

## Notice of Extraordinary General Meeting

29 December 2022

ASX Markets Announcement Office  
Exchange Centre  
20 Bridge Street  
Sydney NSW 2000

### BY ELECTRONIC LODGEMENT

### Notice of Extraordinary General Meeting

Further to the Announcement made on 21 December 2022, please find attached for release to the market, the following documents in relation to Xanadu Mining Ltd's Extraordinary General Meeting (**EGM**), to be held as a Hybrid Meeting on **Tuesday, 7 February 2023 commencing at 11:00m (AEDT)**:

- *Notice of Meeting*;
- *EGM Notice Letter* - to be sent to members in lieu of the full Notice of Meeting;
- *Proxy Form*; and
- *Online Meeting Guide*.

Each of these documents are available on Xanadu's website at: <https://www.xanadumines.com/shareholder-meetings/>.

-ENDS-

### For further information, please contact:

Colin Moorhead  
Executive Chairman & Managing Director  
E: [colin.moorhead@xanadumines.com](mailto:colin.moorhead@xanadumines.com)  
P: +61 2 8280 7497  
W: [www.xanadumines.com](http://www.xanadumines.com)

Spencer Cole  
Chief Financial Officer & Chief Development Officer  
E: [spencer.cole@xanadumines.com](mailto:spencer.cole@xanadumines.com)

This Announcement was authorised for release by Xanadu's Board of Directors.

### **About Xanadu Mines Ltd:**

Xanadu is an ASX and TSX listed Exploration company operating in Mongolia. We give investors exposure to globally significant, large-scale copper-gold discoveries and low-cost inventory growth. Xanadu maintains a portfolio of exploration projects and remains one of the few junior explorers on the ASX or TSX who control a globally significant copper-gold deposit in our flagship Kharmagtai project. For information on Xanadu visit: [www.xanadumines.com](http://www.xanadumines.com).

XANADU MINES

# EXTRAORDINARY GENERAL MEETING



**7 February 2023**

# XANADU MINES

29 December 2022

Dear Shareholders,

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

The Company's EGM will be held as a **Hybrid EGM** on Tuesday, 7 February 2023 commencing at 11:00am (Sydney time):

- at the Victoria Hotel, 215 Little Collins Street, Melbourne VIC 3000; and
- online at: <https://meetnow.global/MN9FA9R>

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

- joining the EGM in real time via our online platform at <https://meetnow.global/MN9FA9R>
- asking questions of the Board:
  - before the EGM by lodging questions online at [www.investorvote.com.au/xam](http://www.investorvote.com.au/xam); and/or
  - during the EGM via the online platform; and
- voting on the resolutions to be considered at the EGM either by lodging the enclosed Proxy Form before the EGM or by direct voting online during the Meeting,

or by a combination of these steps.

Further details of how to participate in the Meeting online are set out in the Notice of Meeting and in the Online Meeting 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 EGM.

If you are physically attending the EGM, please bring your Proxy Form with you to facilitate a faster registration. If you are unable to physically attend the EGM, I encourage you to either:

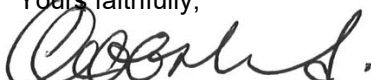
- (a) vote online ahead of the Meeting at [www.investorvote.com.au](http://www.investorvote.com.au) (for Shareholders) or [www.intermediaryonline.com](http://www.intermediaryonline.com) (Intermediary Online subscribers only); or
- (b) complete and return the enclosed Proxy Form no later than 11:00am (Sydney time) on Sunday, 5 February 2023 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 the resolutions 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 recommend that shareholders vote in favour of the resolutions.

*If you have any questions after reading the Notice of Meeting, please call the Shareholder Information Line on 1300 367 804 (within Australia) or +61 2 9066 6162 (outside Australia), Monday to Friday between 9:00am and 5:00pm (Sydney time).*

Thank you for your continued support of Xanadu Mines.

Yours faithfully,



**Colin Moorhead**  
**Executive Chairman and Managing Director**  
**Xanadu Mines Ltd**

**AUSTRALIA**  
c/o Company Matters Pty Limited  
Level 12, 680 George Street  
Sydney NSW 2000  
T: +612 8280 7497

**MONGOLIA**  
Suite 23, Building 9B  
Olympic St, Sukhbaatar District  
Ulaanbaatar, Mongolia  
T: +967 7012 0211

Xanadu Mines Ltd ACN 114 249 026  
[www.xanadumines.com](https://www.xanadumines.com)

**XANADU MINES LTD**

**ABN 92 114 249 026**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

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

**Date:** Tuesday, 7 February 2023

**Time:** 11:00am (Sydney time)

**Venue:** Victoria Hotel, 215 Little Collins Street, Melbourne VIC 3000

**Online:** <https://meetnow.global/MN9FA9R>

The Explanatory Memorandum accompanying this Notice of Meeting provides additional information on matters to be considered at the EGM is hereby incorporated into and forms part of this Notice of Meeting. Information about participating in the Meeting online is set out in the *Online Meeting Guide* which is available on the Company's website at <https://www.xanadumines.com/site/investor-centre/shareholder-meetings>.

