

XANADU MINES



Xanadu Mines Ltd

ABN 92 114 249 026

Annual General Meeting
Tuesday, 17 May 2022

XANADU MINES

14 April 2022

Dear Shareholders,

On behalf of the Directors of Xanadu Mines Ltd (**Xanadu Mines** or the **Company**), I am pleased to invite you to either physically attend or participate virtually online, the Annual General Meeting (**AGM** or **Meeting**) of the Company. The Notice of Meeting (**Notice**) setting out the business to be conducted at the AGM can be viewed or downloaded at <https://www.xanadumines.com/site/investor-centre/shareholder-meetings>.

The Company's AGM will be held as a **Hybrid AGM** on Tuesday, 17 May 2022 commencing at 1:00pm (AEST):

- in the offices of Ernst & Young, 8 Exhibition St, Melbourne VIC 3000; and
- online at: <https://meetnow.global/MZ6XDQF>

Shareholders who cannot physically attend the AGM, will be able to participate in our AGM by:

- joining the AGM in real time via our online platform at <https://meetnow.global/MZ6XDQF>
- asking questions of the Board and our external auditor:
 - before the AGM by lodging questions online at www.investorvote.com.au/xam; and/or
 - during the AGM via the online platform or by phone;
- voting on the resolutions to be considered at the AGM either by lodging the enclosed Proxy Form before the AGM or by direct voting online during the Meeting,

or by a combination of these steps.

Shareholders are also able to ask questions verbally via telephone on the number that will be available on the online platform.

Further details of how to participate in the Meeting online are set out in the Notice of Meeting and in the Online Meeting Guide (**Online Guide**), which are available on the Company's website at <https://www.xanadumines.com/site/investor-centre/shareholder-meetings>. The Online Meeting Guide includes details of how to ensure your browser is compatible with the online platform, and a step-by-step guide to logging in, navigating the site, and asking questions and voting at the online AGM.

If you are physically attending the AGM, please bring your Proxy Form with you to facilitate a faster registration. If you are unable to physically attend the AGM, I encourage you to complete and return the enclosed Proxy Form no later than 1:00pm (AEST) on Sunday, 15 May 2022 in one of the ways specified in the Notice of Meeting and the Proxy Form.

I encourage you to read the enclosed Notice of Meeting (including the Explanatory Memorandum) and the Proxy Form and consider directing your proxy how to vote on each resolution by marking either the **For** box, the **Against** box or the **Abstain** box on the Proxy Form. Subject to the abstentions noted in the Explanatory Memorandum, the Directors of Xanadu Mines unanimously recommend that shareholders vote in favour of all resolutions. Thank you for your continued support of Xanadu Mines.

Yours faithfully,



Colin Moorhead
Executive Chairman and Managing Director

XANADU MINES

XANADU MINES LTD

ABN 92 114 249 026

NOTICE OF ANNUAL GENERAL MEETING

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

Date: Tuesday, 17 May 2022

Time: 1:00pm (AEST)

Venue: In the offices of Ernst & Young, 8 Exhibition St, Melbourne VIC 3000

Online: <https://meetnow.global/MZ6XDQF>

The Explanatory Memorandum and Proxy Form accompanying this Notice of Meeting (**Notice**) provide additional information on matters to be considered at the AGM and are hereby incorporated into and form part of this Notice of Meeting. Information about participating in the Meeting online is set out in the Online Meeting Guide (**Online Guide**) which is available at <https://www.xanadumines.com/site/investor-centre/shareholder-meetings>.

ORDINARY BUSINESS

1. CONSIDERATION OF REPORTS

The first item of business is to receive and consider the Financial Report, the Directors' Report, and the Independent Auditor's Report of the Company and its subsidiaries for the financial year ended 31 December 2021 (**Reports**).

All shareholders can view the 2021 Annual Report, which contains the Reports, on the Company's website at <https://www.xanadumines.com/site/investor-centre/annual-reports>.

2. RESOLUTIONS

Resolution 1 Re-election of Director - Mr. Michele Muscillo

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

"That Mr. Michele Muscillo, who retires in accordance with Rule 39.1(c) of the Company's Constitution and being eligible for election, be re-elected as a Director of the Company."

Resolution 2 Remuneration Report

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

"That the Company's Remuneration Report for the financial year ended 31 December 2021 as set out in the Directors' Report, is adopted."

The Remuneration Report is contained in the 2021 Annual Report, which is available on the Company's website at <https://www.xanadumines.com/site/investor-centre/annual-reports>. Please note that, in accordance with section 250R(3) of the *Corporations Act 2001* (Cth) (**Corporations Act**), the vote on Resolution 2 is advisory only and does not bind the Directors or the Company.

