a rights issue of continuously quoted securities (as defined in the *Corporations Act 2001* (Cth) (**Corporations Act**)) of the Company. This Offer Document is not a disclosure document for the purposes of chapter 6D of the *Corporations Act*. The Company is offering the securities under this Offer Document without disclosure to investors under chapter 6D of the *Corporations Act* pursuant to section 708AA of the *Corporations Act*. Accordingly, the level of disclosure contained in this Offer Document is significantly less than that required under a prospectus and Eligible Shareholders should consider all relevant facts and circumstances, including their knowledge of the Company and disclosures made to the ASX and should consult their professional advisors before deciding whether to accept the Offer.

This Offer Document is dated 18 June 2019 and was lodged with the ASX on that date. The ASX does not take any responsibility for the contents of this Offer Document.

Securities will only be issued on the basis of this Offer Document in accordance with the terms set out in this Offer Document.

As at the date of this Offer Document, the Company has complied with:

- the provisions of chapter 2M of the *Corporations Act*, as they apply to the Company; and
- section 674 of the *Corporations Act*.

The Offer is only made to those Shareholders who are Eligible Shareholders on the Record Date (being Shareholders who have a registered address in Australia, New Zealand and Singapore).

No excluded information

Except as disclosed in the announcement to the ASX dated 18 June 2019 which accompanies this Offer Document, as at the date of this Offer Document, the Company is not aware of any excluded information of the kind which would require disclosure in this Offer Document pursuant to subsections 708AA(8) and (9) of the *Corporations Act*.

Foreign shareholders

This document does not constitute an offer of New Shares in any jurisdiction in which it would be unlawful. New Shares may not be offered or sold in any country outside Australia except to the extent permitted below.

The Company has decided that it is unreasonable to make offers under the Issue to Shareholders with registered addresses outside of Australia, New Zealand and Singapore having regard to the number of Shareholders in those places, the number and value of the New Shares they would be offered and the cost of complying with the legal and regulatory requirements in those places. Accordingly, the Offer is not being extended to, and does not qualify for distribution or sale by, and no New Shares will be issued to Shareholders having registered addresses outside of Australia, New Zealand and Singapore.

The Company has not made any investigation as to the regulatory requirements that may prevail in the countries, outside of Australia, New Zealand and Singapore, in which the Company's Shareholders may reside. It is the responsibility of overseas Applicants to ensure compliance with all laws of any country relevant to their Acceptance. The Offer may only be accepted by Eligible Shareholders and does not constitute an offer in any place in which or to any person to whom, it would be unlawful to make such an offer.

The distribution of this Offer Document in jurisdictions outside Australia, New Zealand and Singapore may be restricted by law and persons who come into possession of this Offer Document should seek advice on and observe those restrictions. Any failure to comply with restrictions might constitute a violation of applicable securities laws.

See section 1.16 for further information on Offer restrictions with respect to shareholders who do not have registered addresses in Australia.

New Zealand

The New Securities are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the *Financial Markets Conduct (Incidental Offers) Exemption Notice 2016 (New Zealand)*.

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the *Financial Markets Conduct Act 2013 (New Zealand)*. This document is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are an existing holder of the Company's shares. In the event that you are not such a Shareholder, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

United States

This document may not be released or distributed in the United States. This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this document have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.

How to accept Entitlement to New Shares

Entitlements to New Shares can be accepted in full or in part by completing and returning the Entitlement and Acceptance Form which is accompanying this Offer Document or making payment of Acceptance money by BPAY® in accordance with the instructions set out in this Offer Document and on the Entitlement and Acceptance Form.

This Offer Document is available in electronic form on the Company's website at www.xanadumines.com. If you wish to obtain a free copy of this Offer Document, please contact the Company by email at info@xanadumines.com or by phone +61 2 9547 4300.

Enquiries

If you are an Eligible Shareholder and have any questions in relation to the Offer, please contact your stockbroker or professional adviser. If you have questions in relation to the Shares upon which your Entitlement has been calculated, or how to complete the Entitlement and Acceptance Form, take up your Entitlement, please contact the Company by email at info@xanadumines.com or by phone +61 2 9547 4300.

Deciding to accept the Offer

No person named in this Offer Document, nor any other person, guarantees the performance of Xanadu, the repayment of capital or the payment of a return on the New Shares.

Please read this document carefully before you make a decision to invest. An investment in the Company has a number of specific risks which you should consider before making a decision to invest. Some of these risks are summarised in section 4.

This Offer Document is an important document and you should read it in full before deciding whether to invest pursuant to the Offer. You should also have regard to other publicly available information about the Company, including ASX announcements, which can be found at the Company's website: www.xanadumines.com.

Terms used

A number of terms and abbreviations used in this Offer Document have defined meanings, which are explained in the definitions and glossary in section 6.

Money as expressed in this Offer Document is in Australian dollars unless otherwise indicated.

Forward looking statements

Some of the information contained in this Offer Document constitutes forward-looking statements that are subject to various risks and uncertainties. Forward-looking statements include those containing such words as 'anticipate', 'estimate', 'should', 'will', 'expects', 'plans' or similar expressions. These statements discuss future objectives or expectations concerning results of operations or financial conditions or provide other forward-looking information. The Company's actual results, performance or achievements could be significantly different from the results or objectives expressed in, or implied by, those forward-looking statements. This Offer Document details some important factors that could cause the Company's actual results to differ from the forward-looking statements made in this Offer Document.

No representations

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Offer Document. Any information or representation in connection with the Offer not contained in this Offer Document may not be relied on as having been authorised by the Company or its officers. This Offer Document does not provide investment advice or advice on the taxation consequences of accepting the Offer. The Offer and the information in this Offer Document, do not take into account your investment objectives, financial situation and particular needs (including financial and tax issues) as an investor.

Table of Contents

1. Offer details8
2. How to apply.....19
3. Control issues arising from the Offer on the Company21
4. Risk factors.....24
5. Additional information.....32
6. Definitions and glossary34

Chairman's letter

18 June 2019

Dear Shareholder,

On behalf of the Directors I am pleased to invite you to take up your entitlement to new ordinary fully paid shares (**New Shares**) in Xanadu Mines Ltd (**Issue**).

The Company is making a non-renounceable rights issue of 1 Share for every 10 Shares held in Xanadu Mines Ltd on the Record Date at an Issue Price of \$0.052 per Share, to raise up to approximately \$3,369,829 before the costs of this Issue. This Issue Price represents a 18.7% discount to the five-day volume-weighted average price of Shares immediately prior to the announcement of the Offer (being \$0.064) as at 17 June 2019.

It is proposed that the funds raised from the Issue will be applied for the purposes of the expansion of the drilling program at the Kharmagtai project, further exploration at the Red Mountain project, to cover the costs of the issue and to provide working capital.

Each of the Directors intends to take up all or some of their entitlement to New Shares.

Pursuant to the *Corporations Act*, Xanadu Mines Ltd is not required to prepare a prospectus for the Issue. A summary of the key information with respect to the Issue is set out in this Offer Document. Please read the Offer Document carefully before deciding whether or not to invest. If there is any matter on which you require further information, you should consult your stockbroker, accountant or other professional advisor.

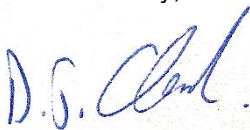
A personalised Entitlement and Acceptance Form is enclosed with this Offer Document and sets out the number of New Shares you are entitled to subscribe for as an Eligible Shareholder (**Entitlement**). Entitlements to New Shares can be accepted in full or in part by completing and returning the Entitlement and Acceptance Form or making payment of Acceptance money by BPAY in accordance with the instructions set out below and on the Entitlement and Acceptance Form. Subscription money for the New Shares must be received by the Company at its Share Registry by the Closing Date. Please refer to the timetable for the important dates of the Offer.

The Offer is non-renounceable and therefore your Entitlements will not be tradeable on the ASX or otherwise transferable.