**ORDINARY BUSINESS**

**RESOLUTIONS**

**Resolution 1 Ratification of prior issue of placement shares to Whittle Consulting Pty Ltd**

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

*"That, the issue on 20 April 2022 of a total of 8,188,859 fully paid ordinary shares in Xanadu Mines Ltd (**Shares**) at a deemed issue price of \$0.029308 per Share to Whittle Consulting Pty Ltd (**Whittle Placement**), on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice, is approved under and for the purposes of ASX Listing Rule 7.4."*

**Voting Exclusion Statement**

In accordance with ASX Listing Rule 14.11, the Company will disregard any votes cast in favour of Resolution 1 by or on behalf of Whittle Consulting Pty Ltd or any associate of Whittle Consulting Pty Ltd.

However, this does not apply to a vote cast in favour of Resolution 1 by:

- a) a person as proxy or attorney for a person who is entitled to vote on Resolution 1, in accordance with the directions given to the proxy or attorney to vote on Resolution 1 in that way; or
- b) the Chairman of the Meeting as proxy or attorney for a person who is entitled to vote on Resolution 1, in accordance with a direction given to the Chairman of the Meeting to vote on Resolution 1 as the Chairman of the Meeting decides; or
- c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on Resolution 1; and
  - ii) the holder votes on Resolution 1 in accordance with directions given by the beneficiary to the holder to vote in that way.

**Resolution 2 Ratification of prior issue of placement shares to Jinping (Singapore) Mining Pte Ltd**

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

*"That, the issue on 22 April 2022 of a total of 139,000,000 fully paid ordinary shares in Xanadu Mines Ltd (**Shares**) at an issue price of \$0.04 per Share to Jinping (Singapore) Mining Pte Ltd (a wholly owned indirect subsidiary of Zijin Mining Group Co., Limited) (**Zijin Placement**), on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice, is approved under and for the purposes of ASX Listing Rule 7.4."*

**Voting Exclusion Statement**

In accordance with ASX Listing Rule 14.11, the Company will disregard any votes cast in favour of Resolution 2 by or on behalf of:

- (a) Jinping (Singapore) Mining Pte Ltd, or
- (b) any associate of Jinping (Singapore) Mining Pte Ltd.

However, this does not apply to a vote cast in favour of Resolution 2 by:

- a) a person as proxy or attorney for a person who is entitled to vote on Resolution 2, in accordance with the directions given to the proxy or attorney to vote on Resolution 2 in that way; or
- b) the Chairman of the Meeting as proxy or attorney for a person who is entitled to vote on Resolution 2, in accordance with a direction given to the Chairman of the Meeting to vote on Resolution 2 as the Chairman of the Meeting decides; or
- c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on Resolution 2; and
  - ii) the holder votes on Resolution 2 in accordance with directions given by the beneficiary to the holder to vote in that way.

### **Resolution 3      Issue of further placement shares to Jinping (Singapore) Mining Pte Ltd**

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

*“That, in accordance with Listing Rule 7.1, and for all other purposes, the Company be authorised to issue up to 179,116,132 fully paid ordinary shares in the Company at an issue price of \$0.04 per share to Jinping (Singapore) Mining Pte Ltd (a wholly owned indirect subsidiary of Zijin Mining Group Co., Limited) on the terms and conditions contained in this Notice of Meeting and attached Explanatory Memorandum”*

#### Voting exclusion statement

The Company will disregard any votes cast in favour of Resolution 3 by or on behalf of:

- a) Jinping (Singapore) Mining Pte Ltd; and
- b) an associate of Jinping (Singapore) Mining Pte Ltd.

However, this does not apply to a vote cast in favour of Resolution 3 by:

- a) a person as proxy or attorney for a person who is entitled to vote on Resolution 3, in accordance with directions given to the proxy or attorney to vote on Resolution 3 in that way; or
- b) the Chairman of the Meeting as proxy or attorney for a person who is entitled to vote on Resolution 3, in accordance with a direction given to the Chairman of the Meeting to vote on Resolution 3 as the Chairman 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 Resolution 3 in accordance with directions given by the beneficiary to the holder to vote in that way.

### **Resolution 4      Renewal of Employee Share and Option Plan**

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

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

#### Voting exclusion statement pursuant to Listing Rule 14.11

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

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

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

- a) a person as proxy or attorney for a person who is entitled to vote on Resolution 4, in accordance with directions given to the proxy or attorney to vote on Resolution 4 in that way; or
- b) the Chairman of the Meeting as proxy or attorney for a person who is entitled to vote on Resolution 4, in accordance with a direction given to the Chairman of the Meeting to vote on the resolution as the Chairman 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 Resolution 4; and
  - ii) the holder votes on Resolution 4 in accordance with directions given by the beneficiary to the holder to vote in that way.