Voting Exclusion Statement

A vote on Resolution 2 must not be cast (in any capacity) by, or on behalf of, the following persons:

- a) a member of the Key Management Personnel (**KMP**) whose remuneration details are included in the 2021 Remuneration Report; or
- b) a closely related party (**CRP**) of such a KMP (including close family members and companies the KMP controls).

However, a person described above may cast a vote on Resolution 2 as a proxy if the vote is not cast on behalf of a person described above and either:

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

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

Resolution 3 Ratification of Prior Issue of Shares - 1 March 2022

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

*“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the issue on 1 March 2022 of a total of 1,473,606 fully paid ordinary shares in Xanadu Mines Ltd (**Shares**) issued at a deemed price of 2.8875 cents per Share (**New Shares**), on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice, is ratified.”*

Voting Exclusion Statement

In accordance with ASX Listing Rule 14.11, the Company will disregard any votes cast in favour of Resolution 3 by or on behalf of a person who participated in the issue of the Placement Shares or any associate of that person or those persons.

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

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

Resolution 4 Grant of Options to Mr Colin Moorhead

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

“That for the purposes of ASX Listing Rule 10.14 and for all other purposes, the issue of 6,000,000 options to subscribe for Shares with a zero-exercise price to Mr Colin Moorhead, being Executive Chairman and Managing Director of the Company (or his nominee) on the terms described in the Explanatory Memorandum accompanying this Notice, is approved.”

NOTES

- A detailed summary of the proposed terms of the Options to be granted in accordance with Resolution 4 is contained within the Explanatory Memorandum.
- The total number of Options to be issued to Mr Moorhead, or his nominees in accordance with Resolution 4 is 6,000,000.
- The Options are intended to be issued as soon as possible following the Meeting, but in any event, no later than three (3) years after the date of the Meeting.
- The Options are being issued for nil cash consideration and no funds will be raised by the issue or exercise of the Options.

Voting Exclusion Statement - Resolution 4, ASX Listing Rule 10.14

The Company will disregard any votes cast in favour of Resolution 4 by or on behalf of:

- a) a person referred to in ASX Listing Rule 10.14.1, 10.14.2 or 10.14.3 who is eligible to participate in the employee incentive scheme the subject Resolution 4;
- b) an Associate of that person or those persons.

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

- a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- b) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote of the Resolution, in accordance with a direction given to the Chair of the Meeting to vote on the resolution as the Chair of the Meeting decides; or
- c) holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

- i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
- ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Voting Restriction pursuant to Section 250BD of the Corporations Act

In accordance with section 250BD of the Corporations Act, a vote must not be cast on Resolution 4 as a proxy by a member of the KMP at the date of the AGM, or a closely related party of those persons, unless it is cast as proxy for a person entitled to vote in accordance with their directions. This restriction on voting undirected proxies does not apply to the Chairman of the Meeting where the proxy appointment expressly authorises the Chairman of the Meeting to exercise undirected proxies even if the resolution is connected, directly or indirectly, with the remuneration of the KMP.

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

Voting Intention of Chair for all Resolutions

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

ENTITLEMENT TO ATTEND AND VOTE

Non-attendance at physical venue

Shareholders not be able to physically attend the AGM will be able to participate in our AGM:

- by joining the Meeting online in real time via our online platform at <https://meetnow.global/MZ6XDQF>
- by asking questions of the Board or our Auditor:
 - before the AGM by lodging questions online at www.investorvote.com.au/xam; or
 - during the AGM via the online platform or by phone; and
 - voting on the resolutions to be considered at the AGM either by lodging the enclosed Proxy Form before the AGM or by voting online during the AGM.

or by a combination of these steps.

Further information regarding participating in the AGM online, including browser requirements, is detailed in the Online Guide available at www.computershare.com.au/virtualmeetingguide.

Voting on resolutions to be considered at the AGM

The following section sets out important information about how Shareholders can vote on the resolutions to be considered at the AGM.

Entitlement to vote

In accordance with Regulation 7.11.37 of the *Corporations Regulations 2001*, the Board has determined that persons who are registered holders of shares of the Company as at 7:00 pm (AEST) on Sunday, 15 May 2022 will be entitled to vote at the AGM as a shareholder. Accordingly, transactions registered after that time will be disregarded for determining which shareholders are entitled to participate and vote at the AGM.