The Offer is partially underwritten by the lead manager, Patersons Securities Limited up to an amount of \$1,750,000 on a conditional basis. The underwriting is conditional upon the Underwriter receiving firm commitments from substantial shareholders, CAAF Ltd and Asia Capital and Advisors Pte Ltd and Noble Resources International Pte Ltd for them to subscribe for a certain number of New Shares and the Company will work with the Underwriter to secure these commitments. The Company will also work with Underwriter to place the shortfall of New Shares not subscribed for by Eligible Shareholders remaining after the underwriting to new investors.

On behalf of the Directors, I thank you for your continued support and I invite you to consider this investment opportunity.

Yours sincerely,



Darryl Clark
Executive Chairman
Xanadu Mines Ltd

1. Offer details

1.1 The Offer

This Offer Document is for the non-renounceable rights issue of approximately 64,804,413 New Shares at an Issue Price of \$0.052 per New Share, on the basis of 1 New Share for every 10 Shares held by Eligible Shareholders as at the Record Date.

The Offer is an offer to Eligible Shareholders only.

The Offer is partially underwritten by Patersons Securities Limited up to an amount of \$1,750,000. Refer to section 1.10 for further details.

The Issue Price of \$0.052 per New Share represents a 18.7% discount to the five-day volume-weighted average price for Shares immediately prior to the announcement of the Offer (being \$0.064) as at 17 June 2019).

The Issue may be increased by a total of 2,941,176 New Shares if holders of Existing Options exercise their Existing Options prior to the Record Date.

On the same date as announcing the Issue, the Company applied to the ASX for the New Shares to be granted official quotation on the ASX. Official quotation of the New Shares is expected to occur on or about 16 July 2019.

The Directors may at any time decide to withdraw this Offer Document and the offer of New Shares made under this Offer Document, in which case the Company will return all Application Money (without interest) within 28 days of giving notice of such withdrawal.

1.2 Minimum subscription

There is no minimum subscription to the Issue.

1.3 Important dates

Announcement and application for official quotation of New Shares	Tuesday, 18 June 2019
Section 708AA notice given to ASX	Tuesday, 18 June 2019
Lodge Offer Document with ASX	Tuesday, 18 June 2019
Notice provided to Option Holders	Tuesday, 18 June 2019
Ex-Date	Thursday, 20 June 2019
Record Date for the Issue	7.00pm (Sydney time) on Friday, 21 June 2019
Despatch of Offer Document and Acceptance Form	Tuesday, 25 June 2019
Opening Date of Offer	9.00am (Sydney time) on Tuesday, 25 June 2019
Closing Date of Offer	5.00pm (Sydney time) on Monday, 8 July 2019
Issue of New Shares	Monday, 15 July 2019
Lodgement of section 708A Notice	Monday, 15 July 2019
Deferred settlement trading end	Monday, 15 July 2019
Commencement of trading of New Shares on ASX (on a normal basis)	Tuesday, 16 July 2019

The dates set out in this table are subject to change and are indicative only. The Company reserves the right to alter this timetable at any time, subject to the *Corporations Act* and the Listing Rules, without notice.

The Directors, subject to the requirements of the Listing Rules and the *Corporations Act*, reserve the right to:

- (a) withdraw the Offer without prior notice; or
- (b) vary any of the important dates set out in this Offer, including extending the Offer.

1.4 Purpose of the Issue

The Directors intend to apply the proceeds from the Issue to provide funds for the purposes of:

- (a) facilitating expansion of the drilling program at Kharmagtai project;
- (b) facilitating exploration activities at the Red Mountain project;
- (c) the costs of the Issue; and
- (d) working capital.

The proceeds from the Issue, together with funds of \$1.1 million currently held by the Company, are proposed to be allocated in the following manner:

Proposed use of funds	Underwritten Amount (Note 1)	Full Subscription (Note 2)
Exploration/drilling at the Kharmagtai project	\$1,460,000	\$2,900,000
Exploration / drilling at the Red Mountain project	\$300,000	\$300,000
Estimated costs of the Issue (including legal fees, Lead Manager and Underwriter's fees, Share Registry fees, ASX fees and other miscellaneous costs associated with the Offer)*	\$190,000	\$300,000
Working capital	\$900,000	\$969,829
Total	\$2,850,000	\$4,469,829
Less existing funds	\$1,100,000	\$1,100,000
Total	\$1,750,000	\$3,369,829

Note 1: There is no minimum subscription condition for the Offer to proceed, however the Offer is only partly underwritten to an amount of \$1,750,000. Therefore the minimum amount which will be raised under the Offer is the Underwritten Amount (assuming that the conditions of the Underwriting Agreement are satisfied and the Underwriting Agreement is not terminated).

Note 2: Assumes that the Offer is fully subscribed (and that no Existing Options are exercised before the Record Date), and does not take account of brokerage (if any) discussed at section 5.3

However, in the event that circumstances change or other better opportunities arise the Directors reserve the right to vary the proposed uses to maximise the benefit to Shareholders.

If funds are raised greater than the Underwritten Amount, the Company will allocate those funds predominantly to advance the exploration and drilling program at the Kharmagtai project and then to working capital.

1.5 **Risk factors**

Eligible Shareholders should be aware that an investment in the Company is subject to investment and other known and unknown risks, including possible loss of income and the principal invested. Investors should carefully read the section on risk factors outlined in section 4. An investment of this kind involves a number of risks, a number of which are specific to the Company and the industry in which it operates.

However, these risks should not be taken to be exhaustive of the risks faced by the Company or its shareholders. Those risk factors referred to section 4, and others not specifically referred to in section 4, may materially affect the financial performance of the Company and the value of its Shares in the future.

The Company has implemented strategies, actions, systems and safeguards for known risks. However, some risks are beyond its control. Consequently, the prevailing price or value of New Shares issued under the Offer may be more or less than the Issue Price.

The New Shares offered under this Offer carry no guarantee of profitability, dividends, return of capital or the price at which they may trade on ASX. The past performance of the Company should not necessarily be considered a guide to their future performance.

1.6 **New Share terms**

Each New Share will rank equally with all existing Shares then on issue. Full details of the rights and liabilities attaching to the Shares are set out in the Company's constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

1.7 **No rights trading**

Entitlements to New Shares pursuant to the Issue are non-renounceable and accordingly will not be traded on the ASX.

1.8 **Acceptance of Entitlement to New Shares**

The number of New Shares to which each Eligible Shareholder is entitled is calculated as at the Record Date and is shown on the personalised Entitlement and Acceptance Form accompanying this Offer Document. This Offer Document is for the information of Eligible Shareholders who are entitled and may wish to apply for the New Shares. Fractional entitlements will be rounded up to the nearest whole number.

Entitlements to New Shares can be accepted in full or in part by completing and returning the Entitlement and Acceptance Form which is enclosed with this Offer Document in accordance with the instructions set out below and on the Entitlement and Acceptance Form.

1.9 **Lead Manager**

The Company has entered a mandate with Patersons Securities Limited dated 28 May 2019 pursuant to which Patersons Securities Limited has been appointed as lead manager and underwriter to the Offer (**Mandate Agreement**). Patersons Securities Limited will provide a number of services to the Company in respect of the Offer.

The Company has agreed to pay Patersons Securities Limited:

- (a) a \$60,000 Corporate Advisory Fee, payable on completion of the rights issue offer (**Corporate Advisory Fee**);
- (b) an Issue Management Fee equal to 2% of the total amount raised under the Offer (**Issue Management Fee**); and
- (c) a Selling Fee equal to 4% of the amount underwritten for the Offer, excluding the amounts of firm sub-underwriting commitments entered into by the Underwriter with the Main Shareholders (**Selling Fee**).

In the event that the Mandate Agreement is terminated by the Company without cause or by the Lead Manager with cause, the Corporate Advisory Fee will still be payable by the Company (**Termination Fee**).