**Voting Restriction pursuant to Section 250BD of the Corporations Act 2001 (Cth) (Corporations Act)**

The Company will disregard any votes cast on Resolution 4 by:

- a) any Key Management Personnel (which includes the Chairman) of the Company or if the Company is part of a consolidated entity, of the entity; or
- b) a Closely Related Party of Key Management Personnel,  
who is appointed as a Shareholder's proxy and where the Shareholder does not direct in writing the way the proxy is to vote on Resolution 4.

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 Resolution 4, if the appointment of proxy expressly authorises the chair to exercise the proxy even if Resolution 4 is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or if the Company is part of a consolidated entity, of the entity.

**Resolution 5 Grant of Options to Colin Moorhead**

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

*"That, in accordance with the provisions of Listing Rule 10.14 and for all other purposes, the Company be authorised to issue 17,600,000 options to subscribe for Shares with a zero exercise price to Colin Moorhead, being a Director of the Company, or his nominee and otherwise on terms set out in the Explanatory Memorandum accompanying this Notice."*

**Resolution 6 Grant of Options to Mr Ganbayar Lkhagvasuren**

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

*"That, in accordance with the provisions of Listing Rule 10.14 and for all other purposes, the Company be authorised to issue 15,170,000 options to subscribe for Shares with a zero exercise price to Mr Ganbayar Lkhagvasuren, being a Director of the Company, or his nominee and otherwise on terms set out in the Explanatory Memorandum accompanying this Notice."*

**Resolution 7 Grant of Options to Mr Michele Muscillo**

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

*"That, in accordance with the provisions of Listing Rule 10.14 and for all other purposes, the Company be authorised to issue 6,300,000 options to subscribe for Shares with a zero exercise price to Mr Michele Muscillo, being a Director of the Company, or his nominee and otherwise on terms set out in the Explanatory Memorandum accompanying this Notice."*

**Resolution 8 Grant of Options to Tony Pearson**

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

*"That, in accordance with the provisions of Listing Rule 10.14 and for all other purposes, the Company be authorised to issue 6,300,000 options to subscribe for Shares with a zero exercise price to Mr Tony Pearson, being a Director of the Company, or his nominee and otherwise on terms set out in the Explanatory Memorandum accompanying this Notice."*



### Notes for Resolutions 5, 6, 7 and 8

- A detailed summary of the proposed terms of the options to be granted to each director in accordance with Resolutions 5, 6, 7 and 8 (**Director Options**) is contained within the Explanatory Memorandum.
- The total number of Director Options to be issued to Mr Moorhead, Mr Lkhagvasuren, Mr Muscillo and Mr Pearson, or their respective nominees in accordance with Resolutions 5, 6, 7 and 8 is 45,370,000.
- The Director Options are intended to be issued as soon as possible following the Meeting and completion of the Phase 3 Agreement, but in any event, no later than three (3) years after the date of the Meeting.
- The Director Options are being issued for nil cash consideration and no funds will be raised by the issue or exercise of the Director Options.
- The Director Options are not being issued under the ESOP.

### Voting Exclusion Statement - Resolutions 5, 6, 7 and 8, Listing Rule 10.14

The Company will disregard any votes cast in favour of Resolutions 5, 6, 7 and 8 by or on behalf of:

- a person referred to in Listing Rule 10.14.1, 10.14.2 or 10.14.3 who is eligible to participate in the employee incentive scheme the subject of Resolutions 5, 6, 7 and 8;
- an Associate of that person or those persons.

However, this does not apply to a vote cast in favour of Resolutions 5, 6, 7 and 8 by:

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

### Voting Restriction pursuant to Section 250BD of the Corporations Act

The Company will disregard any votes cast on Resolutions 5, 6, 7 and 8 by:

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

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

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

### Voting Intention of Chairman of the Meeting

Shareholders should be aware that any undirected proxies given to the Chairman of the Meeting will be cast by the Chairman of the Meeting and counted in favour of Resolution 1 to 8 inclusive the subject of this Meeting, subject to compliance with the Corporations Act. In exceptional circumstances, the Chairman of the Meeting may change his voting intention on the Resolutions, in which case an ASX announcement will be made.

## **ENTITLEMENT TO ATTEND AND VOTE**

In accordance with Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), the Board has determined that persons who are registered holders of shares of the Company as at 7:00am (Sydney time) on Sunday, 5 February 2023 will be entitled to attend and vote at the EGM as a shareholder. Accordingly, transactions registered after that time will be disregarded for determining which shareholders are entitled to participate and vote at the EGM.

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

### **Online voting at the EGM**

In accordance with rule 28 of the Company's Constitution, Shareholders who are entitled to attend and vote on a resolution at that Meeting is entitled to a direct vote in respect of that resolution, which may be lodged at any time between the commencement of the EGM and the close of voting at the EGM as announced by the Chair of the Meeting during the EGM.