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

Online voting at the AGM

In accordance with rule 28.1 of the Company's Constitution, Shareholders who are entitled to attend and vote on a resolution at the Meeting are entitled to a direct vote in respect of that resolution, which may be lodged at any time between the commencement of the AGM and the close of voting at the AGM as announced by the Chair of the Meeting during the AGM.

More information about how to use the online platform for voting online during the AGM is provided in the Online Guide. Shareholders using the online platform may vote all or part of their holdings on each Resolution in accordance with the instructions in the Online Guide. If you intend to use the online platform to submit a direct vote during the AGM, we suggest that you check that the online platform works on your device well in advance of the AGM. Further instructions are provided in the Online Guide.

All resolutions will be by poll

In accordance with rule 27.1(a) of the Company's Constitution, the Chair of the Meeting intends to demand a poll on each of the resolutions proposed at the AGM. Each resolution considered at the AGM will therefore be conducted by a poll, rather than on a show of hands. The Chair considers voting by poll to be in the best interests of the shareholders as a whole and is a way to ensure the views of as many shareholders as possible are represented at the Meeting.

Appointment of Proxy

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

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

To be effective, the proxy must be received at the Share Registry of the Company no later than 1:00pm (AEST) on Sunday, 15 May 2022. Proxies must be received before that time by one of the following methods:

Online: www.investorvote.com.au/xam (for Shareholders)

www.intermediaryonline.com (Intermediary Online subscribers only)

By post: Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By facsimile: 1800 783 447 (within Australia)
+61 3 9473 2555 (outside of Australia)

By delivery in person: Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000

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

Voting by Attorney

A Proxy Form and the original power of attorney (if any) under which the Proxy Form is signed (or a certified copy of that power of attorney or other authority) must be received by the Company no later than 1:00pm (AEST) on Sunday, 15 May 2022, being 48 hours before the AGM.

Corporate Representatives

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

A *Certificate of Appointment of Corporate Representative* form may be obtained from the Company's Share Registry or online at www.investorcentre.com/au and select, "Printable Forms".

IMPORTANT: If you appoint the Chair of the Meeting as your proxy, or the Chair of the Meeting becomes your proxy by default, and you do not direct your proxy how to vote on Resolutions 2 and 4, then by submitting the Proxy Form, you will be expressly authorising the Chair of the Meeting to exercise your proxy on the relevant resolution, even though the resolutions are connected, directly or indirectly, with the remuneration of the KMP.

SHAREHOLDER QUESTIONS

Shareholders may submit questions about the items of business to be considered at the AGM or to the Company's Auditor in relation to the content of the Auditor's Report or the conduct of the audit of accounts for the year ended 31 December 2021 prior to the Meeting by lodging questions online at www.investorcentre.com, select Voting then click 'Ask a Question', or during the AGM either in person or via the online platform. Online questions should be submitted prior to 1:00pm (AEST) on Tuesday, 10 May 2022 (being no later than the fifth business day before the AGM is held). Questions received ahead of the Meeting will be collated, and during the AGM, the Chair of the Meeting will seek to address as many of the more frequently raised topics as possible. However, there may not be sufficient time available at the AGM to address all topics raised. Please note that individual responses will not be sent to shareholders.

Shareholders are also able to ask questions verbally via telephone on the number that will be available on the online platform.

ENCLOSURES

Enclosed are the following documents:

- **Proxy Form** to be completed if you would like to be represented at the AGM by proxy. Shareholders are encouraged to use the online voting facility that can be accessed on Xanadu Mines' share registry's website at www.investorvote.com.au/xam to ensure the timely and cost-effective receipt of your proxy; and
- a **reply-paid envelope** for you to return the Proxy Form.

BY ORDER OF THE BOARD


Philip Mackey
Company Secretary
14 April 2022

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared to assist shareholders of the Company (**Shareholders**) in considering each of the Resolutions set out in the Company's Notice of Annual General Meeting (**Notice**). This Explanatory Memorandum forms part of the Company's Notice to be held at 1:00pm (AEST) on Tuesday, 17 May 2022.

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

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

Resolutions 1, 2 and 3 are ordinary resolutions, which require that a simple majority of votes cast by Shareholders present and entitled to vote on the resolution must be in favour of the Resolution. Resolution 2, relating to the Remuneration Report, is an advisory resolution and does not bind the Directors or the Company.