In the event of any Shortfall, the Lead Manager is reserved the right to place the Shortfall and is entitled to a fee of 6% of the amount of the Shortfall placed (**Shortfall Placement Fee**).

The Company has agreed to reimburse the Lead Manager in respect of expenses incurred incidental to the Offer, and further indemnify the Lead Manager and related persons against losses, liabilities and claims in respect of the Offer.

The Mandate Agreement makes provisions (inter alia) for certain covenants to be observed by the Company.

The Lead Manager may terminate the Mandate Agreement at any time by notice to the Company where certain circumstances exist, such as:

- (a) if there is a fall of 7.5% or more in the S&P/ASX200 Index or the S&P/ASX Materials Index for more than two consecutive business days;
- (b) if the Company's shares trade on the ASX for less than the Issue Price for two consecutive business days;
- (c) there is a material adverse change in the assets, liabilities, financial position or prospects of the Company or the Lead Manager;
- (d) there are false or misleading statements or material misrepresentations in information provided to the Lead Manager or included in the presentation materials; or
- (e) other termination events that are considered standard for an agreement of this nature.

The Company may terminate the Mandate Agreement at any time prior to any offers of sub-underwriting having been made in relation to the Offer:

- (a) in the event of a material default of the Lead Manager which has not been remedied after five business days' notice; or
- (b) without cause with 2 business days' notice, provided that where the Company considers withdrawing from the Offer or terminating the Mandate Agreement as a result of dissatisfaction with the performance of the Lead Manager, the Company must first provide reasonable verbal and written notice to the Lead Manager and an opportunity to rectify the quality of service provided to the satisfaction of the Company.

Restrictions/Moratoriums

The Company must not enter into any type of equity or debt finance during the term of the Offer and undertakes not to offer, sell or market, contract to sell, otherwise dispose of or announce the sale (subject to the ASX Listing Rule requirements), directly or indirectly, of any

Shares in the Company or other securities which are convertible into or exchangeable or contain the right to acquire shares in the Company without the prior written consent of the Lead Manager for a period of 90 days after the Closing Date, such consent not to be unreasonably withheld (**Finance Restriction Provision**).

The Company must also use reasonable endeavours to ensure that during the period of three months from the Closing Date no current or proposed director of the Company will sell, dispose or transfer any securities in the Company held by them as at the date of this Offer Document without the prior consent of the Lead Manager (**Lock-Up Provision**).

The Mandate Agreement also contains a first right to the Lead Manager to act as sole lead manager in any future equity or quasi equity capital raisings conducted by the Company within the 12 months from the date of the engagement on terms at least as attractive as those which may be offered to a third party, including remuneration no less attractive than that contained in this engagement. During this period, the Company must pay an amount equal to the Selling Fee for any equity or debt interest issued by the Company to a third party that has been introduced to the Company by the Lead Manager under this engagement (**Moratorium**).

Further placement

In the event that the Shortfall equates to 25% or less of the New Shares available under the Offer, the Lead Manager is authorised, at its election, to facilitate a placement of further new Shares in the Company on the same terms as the New Shares, including the same Issue Price, to raise up to an additional amount of \$1.5 million.

1.10 **Underwriting**

The Lead Manager, Patersons Securities Limited, has been engaged by the Company as the underwriter for the Offer under the underwriting agreement dated on or about 17 June 2019 (**Underwriting Agreement**).

The Underwriting Agreement is subject to standard terms and conditions.

The key terms of the Underwriting Agreement are as follows:

- (a) the underwriting is for an amount up to \$1,750,000 (**Underwritten Amount**), representing 33,653,847 New Shares;
- (b) all valid applications received by the Company, from all sources, will be deemed to have been accepted in full by the Company and will go in relief of the obligations (if any) of the Underwriter under the Underwriting Agreement;
- (c) the underwriting is conditional upon the Underwriter obtaining, before the Opening Date, firm commitments with:
 - (1) each of CAAF Ltd and Asia Capital and Advisors Pte Ltd pursuant to which they each agree to subscribe for such number of New Shares as necessary to ensure that each of CAAF Ltd and Asia Capital and Advisors Pte Ltd maintain their percentage interest in the Company after completion of the Offer; and
 - (2) Noble Resources International Pte Ltd pursuant to which they agree to subscribe for their full Entitlement;
- (d) the fees in relation to the Underwriting Agreement are the same Corporate Advisory Fee, Issue Management Fee, Selling Fee and Termination Fee as payable under the Mandate Agreement (as described above in Section 1.9);

- (e) the Underwriting Agreement contains the Finance Restriction Provision and Lock-Up Provision as contained in the Mandate Agreement and described in Section 1.9;
- (f) the underwritten shares covers all New Shares to be issued under the Offer and the Underwriter must subscribe for all New Shares for which a valid application has not been received by the Company;
- (g) the underwriting obligations can be terminated by the Underwriter in a number of circumstances that are considered standard for an agreement of this nature, including if:
 - (1) there is a fall of 7.5% or more in the S&P/ASX200 Index or the S&P/ASX Materials Index for more than two consecutive business days;
 - (2) the Company's shares trade on the ASX for less than the Issue Price for two consecutive business days;
 - (3) if any of CAAF Ltd, Asia Capital and Advisors Pte Ltd or Noble Resources Pte Ltd does not comply with or breaches rescinds, revokes or avoids the terms of their sub-underwriting agreements;
 - (4) a material statement in this Offer Document is misleading or deceptive or the Offer Document does not contain all information required by the Corporations Act;
 - (5) the Company fails to lodge a cleansing notice under section 708AA of the *Corporations Act* when required;
 - (6) the Company fails to lodge a supplementary Offer Document at the reasonable request of the Underwriter;
 - (7) quotation of the New Shares is not granted or the Company is prevented from allotting the New Shares within the required timeframe;
 - (8) a director of the Company is charged with an indictable offence if this would have a material adverse effect on the Company;
 - (9) the Company suffers an insolvency event or suspends payment of its debts generally if this would have a material adverse effect on the Company;
 - (10) a judgement is made against the Company exceeding \$25,000 and is not satisfied or set aside within 7 days if this which could have a material adverse effect on the Company;
 - (11) commencement of litigation, arbitration, administrative or industrial proceedings if this would have a material adverse effect on the Company;
 - (12) the Company fails to comply with any law or material agreement which is likely to prohibit or materially restrict the business of the Company or this Offer;
 - (13) the Company is in default of any material term and condition of the Underwriting Agreement if this would have a material adverse effect on the Company;
 - (14) any specified prescribed occurrence occurs which would have a material adverse effect on the Company;

- (15) any change in composition of the Board or in senior management if this would have a material adverse effect on the Company;
 - (16) a change in the capital structure of the Company not contemplated by the Offer Document if this would have a material adverse effect on the Company;
 - (17) any adverse change occurs which materially impacts or is likely to impact, the assets, operational or financial position of the Company; and
 - (18) the Company's bankers or lenders terminate or issue any demand or penalty notice or amend the terms of any existing facility or accelerate repayment or require any material additional security; and
- (h) the Company gives various warranties, indemnities and covenants in favour of the Underwriter that are considered standard for an agreement of this nature.

1.11 Placement of Shortfall

Any New Shares not taken up by Eligible Shareholders under the Offer (**Shortfall**) will be made available to those Eligible Shareholders who have taken up their full Entitlement.

Each Eligible Shareholder who has taken up their full Entitlement may apply for Additional New Shares, in addition to their Entitlement, at the same issue price of \$0.052 per New Share (**Shortfall Offer**). Applications for Additional New Shares must be made in the Additional New Shares section on the Entitlement and Acceptance Form accompanying this Offer Document. The Shortfall Offer is a separate offer pursuant to this Offer document.

The ability for the Company to issue Additional New Shares is dependent upon the extent of any Shortfall. There is no guarantee that such Eligible Shareholders will receive the number of Additional New Shares applied for, or indeed, any Additional New Shares at all. The number of New Shares issued under the Shortfall Facility will not exceed the Shortfall following the Offer.