More information about how to use the online platform for voting online during the EGM is provided in the Online Meeting Guide (**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 EGM, we suggest that you check that the online platform works on your device well in advance of the EGM. Further instructions are provided in the Online Guide.

### **All resolutions will be by poll**

In accordance with rule 27 of the Company's Constitution, the Chairman of the Meeting intends to demand a poll on each of the resolutions proposed at the EGM. Each resolution considered at the EGM will therefore be conducted by a poll, rather than on a show of hands. The Chairman of the Meeting 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 EGM. 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 11:00am (**Sydney time**) on **Sunday, 5 February 2023**. Proxies must be received before that time by one of the following methods:

- |                        |  |
|------------------------|--|
| By post:               | Computershare Investor Services Pty Limited<br>GPO Box 242<br>Melbourne VIC 3001<br>Australia  |
| By facsimile:          | 1800 783 447 (within Australia)<br>+61 3 9473 2555 (outside of Australia)<br>Computershare Investor Services Pty Limited   |
| By delivery in person: | Level 3, 60 Carrington Street<br>Sydney NSW 2000   |
| Online:                | <a href="http://www.investorvote.com.au">www.investorvote.com.au</a> (for Shareholders)<br><a href="http://www.intermediaryonline.com">www.intermediaryonline.com</a> (Intermediary Online subscribers only) |

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



### **Power of Attorney**

A Proxy Form and the original power of attorney (if any) under which the Proxy Form is signed (or a certified copy of that power of attorney or other authority) must be received by the Company no later than **11:00am (Sydney time) on Sunday, 5 February 2023**, being 48 hours before the EGM.

### **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 EGM. The appointment of the representative must comply with the requirements under section 250D of the Corporations Act. The representative should ensure that a properly executed letter or other document confirming their authority to act as the company's representative is lodged with Company's share registry prior to the EGM.

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

IMPORTANT: If you appoint the Chairman of the Meeting as your proxy, or the Chairman of the Meeting becomes your proxy by default, and you do not direct your proxy how to vote on Resolutions 4, 5, 6, 7 and 8, then by submitting the Proxy Form, you will be expressly authorising the Chairman of the Meeting to exercise your proxy on the relevant resolution, even though the resolutions are connected, directly or indirectly, with the remuneration of the KMP.

### **SHAREHOLDER QUESTIONS**

Shareholders may submit questions about the items of business to be considered at the EGM by lodging questions online at [www.investorcentre.com](http://www.investorcentre.com), select Voting then click 'Ask a Question', or during the virtual EGM via the online platform. Online questions should be submitted prior to 11:00am (Sydney time) on Tuesday, 31 January 2023 (being no later than the fifth business day before the EGM is held). Questions will be collated, and during the EGM, the Chairman of the Meeting will seek to address as many of the more frequently raised topics as possible. However, there may not be sufficient time available at the EGM to address all topics raised. Please note that individual responses will not be sent to shareholders.

### **ENCLOSURES**

Enclosed are the following documents:

- **Proxy Form** to be completed if you would like to be represented at the EGM 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](http://www.investorvote.com.au/xam) to ensure the timely and cost-effective receipt of your proxy;
- a **reply-paid envelope** for you to return the Proxy Form.

*If you have any questions after reading the Notice of Meeting, please call the Shareholder Information Line on 1300 367 804 (within Australia) or +61 2 9066 6162 (outside Australia), Monday to Friday between 9:00am and 5:00pm (Sydney time).*

BY ORDER OF THE BOARD

  
**Philip Mackey**  
**Company Secretary**  
29 December 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 Extraordinary General Meeting*. This Explanatory Memorandum forms part of the Company's Notice of Extraordinary General Meeting to be held at **11:00am (Sydney time) on Tuesday, 7 February 2023**.

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

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

Each Resolution is an ordinary resolution, which requires that a simple majority of votes cast by Shareholders present and entitled to vote on each Resolution must be in favour of the relevant Resolution.

## BACKGROUND TO THE ITEMS OF BUSINESS

### ORDINARY BUSINESS

#### Resolution 1      Ratification of prior issue of placement shares to Whittle Consulting Pty Ltd

On 20 April 2022, the Company issued 8,188,859 fully paid ordinary shares at a deemed issue price of 2.9308 cents per share to Whittle Consulting Pty Ltd as payment for their services provided to the Company (**Whittle Placement**).

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

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

The Whittle Placement was made within the 15% Threshold permitted under ASX Listing Rule 7.1 without Shareholder approval. Accordingly, the Company is seeking approval of Resolution 1 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 1, the issue will be excluded in calculating Xanadu Mines' 15% limit in ASX Listing Rule 7.1, effectively increasing the number of equity securities it can issue without Shareholder approval over the 12-month period following the issue of the Shares.