BACKGROUND TO THE ITEMS OF BUSINESS

ORDINARY BUSINESS

1. CONSIDERATION OF REPORTS

The **2021 Annual Report**, including the Financial Statements, Director's Report and the Auditor's Report (**Reports**), for the Company and its subsidiaries for the year ended 31 December 2021, can be downloaded from the Company's website at <https://www.xanadumines.com/site/investor-centre/annual-reports>, for Shareholders to read prior to the Meeting.

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

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

The Chair of the Meeting will also give shareholders a reasonable opportunity to ask the Company's Auditor, Ernst & Young questions relevant to:

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

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

Shareholders may address written questions to the Chair of the Meeting about the management of the Company or to the Company's Auditor, Ernst & Young, before the AGM by lodging questions online at www.investorvote.com.au/xam select Voting then click 'Ask a Question', or during the virtual AGM via the online platform.

2. RESOLUTIONS

Resolution 1 Re-election of Director - Mr. Michele Muscillo

Mr Muscillo was appointed as a Non-Executive Director of Xanadu on 14 August 2017, and most recently re-elected at the Company's 2020 AGM held on 8 May 2020. In accordance with rule 39.1(c) of the Company's Constitution, Mr Muscillo retires by rotation and being eligible, offers himself for re-election as a Non-Executive Director of Xanadu.

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

The Board also considered whether Mr. Muscillo had any interest, position or relationship that may interfere with each of his independence as a director, having regard to the relevant factors as set out in the ASX Corporate Governance Council Principles & Recommendations (4th edition) (**ASX Principles**). The Board considers that Mr. Muscillo (if elected), will continue to be an independent Non-Executive Director.

Michele is a Partner with HopgoodGanim Lawyers in Brisbane. He has practised exclusively in corporate law for the duration of his legal career and has extensive experience in mergers and acquisitions and capital markets transactions, including the negotiation of significant commercial contracts and agreements. His key areas of practice include Corporate Advisory and Governance, Mergers and Acquisitions, Capital Markets and Resources and Energy. Michele is also currently a Non-Executive Director with ASX-Listed Aeris Resources Limited (ASX: AIS) and a Non-Executive Director with ASX/TSX listed Cardinal Resources Limited (ASX/TSX: CDV).

Formerly, Michele was also Non-Executive Director of Orbis Gold Limited from the time of its ASX listing, through the discovery of its flagship Natougou project and ultimately to the sale of the company to TSX-Listed SEMAFO Inc. (TSX: SMF) in 2015.

Michele is the Chair of the Nomination and Remuneration Committee and a member of the Audit and Risk Committee.

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

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

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

Resolution 2 Remuneration Report

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

Shareholders can view the full Remuneration Report in the 2021 Annual Report which is available on the Company's website at <https://www.xanadumines.com/site/investor-centre/annual-reports>.

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

The Directors abstain, in the interests of good corporate governance, from making a recommendation in relation to Resolution 2.

Resolution 3 Ratification of Prior Issue of Shares - 1 March 2022

As announced on 1 March 2022, the Company issued 1,473,606 fully paid ordinary shares at a deemed price of 2.8875 cents per share, to Caveman Consulting Pty Ltd (ABN 46 613 158 633) of 2 Ischia St, Cronulla NSW 2230 (**Caveman Consulting**) as payment for their services provided to the Company (**New Shares**).

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

ASX Listing Rule 7.4 provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with Shareholder approval for the purpose of ASX Listing Rule 7.1. The issue of New Shares does not fall within any of the exceptions under Listing Rule 7.2.

ASX Listing Rule 7.5.7 requires material terms of the agreement with Caveman Consulting be provided. Under this agreement Caveman Consulting provided a desktop study of underground mining options for the Kharmagtai Scoping Study for a fee of A\$3,000/day + GST for the Principal Consultant and A\$1,900/day + GST for the Senior Planning Engineer. In order to conserve cash, the Company negotiated payment in ordinary shares based on a 10-day VWAP at the date of invoice.

The New Shares were issued within the 15% Threshold permitted under ASX Listing Rule 7.1 without Shareholder approval. Accordingly, the Company is seeking approval under Resolution 3 for the purposes of ASX Listing Rule 7.4, to enable the Company to refresh its issuing capacity under ASX Listing Rule 7.1, thereby providing the Company with the flexibility to issue equity securities in the future up to the 15% Threshold set out in ASX Listing Rule 7.1, without the requirement to obtain prior Shareholder approval if the need arises in the next 12 months.

If Shareholders approve Resolution 3, the issue of the New Shares will be excluded in calculating the Company's 15% Threshold limit in ASX Listing Rule 7.1, effectively increasing the number of equity securities it can issue without Shareholder approval over the 12-month period following the issue of the New Shares.