In addition, no Additional New Shares will be issued to an Eligible Shareholder if to do so would, to the extent of the knowledge of the Company, result in a breach of the ASX Listing Rules or the restrictions on obtaining or increasing relevant interests of greater than 20% of the Company's issued voting shares under Chapter 6 of the Corporations Act or would otherwise be contrary to the Corporations Act or the ASX Listing Rules.

The Directors, in conjunction with the Underwriter, will allot and issue Additional New Shares in accordance with the allocation policy for the Shortfall set out in Section 1.12. The Company, in consultation with the Underwriter, may reject any Application for Additional New Shares or allocate fewer Additional New Shares than applied for by Eligible Shareholders for Additional New Shares.

In the event that there is a Shortfall in subscriptions under the Issue following the issuance of the Additional New Shares, the Company will call on the Underwriter to take up the required number of Shortfall Shares in accordance with its underwriting obligations under the Underwriting Agreement. If the number of valid applications for New Shares and Additional New Shares exceeds the Underwritten Amount, then the Underwriter will not be obliged to subscribe for any New Shares under the Underwriting Agreement.

For the Shortfall of New Shares not subscribed for by Eligible Shareholders or unable to be subscribed for by the Underwriter, the Directors reserve the right, as contemplated within the Listing Rules and subject to the terms of the Mandate Agreement, to allocate that Shortfall of New Shares in their discretion and to conduct a placement of that remaining Shortfall so as to ensure the maximum amount of funds are raised. They will do so in a manner which will ensure that no Shareholder or other investor (including the Underwriter) will as a consequence

of taking up their Entitlement and being issued any Shortfall hold a relevant interest of more than 19.99% of all of the Shares in the Company after this Issue.

Any Shortfall will be issued within three months after the Closing Date at an issue price being not less than the Issue Price.

In the event that the Shortfall equates to 25% or less of the New Shares available under the Offer, the Lead Manager is authorised, at its election, to facilitate a placement of further new Shares in the Company on the same terms as the New Shares, including the same Issue Price, to raise up to an additional amount of \$1.5 million.

1.12 Allotment and allocation policy

The Company will proceed to allocate New Shares as soon as possible after the Closing Date and receiving ASX permission for official quotation of the New Shares.

Successful Applicants will be notified in writing of the number of New Shares allocated to them as soon as possible following the allocation being made.

It is the responsibility of Applicants to confirm the number of New Shares allocated to them prior to trading in New Shares. Applicants who sell New Shares before they receive notice of the number of New Shares allocated to them do so at their own risk.

Where a Shortfall exists under section 1.11, the allocation and allotment of Additional New Shares applied for will be made in accordance with the following policy:

- (a) The Directors will allocate the Shortfall Shares to Eligible Shareholders that have applied to take up their full Entitlements and in addition have indicated that they wish to take up their Additional New Shares as provided for in Section 1.11.
- (b) The Company reserves the right to allocate Additional New Shares at its absolute discretion.
- (c) No Eligible Shareholder associated with the Directors will participate in the Shortfall Facility.
- (d) Additional New Shares will be issued at the same time as all other New Shares are issued under the Offer.
- (e) The Company will not allocate or issue Additional New Shares under the Shortfall Facility, where it is aware that to do so would result in a breach of the Corporations Act, the Listing Rules or any other relevant legislation or law. Eligible Shareholders wishing to apply for Additional New Shares must consider whether or not the issue of the Additional New Shares applied for would breach the Corporations Act or the Listing Rules having regard to their own circumstances.
- (f) There is no guarantee that Eligible Shareholders will be successful in being allocated any of the Additional New Shares that they apply for. The Company may reject any Application for Additional New Shares or allocate fewer Additional New Shares than applied for by Applicants for Additional New Shares in accordance with the policy set out above. The Directors reserve the right at their absolute discretion to place a maximum on the number of Additional New Shares that will be issued to Eligible Shareholders who apply for Additional New Shares.
- (g) Once Directors have exhausted the allotment and allocation of Additional New Shares under the Shortfall Facility, then the Company will call on the Underwriter to take up such number of Shortfall Shares under the Underwriting Agreement that will ensure that the Company receives the Underwritten Amount under the Offer.

- (h) Shortfall Shares that are not subscribed for by Eligible Shareholders or the Underwriter may be placed by the Company, in conjunction with the Lead Manager, at its sole discretion subject to the provisions of the Mandate Agreement, Underwriting Agreement, the *Corporations Act* and the Listing Rules.

1.13 **ASX listing**

On the same date as announcing the Offer, the Company applied to the ASX for the New Shares to be issued pursuant to this Offer Document to be listed for official quotation by the ASX. If granted, quotation of the New Shares will commence as soon as practicable after allotment of the New Shares to Applicants. It is the responsibility of the Applicants to determine their allocation of New Shares prior to trading.

Should the New Shares not be granted official quotation on the ASX within three months after the date of this Offer Document, none of the New Shares offered under this Offer Document will be issued and all acceptance money will be refunded without interest to Applicants within the time prescribed by the *Corporations Act*.

1.14 **CHESS**

The Company will apply for the New Shares to participate in CHESS, in accordance with the ASX Listing Rules and ASX Settlement Operating Rules.

The Company will not issue certificates to Shareholders with respect to the New Shares. After allotment of the New Shares, Shareholders who are issuer sponsored will be provided with an issuer sponsored statement and those who are CHESS Holders will receive an allotment advice.

The CHESS statements, which are similar in style to bank account statements, will set out the number of New Shares allotted to each successful applicant pursuant to this Offer Document. The statement will also advise holders of their holder identification number. Further statements will be provided to holders which reflect any changes in their holding in the Company during a particular month.

1.15 **Option Holders**

Option Holders will not be entitled to participate in the Issue unless they:

- (a) have become entitled to exercise their Existing Options under the terms of their issue and do so prior to the Record Date; and
- (b) participate in the Issue as a result of being an Eligible Shareholder at 7.00pm (Sydney time) on the Record Date.

There are currently 29,411,759 Existing Options on issue. These options have exercise dates which expire on 26 June 2020 and have an exercise price of \$0.25. If all Option Holders elect to exercise their Existing Options prior to the Record Date to participate in the Issue, a further 2,941,176 New Shares may be issued under this Offer Document.

1.16 **Overseas Shareholders**

The Company has not made investigations as to the regulatory requirements that may prevail in the countries outside of Australia, New Zealand and Singapore in which the Company's Shareholders reside.

This Offer Document and accompanying forms do not, and are not intended to, constitute an offer of New Shares in any place outside of Australia, New Zealand and Singapore in which, or

to any person to whom, it would not be lawful to make such an offer or to issue this Offer or that Form.

The distribution of this Offer Document and the accompanying form in jurisdictions outside of Australia, New Zealand and Singapore may be restricted by law and persons who come into possession of this Offer Document and the accompanying form should seek advice on and observe those restrictions. Any failure to comply with those restrictions may constitute a violation of applicable securities laws.

The Company has decided that it is unreasonable to make offers under the Issue to Shareholders with registered addresses outside of Australia, New Zealand and Singapore (**Ineligible Shareholders**) having regard to the number of Shareholders in those places, the number and value of the New Shares they would be offered and the cost of complying with the legal and regulatory requirements in those places. Accordingly, the Offer is not being extended to, and does not qualify for distribution or sale by Ineligible Shareholders and no New Shares will be issued to Ineligible Shareholders.

In particular, this Offer is not made in the United States or to persons (including nominees or custodians) acting for the account or benefit of a person in the United States, or to any person who is ineligible under applicable securities laws in any country to receive an offer under the Offer Document without any requirement for a prospectus to be lodged or registered.

Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are an existing holder of the Company's shares. In the event that you are not such a shareholder, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

1.17 Notice to nominees and custodians

Nominees and custodians may not distribute any part of this document in the United States or in any other country outside of Australia, New Zealand and Singapore, except to beneficial Shareholders in another country (other than the United States) where the Company may determine it is lawful and practical to make the Offer. Any person in the United States with a holding through a nominee may not participate in the Offer.

1.18 Electronic Offer Document

An electronic version of this Offer Document is available on the Company's website at www.xanadumines.com.

The Entitlement and Acceptance Form may only be distributed together with a complete and unaltered copy of the Offer Document. The Company will not accept a completed Entitlement and Acceptance Form if it has reason to believe that the investor has not received a complete paper copy or electronic copy of the Offer Document or if it has reason to believe that the Entitlement and Acceptance Form or electronic copy of the Offer Document has been altered or tampered with in any way.

While the Company believes that it is extremely unlikely that in the Offer period the electronic version of the Offer Document will be tampered with or altered in any way, the Company cannot give any absolute assurance that it will not be the case. Any investor in doubt concerning the validity or integrity of an electronic copy of the Offer Document should immediately request a paper copy of the Offer Document directly from the Company or the Share Registry.

2. How to apply

2.1 How to accept your Entitlement

The number of New Shares to which Eligible Shareholders are entitled to is shown on the Entitlement and Acceptance Form which accompanies this Offer Document.

As an Eligible Shareholder, you may:

- (a) take up all of your Entitlement and apply for Additional New Shares;
- (b) take up all of your Entitlement but not apply for Additional New Shares;
- (c) accept part of your Entitlement and allow the balance to lapse; or
- (d) do nothing which will allow your Entitlement to lapse.

If Eligible Shareholders take no action in respect of their Entitlement the Offer will lapse on the Closing Date and they will have no right to subscribe for the New Shares pursuant to this Offer.

Entitlements to New Shares can be accepted in full or in part by completing and returning the Entitlement and Acceptance Form which is enclosed with this Offer Document in accordance with the instructions set out on the Entitlement and Acceptance Form and forwarding the completed Form together with payment for the full amount so as to reach the Share Registry by no later than 5.00pm (Sydney time) on the Closing Date. Payment may be made by cheque, bank draft or BPAY®. The Issue Price of \$0.052 per New Share is payable in full on acceptance of part or all of your Entitlement. If you wish to apply for Additional New Shares, refer to the additional requirements in section 2.2.

If paying via BPAY®, Eligible Shareholders should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment and it is the responsibility of the Shareholder to ensure that funds are submitted through BPAY® by the date and time mentioned above. If you elect to pay via BPAY®, you must follow the instructions for BPAY® set out in the Entitlement and Acceptance Form and you do not need to return the Entitlement and Acceptance Form.

Cheques should be in Australian currency and made payable to "Xanadu Mines Ltd - Rights Issue Account" and crossed "not negotiable".

Completed Forms and accompanying cheques should be lodged at or forwarded to the following address:

**Computershare Investor Services Pty Ltd
Xanadu Mines Ltd Offer
GPO Box 505
Melbourne VIC 3001**

Entitlement and Acceptance Forms will not be accepted at the Company's registered office.

No brokerage, handling fees or stamp duty is payable by Applicants in respect of their applications for New Shares under this Offer Document. The amount payable on acceptance will not vary during the period of the Offer and no further amount is payable on allotment. Application Money will be held in trust in a subscription account until allotment of the New Shares. The subscription account will be established and kept by the Company on behalf of the Applicants. Any interest earned on the Application Money will be retained by the Company irrespective of whether allotment takes place.

If you do not wish to accept all or any part of your Entitlement, do not take any further action and that part of your Entitlement will lapse. If you do not take up all of your Entitlement in accordance with the instructions set out above, any New Shares that you would have otherwise been entitled to under the Offer may be issued to the Underwriter or placed by the Directors to third parties. See sections 1.11 and 3.3 for further details.

2.2 How to apply for Additional New Shares from the Shortfall Facility

If you wish to take up all of your Entitlement and also apply for Additional New Shares under the Shortfall Facility, complete the Additional New Shares section in the accompanying Entitlement and Acceptance Form for New Shares in accordance with the instructions set out in the form.

In order to apply for Additional New Shares under the Shortfall Facility you must be an Eligible Shareholder and must have first taken up your Entitlement in full.

Amounts received by the Company in excess of the Issue Price multiplied by your Entitlement (**Excess Amount**) will be treated as an Application to apply for as many additional New Shares as your Excess Amount will pay for in full.

If you apply for Additional New Shares under the Shortfall Facility and your Application is successful (in whole or in part), your Additional New Shares will be issued at the same time that other New Shares are issued under the Offer. The basis on which the Directors will allocate and issue Additional New Shares under the Shortfall Facility is set out in Section 1.12.

Refund amounts, if any, will be paid in Australian dollars. You will be paid either by cheque sent by ordinary post to your address as recorded on the share register (the registered address of the first-named in the case of joint holders), or by direct credit to the nominated bank account as noted on the share register as at the Closing Date of the Offer.

2.3 Binding effect of Entitlement and Acceptance Form

A completed and lodged Entitlement and Acceptance Form, or a payment made through BPAY, constitutes a binding offer to acquire New Shares on the terms and conditions set out in this Offer Document and, once lodged or paid, cannot be withdrawn. If the Entitlement and Acceptance Form is not completed correctly it may still be treated as a valid application for New Shares. The Directors' decision whether to treat an acceptance as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final.

By completing and returning your personalised Entitlement and Acceptance Form with the requisite Application Money or making a payment by BPAY®, you will also be deemed to have acknowledged, represented and warranted on behalf of each person on whose account you are acting that:

- (a) you are an Eligible Shareholder and are not in the United States and are not a person (including nominees or custodians) acting for the account or benefit of a person in the United States and are not otherwise a person to whom it would be illegal to make an offer or issue New Shares under the Offer;
- (b) you acknowledge that the New Shares have not been, and will not be, registered under the US Securities Act or under the laws of any other jurisdiction outside of Australia, New Zealand and Singapore; and
- (c) you have not and will not send any materials relating to the Offer to any person in the United States or to any person (including nominees or custodians) acting for the account or benefit of a person in the United States.

3. Control issues arising from the Offer on the Company

3.1 Present position

At the date of this Offer Document the Company is of the view that there is no one entity who controls the Company.

The Shareholders who hold more than 5% of the Shares prior to the date of this Offer Document are as follows:

Name	Shares	%
CAAF Ltd / Asia Capital and Advisors Pte Ltd (Copper Plate Success Limited)	154,718,956	23.87%
Noble Resources International Pte Ltd	51,800,860	7.99%

3.2 Capital structure

Assuming full subscription under the Offer, the share capital structure of the Company immediately following the Issue assuming the Issue is fully subscribed will be as follows:

Shares		
	Number	%
Ordinary Shares on issue at the date of the Offer Document	648,044,131	90.91%
Maximum number of New Shares under the Offer Document ¹	64,804,413	9.09%
Total:	712,848,544	100%

Notes:

- If any of the Existing Options are exercised prior to the Record Date, additional New Shares will be issued under the Offer under this Offer Document. If all Existing Options on issue as at the date of this Offer Document were exercised prior to the Record Date, the Company's issued shares would increase by 29,411,759 resulting in a further 2,941,176 New Shares being issued pursuant to this Offer Document. This would increase the Company's total Shares on issue after completion of the Offer to 807,064,716 Shares.*

As at the date of this Offer Document, the Company has a total of 29,411,759 Existing Options on issue as follows:

Options			
No of options	Exercise price	Vesting date/performance hurdle	Expiry date
29,411,759	\$0.25	Nil	26 June 2020

As at the date of this Offer Document, the Company has a total of 10,000,000 unvested performance rights on issue as follows:

Performance Rights	
No of Performance rights	Vesting date/performance hurdle
8,000,000	\$0.60 hurdle and tenure testing - testing date 26 July 2019
2,000,000	\$0.60 hurdle and tenure testing - testing date 11 October 2019

3.3 Potential effect of the Offer

The Offer is a pro-rata offer so that if all Eligible Shareholders take up their Entitlements and none of the Option Holders exercise their Existing Options and participate in the Offer, the voting power of all Eligible Shareholders will remain the same. In that event, there will be no actual or potential effect or consequences arising from the Offer on the control of the Company.