If shareholders do not approve Resolution 1, the issue will be included in calculating Xanadu Mines' 15% limit under ASX Listing Rule 7.1, effectively decreasing the number of equity securities it can issue without shareholder approval over the 12-month period following the issue of the Shares.

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

- a) Shares under the Whittle Placement have been issued to Whittle Consulting Pty Ltd as payment for their services provided to the Company.
- b) 8,188,859 fully paid ordinary shares (**Whittle Shares**) were issued under the Whittle Placement on 20 April 2022 at a deemed issue price of \$0.029308 per Share and rank equally with all other existing Shares.
- c) The Whittle Shares were issued as payment for services provided to the Company. No funds were raised from the issue of the Whittle Shares.

- d) The Whittle Shares were issued pursuant to Xanadu Mines' 15% placement capacity in accordance with ASX Listing Rule 7.1.
- e) A Voting Exclusion Statement accompanies Resolution 1 in the Notice of Meeting.

### Director Recommendations

The Directors unanimously recommend Shareholders vote in favour of Resolution 1.

### Resolution 2      Ratification of prior issue of placement shares to Jinping (Singapore) Mining Pte Ltd

On 22 April 2022, the Company completed a placement to Jinping (Singapore) Mining Pte Ltd, a wholly owned indirect subsidiary of Zijin Mining Group Co., Limited (**Zijin**), comprising the issue of 139,000,000 fully paid ordinary shares at a price of \$0.04 per share raising approximately A\$5.56 million (**Zijin Placement**). Details of the strategic partnership with Zijin and the Zijin Placement were contained in the announcement made by the Company on 19 April 2022.

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 Zijin Placement was made within the 15% Threshold permitted under ASX Listing Rule 7.1 without Shareholder approval. Accordingly, the Company is seeking approval of Resolution 2 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 2, the issue will be excluded in calculating Xanadu Mines' 15% limit in ASX Listing Rule 7.1, effectively increasing the number of equity securities it can issue without Shareholder approval over the 12-month period following the issue of the Shares.

If shareholders do not approve Resolution 2, the issue will be included in calculating Xanadu Mines' 15% limit under ASX Listing Rule 7.1, effectively decreasing the number of equity securities it can issue without shareholder approval over the 12-month period following the issue of the Shares.

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

- a) Shares under the Zijin Placement have been issued to Jinping (Singapore) Mining Pte Ltd (a wholly owned indirect subsidiary of Zijin Mining Group Co., Ltd):
  - i) an international institutional sophisticated investor who qualifies under the requirements of sections 9 and 708 of the Corporations Act; and
  - ii) an international resident investor to whom an offer of the shares under the Zijin Placement did not require disclosure under the laws of the relevant jurisdiction.
- b) 139,000,000 fully paid ordinary shares (**Zijin Shares**) were issued under the Zijin Placement on 22 April 2022 at a price of \$0.04 per Share and rank equally with all other existing Shares.
- c) The Zijin Placement funds will be used to towards exploration of the Company's flagship Kharmagtai copper-gold project.
- d) The Zijin Shares were issued pursuant to Xanadu Mines' 15% placement capacity in accordance with ASX Listing Rule 7.1.
- e) A Voting Exclusion Statement accompanies Resolution 2 in the Notice of Meeting.

- f) The material terms of the placement agreement for the Zijin Placement are as follows:
- Zijin were invited to subscribe for a total of 139,000,000 fully paid ordinary shares at an issue price of A\$0.04 per share (**Subscription Shares**) for a total consideration of A\$5,560,000;
  - The Subscription Shares were being offered to Zijin on the basis that they are, and represented that they were, a "Sophisticated Investor" (within the meaning of section 708(8) of the Corporations Act or a "Professional Investor" (within the meaning of section 708(11) of the Corporations Act) so that the offer can be made to them without a disclosure document under the Corporations Act;
  - The offer of Subscription Shares and the agreement arising from acceptance of the offer was personal to Zijin and does not constitute an offer to any other person or to the public generally in Australia or anywhere else;
  - The parties are required to negotiate in good faith towards entry into formal documentation for the Phase 2 Placement and Phase 3 JV (refer to explanatory notes for Resolution 3);
  - Proceeds are to be applied, together with the Company's existing cash reserves, towards working capital pending formalising agreement to the Phase 2 Placement and Phase 3 JV; and
  - Zijin is granted a limited and conditional participation right (**Participation Right**) under which Zijin will be notified on a strictly confidential basis of Xanadu's intention to undertake a capital raising and Zijin will have a very short period in which to indicate whether it wishes to participate in that capital raising (subject to receipt of any relevant Foreign Investment Review Board (**FIRB**), People's Republic of China (**PRC**) or other required regulatory approvals). This Participation Right is subject to compliance with ASX Listing Rules and ceases where Zijin's interest falls below 5% and remains below that threshold for more than 20 consecutive days.

### Director Recommendations

The Directors unanimously recommend Shareholders vote in favour of Resolution 2.