If Shareholders do not approve Resolution 3, the issue of the New Shares will be included in calculating the Company's 15% Threshold limit under ASX Listing Rule 7.1, effectively decreasing the number of equity securities it can issue without shareholder approval over the 12-month period following the issue of the Shares.

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

- a) 1,473,606 fully paid ordinary shares (**New Shares**) were issued on 1 March 2022 at a price of 2.8875 cents per Share and rank equally with all other existing Shares.
- b) the New Shares issued were all fully paid ordinary shares in the capital of the Company, issued on the same terms and conditions as the Company's existing Shares;
- c) the New Shares were issued to Caveman Consulting who is not a related party of the Company, a member of the Company's KMP, a substantial holder in or an advisor to the Company or an associate of any of them other than as noted in (d) below;
- d) no existing significant substantial shareholders participated in the issue of New Shares;
- e) the issue of New Shares was payment to Caveman Consulting' for services provided to the Company;
- f) the New Shares were issued pursuant to Xanadu's 15% placement capacity in accordance with ASX Listing Rule 7.1; and
- g) a Voting Exclusion Statement accompanies Resolution 3 in the Notice.

The Directors unanimously recommend Shareholders vote in favour of Resolution 3.

Resolution 4 Grant of Options to Mr Colin Moorhead

In 2020, the Company undertook an extensive review of, and has implemented an updated Board, Executive and Employee Remuneration Policy (**Remuneration Policy**). The purpose of the Remuneration Policy is to establish clear and guiding principles for decisions by the Company around employee, executive and director remuneration and to ensure fair, competitive, and appropriate pay for the markets in which the Company operates. The Company's goal is to ensure that the mix and balance of remuneration is appropriate to attract, motivate and retain high calibre directors, senior executives, and key management personnel, utilising a policy that is consistent with the Company's business strategy and contemporary corporate governance standards.

On 22 March 2022, the Company announced an internal restructure of its Board and leadership team, including the elevation of Mr Colin Moorhead to Executive Chairman and Managing Director. In association with these elevated duties, the Directors have resolved to refer to Shareholders for approval the proposed grant of 6,000,000 Options to Mr Moorhead under the Remuneration Policy (the **Executive Director Options**) as part of his revised remuneration package.

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

Mr Moorhead has previously received 6,840,000 options under the Remuneration Policy as a Non-Executive Director on 21 January 2021, of which 4,560,000 of those options have vested and been converted to shares at the end of each of the last two calendar years as a result of continued employment with the Company. The issue of these Executive Director options will supplement the remaining 2,280,000 options which will vest as a result of continued employment with the Company on 31 December 2022.

Approval for the issue of the Executive Director Options is sought in accordance with the provisions of ASX Listing Rule 10.14. As approval is being sought under ASX Listing Rule 10.14, approval will not be required under ASX Listing Rules 7.1 or 10.11. As the Executive Director Options are to be issued as part of a revised remuneration package for Mr Moorhead, the Board has determined that the requirements of Chapter 2E of the Corporations Act do not need to be observed.

Options Terms

A summary of the terms of the Executive Directors Options is set out below.

- The Executive Director Options are directly linked to the Company's business strategy (from 2020 through 2022), which aims to deliver the following objectives:
 - Position Xanadu Mines for the next copper cycle in ~3 years
 - Increase latent value of Kharmagtai to ~A\$300M, growing it to a Tier 1 copper deposit
 - Position Kharmagtai for a liquidity event or to progress to PFS for further value creation
 - Achieve a significant copper porphyry discovery at Red Mountain JV
 - Explore a new prospect in the portfolio, aiming to make another Tier 1 discovery
- The Executive Director Options are intended to be issued promptly after the meeting and in any event within three (3) years of the Meeting (as permitted by Listing Rule 10.15) and, subject to:

- the satisfaction of one or more performance criteria described in the table below (**Performance Criteria**);
- the Executive Director remaining continuously employed or engaged with the Company (or any related body corporate) for a period of two years from 30 July 2020 (**Continuous Employment Condition**); and
- the satisfaction of the share price hurdle described in the table below (**Share Price Hurdle**),

will vest at the end of the calendar year (2022, 2023) in which the relevant tranche Performance Criteria, Continuous Employment Condition and Share Price Hurdle is achieved (**Vesting Conditions**).