However, Shareholders who do not take up all of their Entitlements will have their interest in the Company diluted. In addition, the proportional shareholdings of Shareholders who are not resident in Australia, New Zealand and Singapore may be diluted as those Shareholders are not entitled to participate in the Offer.

While the final percentage interests held by Shareholders of the Company is entirely dependent on the extent to which they are Eligible Shareholders and to the extent to which the other Shareholders take up their Entitlements, the Company expects that the potential effect of the issue of Shares under the Offer on the control of the Company will be minimal.

If no Eligible Shareholder take up their entitlements (and none of the Option Holders exercise their Existing Options and participate in the Offer), the Underwriter would be required to acquire 33,653,847 New Shares under the terms of the Underwriting Agreement. The Underwriter does not currently hold any Shares in the Company, therefore the total number of Shares held by the Underwriter will become 33,653,847 and the Underwriter's voting power will become 4.94%.

The Underwriter's obligations are conditional upon the Underwriter entering into sub-underwriting commitments with substantial shareholders CAAF Ltd, Asia Capital and Advisors Pte Ltd (Copper Plate Success Limited account) and Noble Resources International Pte Ltd (**Main Shareholders**) as follows:

- (a) for each of CAAF Ltd and Asia Capital and Advisors Pte Ltd to subscribe for such number of New Shares as necessary to ensure that each of CAAF Ltd and Asia Capital and Advisors Pte Ltd maintain the percentage interest in the Company after completion of the Offer; and
- (b) for Noble Resources International Pte Ltd to subscribe for their Entitlement.

As valid applications received by the Company, including for Additional New Shares, will go in relief of the obligations of the Underwriter under the Underwriting Agreement, the applications for New Shares received from the Main Shareholders pursuant to such sub-underwriting commitments will reduce the number of New Shares that the Underwriter will need to subscribe for and their subsequent voting power .

The number of New Shares issued to, and the voting power of, the Underwriter will be further reduced to the extent that the Directors take up their Entitlements.

In the event of a Shortfall after the issue of Additional New Shares and issue of New Shares to the Underwriter (if any), the Directors reserve the right to place the remaining Shortfall at their sole discretion subject to the provisions of the Underwriting Agreement, the *Corporations Act* and the Listing Rules.

4. Risk factors

4.1 Introduction

The activities of the Company, as in any business, are subject to risks which may impact on its future performance. The Company has appropriate actions, systems and safeguards for known risks, however, some are outside its control.

Prior to making any decision to accept the Offer, Eligible Shareholders should carefully consider the risk factors which the Company has previously disclosed (many of which are listed below), as well as those risks of which the Eligible Shareholder is aware, or should be aware of through their own knowledge and enquiries.

Some of the risks may be mitigated by the Company using safeguards and appropriate systems and taking certain actions. However, as noted above and previously, some of the risks are outside the control of the Company and are not capable of mitigation. There are also general risks associated with any investment in shares.

The risks listed below (and previously disclosed by the Company) should not be taken as exhaustive of the risks faced by the Company. Factors other than those listed may in the future materially affect the financial performance of the Company and the value of the New Shares.

Shareholders should consider that the investment in the Company is speculative. Eligible Shareholders should read this Offer Document in its entirety and consult their stockbroker, accountant or other professional advisor without delay before deciding whether to accept the Offer.

4.2 General risks

The New Shares that are to be issued pursuant to the Offer are speculative because of the nature of the business of the Company, being the exploration and development of copper and gold tenements. The value of shares can go up as well as down and a dividend may or may not be paid in the future, depending on the Company's operating successes. As the holding of the Company's securities can involve certain risks, Eligible Shareholders in doubt as to the course they should follow should consult their stockbroker, accountant or other professional advisor without delay.

A summary of the major general risks is described below:

Nature of investment

Any potential investor should be aware that subscribing for New Shares involves risks. The New Shares to be issued pursuant to this Offer carry no guarantee with respect to the payment of dividends, return on capital or the market value of those New Shares. An Applicant may not be able to recoup his or her initial investment. More specifically, the risks are that:

- (a) the price at which the Applicant is able to sell the New Shares is less than the price paid due to changes in market circumstances;
- (b) the Applicant is unable to sell the New Shares; and
- (c) the Company is placed in receivership or liquidation making it reasonably foreseeable that Shareholders could receive none, or only some of their initial investment.

Stock market

The New Shares may trade on the ASX at higher or lower prices than the Issue Price following listing. Investors who decide to sell their New Shares after listing may not receive the entire amount of their original investment.

The Shares are currently listed on the ASX. However, there can be no guarantee that there is or will be an active market in the Shares or that the price of the New Shares will increase.

The price at which the New Shares trade on the ASX may be affected by the financial performance of the Company and by external factors over which the Directors and the Company have no control. These factors include movements on international share markets, local interest rates and exchange rates, domestic and international economic conditions, government taxation, market supply and demand and other legal, regulatory or policy changes.

Economic factors

The operating and financial performance of the Company is influenced by a variety of general economic and business conditions including the levels of consumer confidence and spending, business confidence and investment, employment, inflation, interest rates, exchange rates, access to debt and capital markets, fiscal policy, monetary policy and regulatory policies. A prolonged deterioration in any number of the above factors may have a material adverse impact on the Company's business and financial performance.

Management actions

The Directors will, to the best of their knowledge, experience and ability (in conjunction with their management) endeavour to anticipate, identify and manage the risks inherent in the activities of the Company, but without assuming any personal liability for same, with the aim of eliminating, avoiding and mitigating the impact of risks on the performance of the Company and its securities.

Unforeseen expenses

While the Company is not aware of any expenses that may need to be incurred that have not been taken into account, if such expenses were subsequently incurred, the expenditure proposals of the Company may be adversely affected.

Additional capital requirements

The Company's ability to effectively implement its business strategy over time may depend in part on its ability to raise additional funds. There can be no assurance that any such equity or debt funding will be available to the Company on favourable terms or at all. If adequate funds are not available on acceptable terms, the Company may not be able to take advantage of opportunities or otherwise respond to competitive pressures.

Regulatory risk, Government policy

Changes in relevant taxation, interest rates, other legal, legislative and administrative regimes and Government policies in Australia, Mongolia or Singapore, may have an adverse effect on the assets, operations and ultimately the financial performance of the Company and the market price of its securities. More details concerning the regulatory and Government policy risk on the Company's operations in Mongolia are contained in section 4.3.

4.3 Risks specific to an investment in the Company

In addition to the general risks noted in section 4.2, Eligible Shareholders should be aware of risks specific to an investment in the Company, which may include, but are not limited to the following:

The accuracy of the Company's mineral resource estimates for the Kharmagtai Project is based on a number of assumptions

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

The Company is subject to liquidity and financing risks

The primary source of funds available to the Company is from equity financing. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis, to support its exploration plans, and to ensure that it will have sufficient liquidity to meet its liabilities when due. To the extent the Company does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through equity or debt transactions.

The Company does not have unlimited financial resources and there is no assurance that sufficient additional funding or financing will be available to the Company or its direct and indirect subsidiaries on acceptable terms, or at all, for further exploration or development of its properties or to fulfil its obligations under any applicable agreements. Failure to obtain such additional funding could result in the delay or indefinite postponement of the exploration and development of the Company's properties.

Access / landowner risks

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

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

the outcomes of which cannot be predicted with any certainty. The inability of the Company to secure surface access or purchase required surface rights could materially and adversely affect the timing, cost or overall ability of the Company to develop any mineral deposits it may locate.