### Resolution 3 Issue of further placement shares to Jinping (Singapore) Mining Pte Ltd

#### Background

Resolution 3 seeks Shareholder authorisation to issue 179,116,132 fully paid ordinary shares in the Company at an issue price of \$0.04 to Jinping (Singapore) Mining Pte Ltd, a wholly owned indirect subsidiary of Zijin Group Mining Co., Ltd (**Zijin**) (**Placement Shares**).

On 19 April 2022, the Company announced that it had entered into a strategic partnership with Zijin to progress the Company's flagship Kharmagtai Copper-Gold Project in Mongolia through its next phase of project evaluation and decision on future development.

This strategic partnership has three components:

- an initial investment of approximately A\$5.56 million by way of a placement of 139 million shares at an issue price of A\$0.04 per share, representing a 9.9% shareholding in the Company (**Phase 1 Placement**);
- a further investment at A\$0.04 per share to increase Zijin's total shareholding in the Company to 19.99% (**Phase 2 Placement**); and
- the creation of a 50/50 joint venture in Khuiten Metals Pte. Ltd (**Khuiten**) (being the Company's wholly owned subsidiary which holds an effective interest of 76.5% in the Kharmagtai Copper-Gold Project) for a cash payment of US\$35 million (**Phase 3 JV**).

The Phase 1 Placement was completed on 22 April 2022, whilst the Phase 2 Placement and the Phase 3 JV were both subject to good faith negotiation and entry into formal documentation.

On 21 December 2022, the Company announced that the Company and Zijin had reached formal agreement on and entered into a subscription agreement to record the Phase 2 Placement (**Phase 2 Placement Agreement**) and a subscription agreement to record the Phase 3 JV (**Phase 3 JV Agreement**).

## Phase 2 Placement Agreement

The key terms of the Phase 2 Placement Agreement are as follows:

- The subscription amount payable by Zijin for the Phase 2 Placement Agreement is A\$0.04 per share;
- Completion is subject to **(Phase 2 Conditions)**:
  - Xanadu shareholder approval under LR 7.1 and any other regulatory approvals as are required by ASX;
  - Zijin obtaining PRC regulatory approvals as required;
  - entry into the Phase 3 JV Agreement (which has been satisfied);
  - Xanadu shareholder approval of the Phase 3 JV Agreement if required by ASX;
  - no breaches of warranties by Xanadu prior to completion; and
  - no material adverse change in respect of the Xanadu and its business prior to completion
- upon completion, Zijin will have a right to appoint one director to the Board of Xanadu. The nominee must be reasonably acceptable to the Board in terms of being of good character or repute and holding appropriate experience to be a director of a public company;
- The right for Zijin to nominate a director to the Board will continue for as long as Zijin retains not less than a 10% interest in Xanadu or where its interest falls below 10% because of either:
  - an issue of shares by Xanadu other than in accordance with the Participation Right (refer below); or
  - an issue of shares by Xanadu to a third party pending a further issue of shares to Zijin as a result of exercising its Participation Right;
- continuation of the Limited and Conditional Participation Right granted to Zijin under the Phase 1 Placement and summarised in the ASX/TSX Announcement dated 19 April 2022 (**Participation Right**). After completion of the Phase 2 Placement, Zijin will be notified on a strictly confidential basis of Xanadu's intention to undertake any issue of shares to a third party which requires shareholder approval, and Zijin will have a very short period in which to indicate whether it wishes to participate in that capital raising on the basis of, and subject to shareholder approval (and subject to receipt of any relevant FIRB, PRC or other required regulatory approvals). This Participation Right is subject to compliance with ASX Listing Rules and ceases where Zijin's interest falls below 5% and remains below that threshold for more than 20 consecutive days.

The Phase 2 Conditions must be satisfied by 21 April 2023, being four months from the date of the Phase 2 Placement Agreement. Completion will occur 10 business days after approvals have been obtained.

The Company notes that whilst entry into the Phase 3 JV Agreement was a condition precedent to entry into the Phase 2 Placement Agreement (a condition which has been satisfied), completion of the Phase 2 Placement Agreement is not subject to completion of the Phase 3 JV Agreement - with the potential for a different completion date under each agreement.

## Phase 3 JV Agreement

The key terms of the Phase 3 JV Agreement are as follows:

- the subscription amount payable by Zijin for the Phase JV Agreement is US\$35,000,000;
- completion is subject to **(Phase 3 Conditions)**:
  - Xanadu obtaining shareholder approval and any regulatory approvals as are required by ASX;
  - Zijin obtaining regulatory approvals in the PRC as required;
  - entry into the Phase 2 Placement Agreement (which has been satisfied);
  - Xanadu shareholder approval of the Phase 2 Placement Agreement;

- entry into a joint venture shareholders' agreement (which has been satisfied);
- the issuance of shares in Khuiten to Xanadu in full and final satisfaction of the aggregate total of all shareholder loans made by the Company to Khuiten (being a current amount of approximately A\$59.7 million);
- no breaches of warranties by Xanadu or Khuiten prior to completion;
- no material adverse change in respect of Xanadu, Khuiten or their businesses prior to completion; and
- there being no actions or proceedings in a court of competent jurisdiction enjoining or prohibiting the transaction.