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

Tranche	Share Price Hurdle
A	The volume weighted average market price of the Company's shares calculated over 10 consecutive days on which sales in the shares of the Company were recorded (10-day VWAP) after the date on which the Performance Criteria for the Tranche A Executive Director Options is satisfied has been at least \$0.18 per share.
B	The 10-day VWAP after the date on which the Performance Criteria for the Tranche B Executive Director Options is satisfied has been at least \$0.18 per share.
C	The 10-day VWAP after the date on which the Performance Criteria for the Tranche C Executive Director Options is satisfied has been at least \$0.18 per share.
D	The 10-day VWAP after the date on which the Performance Criteria for the Tranche D Executive Director Options is satisfied has been at least \$0.18 per share.
E	The 10-day VWAP after the date on which the Performance Criteria for the Tranche E Executive Director Options is satisfied has been at least \$0.28 per share.

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

Name	Tranche A	Tranche B	Tranche C	Tranche D	Tranche E
Mr Moorhead	-	-	-	-	6,000,000

- In the event that the Tranche E Performance Criteria and Share Price Hurdle and the Continuous Employment Condition are satisfied, the Vesting Conditions associated with all other Executive Director Options will be deemed to have been satisfied and all Executive Director Options will vest (if they have not already).
- If vested, the Executive Director Options will be subject to the following restrictions (**Restriction Conditions**):
 - Vested and unrestricted = 80%
 - Vested, but restricted from exercise or disposal for two years = 20%
- If an Executive Director leaves the Company prior to the satisfaction of the relevant Performance Criteria and Continuous Employment Condition for a tranche, they will not be eligible for vesting of that tranche of Executive Director Options. Other than in the case of a 'Bad Leaver' as determined by the Board, if an Executive Director leaves after the date that the relevant Performance Criteria and Continuous Employment Condition for a tranche are achieved, they will remain eligible to receive the Executive Director Options for that tranche, subject to the Share Price Hurdle for that tranche being met, at the end of the relevant calendar year.

- Where the cessation of an Executive Directors' employment is due to the death of the Executive Director, and the Executive Director has been continuously employed with the Company (or any related body corporate) at least for 12 months up to and including the date of death, the Vesting Conditions, and any Restriction Conditions applicable to all or any of their Options and Shares cease to apply.
- In all other cases of a 'Good Leaver' (as determined by the Board), the Board may, in its discretion, determine that some or all of the Executive Director's Options or Shares continue to be subject to their Vesting Conditions or Restriction Conditions (as the case may be) or that some or all of those Vesting Conditions or Restriction Conditions will be waived, and/or that some or all of the Executive Director's unvested Executive Director Options will lapse.
- Where the Board determines that an Executive Director is a 'Bad Leaver' all unvested Executive Director Options would automatically lapse.
- If the Executive Director remains with the Company at the time of a Change in Control, 100% of all Executive Director Options will vest immediately with no Restriction Conditions.
- A Change in Control will occur where there is publicly announced any proposal in relation to the Company which the Board reasonably believes may lead to:
 - the Company entering into a scheme of arrangement with its creditors or Shareholders or any class thereof pursuant to section 411 of the Corporations Act;
 - the commencement of a bid period (as defined in the Corporations Act) in relation to the Company to acquire any Share where the takeover bid extends to Shares issued and allotted after the date of the takeover bid; or
 - when a person or group of associated persons having a relevant interest in, subsequent to the issue of the Director Options, sufficient Shares in the Company to give it or them the ability, in general meeting, to replace all or a majority of the Directors in circumstances where such ability was not already held by a person associated with such person or group of associated persons.
- The Board may also determine that an Executive Director's Options will lapse or be forfeited in circumstances where the Board may also determine that the Executive Director has:
 - committed an act of fraud, defalcation, or gross misconduct in relation to the affairs of the Company;
 - hedged the value of, or entered into a derivative arrangement in respect of, unvested Executive Director Options;
 - purported to dispose of, or grant any security Interest, over an Executive Director Options other than in accordance with any policy of the Company in place at the relevant time or as otherwise approved by the Board; or
 - become subject to the application of any applicable malus and clawback Policy adopted by the Company from time to time (included as set out below).
- The Board may also take action on the recommendation of the Nominations and Remuneration Committee to adjust (malus) or clawback unvested Executive Director Options where there is reasonable evidence that an Executive Director has materially contributed to, or been materially responsible for, the need for the restatement of financial results for the reasons including:
 - personally, acting fraudulently or dishonestly or in a manner that adversely affects the Company's reputation, or which is characterised as gross misconduct;
 - directing an employee, contractor, or advisor to act fraudulently, dishonestly or to undertake other misconduct;
 - breaching their material obligations to the Company through error, omission, or negligence;
 - receiving a short-term incentive (STI) or long-term incentive (LTI) award because of fraud, dishonesty or a breach of obligation committed by another person; and/ or
 - receiving a STI or LTI award because of an error in the calculation of a performance measure.
- Examples of a breach of material obligation that could trigger application of this the above malus or clawback could include:
 - a material misstatement in the accounts of the group entity for the years relevant to an unvested or unpaid award; or
 - conduct exposing the Company to potential reputational damage or legal action or that is otherwise in a breach of the Company's Code of Conduct.