The Company's activities are subject to operational risks, hazards and unexpected disruptions

The Company's activities are subject to a number of operational risks and hazards, some of which are beyond its control, and could delay the future production and delivery of copper or gold, increase the Company's cost of mining or result in accidents at its mine. These risks and hazards include unexpected maintenance or technical problems, periodic interruptions due to inclement or hazardous weather conditions, natural disasters such as earthquakes, industrial accidents, power, water or fuel supply interruptions or the increase in the price of such supplies, critical equipment failure, malfunction and breakdowns of information management systems, fires, and unusual or unexpected variations in mineralisation, geological or mining conditions. These risks and hazards may result in personal injury, damage to or destruction of properties or production facilities, environmental damage, business interruption, possible legal liability, damage to the Company's business reputation and corporate image and, in severe cases, fatalities. Such accidents may have a material adverse effect on the Company's reputation, business, prospects, financial conditions and results of operations.

The Company's insurance may not be adequate to cover losses or liabilities that may arise

The Company's business is subject to a number of risks and hazards (as further described in this Offer Document). The Company does not currently maintain insurance to protect against the potential risks associated with its activities, including any future mining operations. If the Company does in the future maintain insurance in such amounts as it considers to be reasonable, such insurance may not cover all the potential risks associated with its activities, including any future mining operations. The Company may not be able to obtain or maintain insurance to cover its risks at economically feasible premiums, or at all. Even if the Company obtained insurance, such insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration or production may not be available to the Company on acceptable terms. The Company might also become subject to liability for pollution or other hazards which it does not insure against or in future may not insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs which could have a material adverse effect on the Company's reputation, business, prospects, financial conditions and results of operations.

The mining industry is intensely competitive

The Company's business is the acquisition, exploration, development, and exploitation of mineral properties. The mining industry is intensely competitive and the Company competes with other companies that have far greater financial resources, more significant investments in capital equipment and mining infrastructure for the ongoing acquisition, exploration, development and exploitation of mineral interests, as well as for the recruitment and retention of qualified employees.

The Company is subject to fluctuation of metal prices

Even if commercial quantities of mineral deposits are discovered, there is no guarantee that a profitable market will exist for the sale of the metals produced. Factors beyond the control of the Company may affect the marketability of any minerals discovered. The prices of various metals have experienced significant movement over short periods of time, and are affected by numerous factors beyond the control of the Company, including, among other things, international economic and political trends, expectations of inflation, currency exchange

fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods. The supply of, and demand for, metals are affected by various factors, including, among other things, political events, economic conditions and production costs in major producing regions. There can be no assurance that the price of any minerals contained in a deposit will be such that the Company's properties can be mined at a profit. The Company is particularly exposed to the risk of movement in the price of copper and gold. Declining market prices for copper and gold could have a material effect on the Company's profitability.

Foreign currency fluctuations could affect expenses and any future earnings

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

The Company's business depends substantially on the continuing efforts of its executive officers and its mining contractors and the ability of the Company to attract and retain qualified technical personnel

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

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

The Company's mining operations are exposed to environmental risks

Existing and possible future environmental legislation, regulations and actions could cause significant expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted and which may well be beyond the capacity of the Company to fund. The Company's right to exploit its mineral projects is subject to various reporting requirements and to obtaining certain government approvals and there is no assurance that such approvals, including environmental approvals, will be obtained without inordinate delay or at all.

Environmental legislation is evolving in a manner which may require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. No certainty exists that future changes in environmental regulation, if any, will not adversely affect the Company's operations or

development properties. Environmental hazards may exist on the Company's mineral projects which are unknown to management at present and which have been caused by previous owners or operators of the properties.

Failure to comply with applicable environmental laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of such parties' activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Investors may have difficulty in enforcing their legal rights as against the Company, the subsidiaries of the Company and certain of the officers and directors of the Company, as they are located outside of Australia

The Company and its subsidiaries are organised under the laws of foreign jurisdictions and certain of the Company's directors, management personnel and advisors are located in foreign jurisdictions. Given that the Company's material assets and certain of its directors, management personnel and experts are located outside of Australia, investors may have difficulty in effecting service of process within Australia and collecting from or enforcing against the Company or its directors, officers and advisors, any judgments obtained by the Australian courts or Australian securities regulatory authorities and predicated on the civil liability provisions of Australian securities legislation or otherwise. Similarly, in the event a dispute arises from the Company's foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of courts in Australia.

The Company is subject to general legal and political risk in Mongolia

The Company's exploration and mining activities are located in Mongolia.

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

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

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

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

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

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

The political, social and economic environment in Mongolia presents a number of serious risks, including, among other things: uncertain legal enforcement; invalidation, confiscation, expropriation or rescission of governmental orders, permits, licences, agreements and property rights; the effects of local political, labour and economic developments, instability and unrest; corruption, requests for improper payments or other corrupt practices; and significant or abrupt changes in the applicable regulatory or legal climate. Mongolia is classified by globalEDGE™ as having a current risk rating of C: "a very uncertain political and economic situation and a business environment with many troublesome weaknesses can have a significant impact on corporate payment behaviour. Corporate default probability is high" and by the Organisation for Economic Co-operation and Development Country Risk Classification Mongolia as having as at 4 February 2019 a country risk rating of 6 on a scale of 7.

The Mongolian legal system exhibits several of the qualitative characteristics typically found in a developing country and many of its laws, particularly with respect to matters of taxation, are still evolving. The legal framework in Mongolia is, in many instances, based on recent political reforms or newly enacted legislation, which may not be consistent with long-standing local conventions and customs. There may be ambiguities, inconsistencies and anomalies in the agreements, licences and title documents through which the Company holds its mineral projects, or the underlying legislation upon which those mineral projects are based, which are atypical of more developed legal systems and which may affect the interpretation and enforcement of the Company's rights and obligations. Mongolian institutions and bureaucracies responsible for administering laws may lack a proper understanding of the laws or the experience necessary to apply and/or interpret them in a modern business context. Many laws have been enacted, but in many instances they may either be misunderstood or not enforced and may be applied in an inconsistent, arbitrary and unfair manner.

The regulatory environment is in a state of continuing change, and new laws, regulations and requirements may be retroactive in their effect and implementation. There can be no assurance that Mongolian laws protecting foreign investments will not be amended or abolished or that existing laws will be enforced or interpreted to provide adequate protection against any or all of the risks described above.

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

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

The Company is subject to foreign exchange risks relating to its foreign subsidiaries

Foreign operations may require funding if their cash requirements exceed operating cash flow and the Company expects such funding to be required in the immediate future. To the extent that funding is required, there may be exchange controls limiting such funding or adverse tax consequences associated with such funding. In addition, taxes and exchange controls may affect the dividends that the Company receives from its foreign subsidiaries or branch offices of foreign subsidiaries. Exchange controls may prevent the Company from transferring funds abroad and the Company may have to register funds with the Bank of Mongolia in order to repatriate capital and profits.

There can be no assurance that the Mongolian governmental authorities will not require prior authorisation or will grant such authorisation for the Company's foreign subsidiaries or branch offices of foreign subsidiaries to make dividend payments to the Company and the Company cannot assure that there will not be a tax imposed with respect to the expatriation of the proceeds from the Company's foreign subsidiaries or branch offices of foreign subsidiaries. The implementation of a restrictive exchange control policy, including the imposition of restrictions on the repatriation of earnings to foreign entities, could affect the Company's ability to engage in foreign exchange activities, and could also have a material adverse effect on the Company's business, financial condition and results of operations.

Certain foreign exchange transactions, including those between Mongolian companies and foreign companies, must be made through authorised foreign exchange intermediaries, such as commercial banks.