The Phase 3 Conditions must be satisfied by 21 April 2023, being four months from the date of the Phase 3 JV Agreement. Completion will occur 10 business days after approvals have been obtained and the further shares in Khuiten have been issued to the Company.

The Company notes that whilst entry into the Phase 2 Placement Agreement was a condition precedent to entry into the Phase 3 JV Agreement (a condition which has been satisfied), completion of the Phase 3 JV Agreement is not subject to completion of the Phase 2 Placement Agreement. Whilst the intention is to align completion of the two transactions together, and as soon as possible after the conduct of the Meeting, there is the potential for a different completion date under each agreement.

The key terms of the joint venture shareholders' agreement are as follows:

- the joint venture will commence from the date of completion of the Phase 3 JV Agreement;
- appointment of Xanadu in the role of the operator of the joint venture from commencement until the earlier of delivery of the required pre-feasibility study (**PFS**) or 18 months from commencement of preparation of the PFS (via the right for Xanadu to appoint the initial General Manager for Khuiten through until the PFS is delivered), after which Zijin will assume the role of operator (and appointment of the General Manager) unless otherwise agreed by shareholders;
- Xanadu to use reasonable endeavours to deliver a PFS for the Kharmagtai Project within 18 months from commencement of the joint venture. The PFS must support an *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2012)* compliant Ore Reserve or *National Instrument 43-101 (NI 43-101)* compliant Mineral Reserve:
  - with a life of mine of at least 20 years (using economic input parameters consistent with the Scoping Study conducted by the Company dated 6 April 2022 and the NI 43-101 Preliminary Economic Assessment Technical Report prepared by the Company dated 20 June 2022);
  - with an internal rate of return of at least 20%; and
  - a payback period of less than 6 years;
- initial funding to be paid from the subscription payment made by Zijin and applied by way of an agreed 18 month initial development plan and budget (which is expected to take the joint venture through to delivery of the PFS);
- subsequent funding to be shared by shareholders in their respective proportions (with the potential for dilution for a shareholder who does not meet their funding obligations);
- the initial appoint of two directors from each of Xanadu and Zijin to the board of Khuiten, with a right for Xanadu to appoint the initial chairperson through until the earlier of delivery of the PFS or 18 months from commencement of preparation of the PFS;
- equal voting rights from commencement for Xanadu and Zijin at Khuiten board meetings (voting rights based upon respective proportionate shareholdings), with the chairperson not having a casting vote. Deadlocks to be resolved by negotiation, with no action to be taken on the resolution if the deadlock cannot be resolved;
- pre-emptive rights for the issue of additional shares in accordance with shareholders respective proportions;



- pre-emptive rights for the acquisition of shares proposed to be disposed of by a shareholder to a third party; and
- drag along and tag along rights apply to a proposed sale of shares by either a single shareholder holding at least 51% or multiple shareholders holding at least 75% in aggregate.

A key term of the joint venture agreement is that upon the Company delivering a PFS which meets the required guidelines under the joint venture agreement, the Company will be able to exercise one of two put options which are contained in the joint venture agreement:

- (a) a put option to require Zijin to acquire from Xanadu a further 25% interest in Khuiten for a payment to the Company of US\$25,000,000 (**25% Option**); or
- (b) a put option to require Zijin to acquire from Xanadu its full 50% interest in Khuiten for a payment to the Company of US\$50,000,000 (**50% Option**).

Xanadu can only exercise one of these options and will have a 6 month period from delivery of the PFS to determine if it wants to exercise either option (and to determine which one) and to obtain any shareholder or other regulatory approvals that it may need to obtain to exercise the options. To be able to exercise either option, the Company must deliver a PFS which satisfies the requirements outlined in the joint venture agreement (as summarised above).

if Xanadu exercises the 25% Option, it will then remain liable for its respective proportion of the funding for the progression of the joint venture until commencement of commercial production at the Kharmagtai Project. This would be funded by way of a loan from Zijin (**Funding Loan**) on the following key terms:

- (a) interest will be payable on the Funding Loan at the secured overnight financing rate (**SOFR**) (based on a 6 month term) + 5% per annum;
- (b) the Funding Loan will rank in priority to distributions to shareholders;
- (c) 90% of dividends and distributions due to Xanadu will be directed to Zijin and applied in payment of the Funding Loan (interest before principal); and
- (d) repayment due 10 years from the date of the commencement of the commercial production of the Kharmagtai Project or upon earlier termination of the joint venture or earlier default by the Company.

This Funding Loan will cover all of Xanadu's share of construction costs, to be repaid out of operating dividends post construction.