- The Board may also take action on the recommendation of the Remuneration Committee to cancel or adjust unvested Executive Director Options where the Board is not satisfied that an award is appropriate or warranted due to exceptional circumstances.
- Any tranche that does not vest within 72 months (6 years) of their issue will expire.
- Any vested Executive Director Options that are not exercised within 48 months (4 years) of their vesting will expire.
- The securities to be issued to each Executive Director are options to subscribe for fully paid Shares.
- The Executive Director Options are to be issued for no cash consideration.
- The exercise price of each Executive Director Option is zero (**Exercise Price**).
- Shares issued on exercise of the Executive Director Options will rank equally with all existing Shares from the date of issue.
- The Executive Director Options, once vested, may be exercised wholly or in part by notice in writing to the Company received at any time on or before they expire.
- The Executive Director Options shall be unlisted but shall be transferable.
- Upon allotment of Shares pursuant to the exercise of Executive Director Options, the Company shall use its best endeavours to have such Shares quoted and listed on the Official List of the ASX.
- Option holders do not have any right to participate in new issues of securities in the Company made to Shareholders generally. The Company will, where required pursuant to the ASX Listing Rules, provide Option holders with notice prior to the books record date (to determine entitlements to any new issue of securities made to Shareholders generally) to exercise the Executive Director Options, in accordance with the requirements of the Listing Rules.
- Option holders do not participate in dividends or in bonus issues unless the Options are exercised, and the resultant shares of the Company are issued prior to the record date to determine entitlements to the dividend or bonus issue.
- In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company:
 - the number of Executive Director Options, the exercise price, or both will be reconstructed (as appropriate) in a manner consistent with the ASX Listing Rules, but with the intention that such reconstruction will not result in any benefits being conferred on the Executive Director Option holder which are not conferred on Shareholders; and
 - subject to the provisions with respect to rounding of entitlements as sanctioned by a meeting of Shareholders of the Company approving a reconstruction of capital, in all other respects the terms for the exercise of the Executive Director Options will remain unchanged.
- If there is a bonus issue to the holders of Shares, the number of Shares over which an Executive Director Option is exercisable will be increased by the number of Shares which the Executive Director Option holder would have received if the Executive Director Options had been exercised before the record date for the bonus issue.
- The terms of the Executive Director Options shall only be changed if holders (whose votes are not to be disregarded) of Shares approve of such a change. However, the terms of the Executive Director Options shall not be changed to increase the number of Executive Director Options or change any period for exercise of the Executive Director Options.

Directors' recommendations

With respect to Resolution 4, Mr Muscillo, Mr Lkhagvasuren and Mr Pearson recommend that Shareholders vote in favour of this Resolution. The reasons for their recommendation include:

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

As Mr Moorhead is interested in the outcome of Resolution 4, he accordingly makes no recommendation to Shareholders in respect of this Resolution.

ASX Listing Rule 10.14

The Company is proposing to issue the Executive Director Options.

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

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

unless it obtains the approval of its Shareholders.

The issue of the Executive Director Options falls within ASX Listing Rule 10.14.1 above and therefore requires the approval of Xanadu Mines' Shareholders under Listing Rule 10.14.

Resolution 4 seeks the required Shareholder approval to issue the Executive Director Options under and for the purposes of ASX Listing Rule 10.14.

If Resolution 4 is passed, the Company will be able to proceed with the issue of the Executive Director Options and the Director will be remunerated accordingly based on the achievement of the criteria set out above.

If Resolution 4 is not passed, the Company will not be able to proceed with the issue of the relevant Executive Director Options (the subject of the Resolution which was not passed) and the Company may need to consider other forms of performance-based remuneration in that regard.