The Company is subject to certain risks as an emerging market issuer

The Company's foreign operations involve substantial costs and are subject to certain risks because the mining industries in the countries in which the Company operates are less developed. The mining industry in Mongolia may not be as efficient or developed as the mining industry in Australia. As a result, the Company's exploration and operating activities may take longer to complete and may be more expensive than similar operations in Australia. The availability of technical expertise, specific equipment and supplies may be more limited than in Australia. The Company expects that such factors will subject the Company's operations in Mongolia to economic and operating risks that may not be experienced in Australia.

Mineral resource exploration and development is a speculative business

Resource exploration and development is a speculative business and involves a high degree of risk, including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but from finding mineral deposits which, though present, are insufficient in size to return a profit from production. Any combination of factors may result in the Company not receiving an adequate return on invested capital. The majority of exploration projects do not result in the discovery of commercially mineable deposits.

5. Additional information

5.1 Section 708AA Corporations Act

Xanadu Mines Ltd is a disclosing entity and therefore subject to regular reporting and disclosure obligations under the *Corporations Act*. Under those obligations, the Company is obliged to comply with all applicable continuous disclosure and reporting requirements in the Listing Rules.

This Offer is being undertaken pursuant to section 708AA of the *Corporations Act*. This section enables disclosing entities to undertake a rights issue in relation to securities in a class of securities which has been quoted by ASX at all times during the 12 months before the date of the Offer. Apart from formal matters a notice under section 708AA(2)(f) need only:

- (a) contain information that is excluded information as at the date of the Offer Document pursuant to section 708AA(8) and (9); and
- (b) state:
 - (1) the potential effect the issue of the New Shares will have on the control of the Company; and
 - (2) the consequences of that effect.

A notice under section 708AA(2)(f) was lodged with the ASX on 18 June 2019.

5.2 Rights and liabilities attaching to New Shares

The New Shares will have from issue the same rights attaching to all existing Shares on issue. The rights attaching to ownership of the New Shares are set out in the Company's Constitution, a copy of which is available for inspection at the registered office of the Company during business hours or on the Company's website at www.xanadumines.com.

This Offer Document does not contain a summary of the principal rights and liabilities of holders of the New Shares.

5.3 Expenses of the Offer

All expenses connected with the Offer are being borne by the Company. Total expenses of the Offer are estimated to be in the order of \$300,000 (assuming that the Offer is fully subscribed).

In addition the Company may if it deems it necessary for the placement of any Shortfall, pay stockbrokers' fees which will be equal to a percentage of the Issue Price (including GST) of New Shares issued under the Shortfall.

5.4 Consents and disclaimers

Written consents to the issue of this Offer Document have been given and at the time of this Offer Document have not been withdrawn by the following parties:

Patersons Securities Limited has given and has not withdrawn its consent to be named in this Offer Document as the lead manager and underwriter in the form and context in which it is named. It takes no responsibility for any part of the Offer Document other than references to its name.

Computershare Investor Services Pty Limited has given and has not withdrawn its consent to be named in this Offer Document as the Share Registry of the Company in the form and

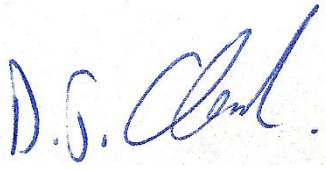
context in which it is named. It has had no involvement in the preparation of any part of this Offer Document other than recording its name as share registrar to the Company and it takes no responsibility for any part of the Offer Document other than the references to its name.

HopgoodGanim Lawyers has given and has not withdrawn its consent to be named in this Offer Document as solicitors to the Offer in the form and context in which it is named. It takes no responsibility for any part of the Offer Document other than references to its name.

5.5 Directors' statement

This Offer Document is issued by Xanadu Mines Ltd. Each director has consented to the lodgement of the Offer Document with ASX.

Signed on the date of this Offer Document on behalf of Xanadu Mines Ltd by:



.....
Darryl Clark
Executive Chairman

6. Definitions and glossary

Terms and abbreviations used in this Offer Document have the following meaning:

Acceptance	An acceptance of Entitlements
Additional New Shares	Those New Shares which Eligible Shareholders may apply for under the Shortfall Facility in excess of their Entitlement, in the event that there is a Shortfall as described in Section 1.11
Applicant	A person who submits an Entitlement and Acceptance Form
Application Money	The Issue Price multiplied by the number of New Shares applied for
ASX	ASX Limited ACN 008 624 691
ASX Settlement Operating Rules	The operating rules of ASX Settlement Pty Ltd
Board	The board of Directors of the Company
CHESS	means the Clearing House Electronic Sub-register System, an automated transfer and settlement system for transactions in securities quoted on the ASX under which transfers are effected in paperless form
Closing Date	The date by which valid acceptances must be received by the Share Registrar being 5.00pm (Sydney time) Monday, 8 July 2019 or such other date determined by the Board
Company or Xanadu	Xanadu Mines Ltd ACN 114 249 026
Constitution	The Constitution of the Company
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Directors	The Directors of the Company
Eligible Shareholder	A shareholder of the Company that holds shares in the Company on the Record Date whose registered address is in Australia, New Zealand and Singapore
Entitlement and Acceptance Form or Form	An entitlement and acceptance form in the form enclosed with this Offer Document
Entitlements	The entitlement to accept New Shares under this Offer Document
Existing Options	All existing options to subscribe for Shares currently on issue as at the date of this Offer Document
Ineligible Shareholder	A Shareholder who is not an Eligible Shareholder
Issue or Offer	The offer and issue of New Shares in accordance with this Offer Document
Issue Price	\$0.052 for each New Share applied for
Lead Manager	Patersons Securities Limited
Listing Rules	The official listing rules of the ASX
Main Shareholders	Has the meaning given in Section 3.3

Mandate Agreement	The mandate agreement between the Company and the Patersons Securities Limited dated 28 May 2019 appointing Patersons Securities Limited as the lead manager and underwriter of the Offer
New Shares	Shares proposed to be issued under the Offer
Opening Date	The date of commencement of the Offer, expected to be Tuesday, 25 June 2019
Option Holders	The holders of the Existing Options
Options	Options on issue in the Company from time to time
Offer Document	This Offer Document dated 18 June 2019 as modified or varied by the Company
Record Date	7.00pm Sydney time on Friday, 21 June 2019
Register	The company register of the Company
Relevant Interest securities	Has the meaning given to that term in the <i>Corporations Act</i>
Share Registry or Computershare	Computershare Investor Services Pty Limited
Shares	The ordinary shares on issue in the Company from time to time
Shareholder or Shareholders	The holders of Shares from time to time
Shortfall	Those New Shares for which the Entitlement lapses
Shortfall Facility	The facility described in Section 1.11 under which Eligible Shareholders may apply for Additional New Shares in excess of their Entitlement
Underwriter	Patersons Securities Limited
Underwriting Agreement	The underwriting agreement between the Company and Patersons Securities Limited dated on or about 17 June 2019 appointing Patersons Securities Limited as the underwriter
Underwritten Amount	Has the meaning given in Section 1.10
US Securities Act	The US Securities Act of 1933, as amended

Corporate directory

Directors	Solicitors to the Offer
<p>Darryl Clark (Executive Chairman)</p> <p>Andrew Stewart (Executive Director / Chief Executive Officer)</p> <p>Ganbayar Lkhagvasuren (Executive Director)</p> <p>Hannah Badenach (Non-Executive Director)</p> <p>Michele Muscillo (Independent Non-Executive Director)</p>	<p>HopgoodGanim Lawyers Level 8 Waterfront Place 1 Eagle Street Brisbane QLD 4000</p>
Administration and Registered Office	Share Registry
<p>Level 12 680 George Street SYDNEY NSW 2000 Tel: +61 2 9547 4300 Fax: +61 2 9287 0350 www.xanadumines.com</p>	<p>Computershare Investor Services Pty Limited Level 3, 60 Carrington Street, Sydney NSW 2000</p>
Lead Manager and Underwriter	
<p>Patersons Securities Limited Level 27 Exchange Tower 2 The Esplanade Perth WA 6000</p>	