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

- The following director (or their respective nominees) are to be the recipients of the Executive Director Options:
 - Mr Colin Moorhead.
- As Mr Moorhead is a director of the Company, he falls within the category stipulated by ASX Listing Rule 10.14.1. In the event the Executive Director Options are issued to a nominee of the Director, that person will fall within the category stipulated by ASX Listing Rule 10.14.2
- The maximum number of Executive Director Options to be issued to Mr Moorhead is 6,000,000 Executive Director Options.
- Other than the Executive Director Options to be issued to Mr Moorhead pursuant to Resolution 4, Mr Moorhead currently receives total fixed remuneration of \$200,000 per annum (total cost to the Company) from the Company for his services as Executive Chairman and Managing Director. In addition, Mr Moorhead is eligible for an annual short-term incentive payable in cash of up to 50% of this total fixed remuneration (being up to a further \$100,000).

Excluding the Executive Director Options, Mr Moorhead currently holds 5,560,000 Shares and 2,280,000 Options in the Company.

- Mr Moorhead has previously been issued 6,840,000 securities under the non-executive director component of the remuneration policy. The average acquisition price for those securities was nil.
- A summary of the material terms of the Executive Director Options is set out above.
- The Company has proposed to issue the Executive Director Options to reward and incentivise the Directors to contribute to the growth of the Company. The Executive Director Options are directly linked to the Company's business strategy (from 2020 through 2026). The Company believes that the grant of the Executive Director Options provides a cost-effective and efficient incentive as opposed to alternative forms of incentives (e.g., increased remuneration).
- In relation to the value of the Executive Director Options, these Options are not currently quoted on the ASX and as such have no readily observed market value. The Executive Director Options grant the holder thereof a right to subscribe for one Share upon exercise of each Executive Director Option and payment of the Exercise Price of the Executive Director Option described above. Accordingly, the Executive Director Options may have a present value at the date of their grant.

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

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

- the period outstanding before the expiry date of the options;

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

There are various formulae which can be applied to determining the theoretical value of options. The Company has undertaken a valuation of the Executive Director Options utilising the barrier up-and-in trinomial option pricing model with a Parisian barrier adjustment. The model takes into consideration that the Executive Director Options will vest at any time during the performance period, given that the 10-day VWAP of the Company's shares exceed the relevant barrier. Inherent in the application of this pricing model are a number of inputs, some of which must be assumed. The key assumptions and data relied upon in the valuation was:

- a valuation date of 21 January 2021, consistent with original options granted to other Executive Directors;
- a share price of 3.6 cents per share, representing the closing share price at 21 January 2021;
- exercise price of nil;
- performance period ending 21 January 2027, consistent with existing Executive Director options;
- future estimated volatility in Xanadu share price of 90%;
- risk free rate of 0.365%, consistent with 5-year Australia Government bond rate;
- dividend yield of nil, as Xanadu does not pay dividends; and
- vesting conditions as described above under Options Terms.

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

Item	Executive Director Options - Tranche E
Underlying Security spot price	\$0.036
Exercise price	Nil
10-day VWAP barrier	\$0.280
Valuation date	21 Jan 2021
Commencement of performance period	5 Oct 2021
Performance measurement date	21 Jan 2027
Expiry date	21 Jan 2031
Performance period (years)	6.00
Life of the Options (years)	10.00
Volatility	90%
Dividend yield	Nil
Risk-free rate	0.365%
Number of Options	6,000,000
Valuation per Option	\$0.025

On that basis, the respective value of the Executive Director Options to be issued pursuant to Resolutions 4 is as follows:

Name	Executive Director Options - Tranche E
Mr Moorhead	\$150,000

The Executive Director Options are intended to be granted as soon as possible following the meeting, but in any event, within three (3) years of the date of the Meeting.

- The Executive Director Options are being issued for nil cash consideration and the Executive Director Options have a zero-exercise price.
- A summary of the material terms of the Executive Director Options is set out above. For completeness it is noted that the Executive Director Options are not being issued pursuant to the Company's Employee Share Option Plan (**ESOP**).
- No funds are being raised by the grant or exercise of the Executive Director Options. Accordingly, no loans of any description will be provided to the Directors in relation to the Executive Director Options.
- Details of any securities issued under the ESOP will be published in the Company's Annual Report relating to the period in which they were issued, along with a statement that approval for the issue was obtained under Listing Rule 10.14.
- Any additional Directors covered by Listing Rule 10.14 who will become entitled to participate in an issue of securities under the Remuneration Policy after Resolutions 2 and 4 are approved (should they be approved) and who are not named in this Notice will not participate until approval is obtained under Listing Rule 10.14.

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

Save as set out in this Explanatory Memorandum, the Directors are not aware of any other information that will be reasonably required by Shareholders to make a decision in relation to benefits contemplated by Resolution 4.