A more detailed summary of the joint venture agreement is **attached** as Annexure A.

It is anticipated by the Company that the Phase 2 Placement Agreement and the Phase 3 JV Agreement will be able to be completed during the first quarter of 2023.

### ASX Listing Rule 7.1

Listing Rule 7.1 prohibits a listed company, except in certain cases, from issuing in any Relevant period new Equity Securities equivalent in number to more than 15% of the total number of ordinary securities on issue at the beginning of the Relevant period (**15% Capacity**) without either the prior approval of a majority of disinterested shareholders, or the issue otherwise falls within one of the prescribed exceptions to Listing Rule 7.1 (**15% Rule**).

Equity Securities issued with shareholder approval under Listing Rule 7.1 do not count towards the 15% Capacity.

The Placement Shares are Equity Securities under the Listing Rules.

Therefore, the Company is seeking Shareholder approval in accordance with Listing Rule 7.1 to issue the Placement Shares so that the Placement Shares issued do not count towards the Company's 15% Capacity.

### Information for Listing Rule 7.3

For the purposes of Listing Rule 7.3, the Company provides the following information:

Listing Rule	Requirements	Information
7.3.1	Allottees of Equity Securities	The Placement Shares will be issued to Jinping (Singapore) Mining Pte Ltd, a wholly owned indirect subsidiary of Zijin Mining Group Co., Limited
7.3.2	Number and class of Securities that will be issued	The Company will issue 179,116,132 fully paid ordinary shares.  Jinping (Singapore) Mining Pte Ltd currently holds 139,000,000 shares in the Company (representing 9.84% of the shares on issue) and the issue of the Placement Shares will give it 318,116,132 shares (representing 19.99% of the shares on issue).
7.3.3	Summary of material terms of Securities	The Placement Shares will rank pari passu with all other existing shares on issue in the company.
7.3.4	Date or dates on or by which the Company will issue the Securities	The Placement Shares will be issued as soon as practicable after the date of the Meeting but no later than three months from the date of the Meeting.
7.3.5	Price of Equity Securities	The issue price of the Placement Shares is A\$0.04 per share.
7.3.6	Purpose of issuing the Securities	The Placement Share are issued for the purposes of funding the completion of a pre-feasibility study for the Kharmagtai Copper-Gold Project to establish a JORC Code, 2012 compliant reserve for that project, to progress exploration at the Company's Red Mountain Copper-Gold Project in Mongolia and for general working capital and costs of the issue.
7.3.7	Summary of agreement	The key terms of the Phase 2 Placement Agreement are as described under the heading "Phase 2 Placement Agreement" in the section preceding this table.
7.3.8	Information on reverse takeover	Not applicable.
7.3.9	Voting exclusion statement	A voting exclusion statement is included in the Notice of Meeting.

If Shareholders approve Resolution 3:

- the relevant condition precedents to each of the Phase 2 Agreement and the Phase 3 Agreement will be satisfied; and
- if the Phase 2 Agreement is completed, the shares issued under the Phase 2 Agreement will be excluded in calculating Xanadu Mines' 15% limit in ASX Listing Rule 7.1, resulting in no reduction in the number of equity securities the Company can issue without Shareholder approval over the 12-month period following the issue of those shares.

If Shareholders do not approve Resolution 3, then the relevant condition precedents to each of the Phase 2 Agreement and the Phase 3 Agreement will not be satisfied and neither the Phase 2 Agreement nor the Phase 3 Agreement will be able to be completed (ie. no further shares will be issued to Zijin and the joint venture with Zijin on the Kharmagtai Copper-Gold Project will not proceed).

## Director Recommendations

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

## Resolution 4 Renewal of Employee Share and Option Plan

### Background

Resolution 4 seeks approval by Shareholders for the adoption of an employee incentive plan called the Xanadu Mines Employee Share and Option Plan (**ESOP**) under Exception 13 of Listing Rule 7.2 so that any issue of securities under the ESOP over the next 3 years is disregarded when determining the Company's capacity to issue equity securities under Listing Rule 7.1 and 7.1A (if applicable).

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

In conjunction with the proposal to issue the Director Options under Resolutions 5, 6, 7 and 8 in support of the delivery of the Kharmagtai Pre-Feasibility Study under the Kharmagtai Joint Venture with Zijin, the Board also proposes to issue options to key management personnel, comprising Dr Andrew Stewart (Vice President Exploration), Mr Spencer Cole (Chief Development Officer and Chief Financial Officer) and Mr Munkhsaikhan Dambiinyam (Chief Operating Officer), at the same time and on substantially the same terms as the Director Options (including the Vesting Conditions and Board discretions for accelerated vesting (including as a Good Leaver or on a Change of Control)) as outlined below for the Director Options in relation to Resolutions 5, 6, 7 and 8. The total number of options proposed to be issued by the Board between these three managers is 34,100,000. This is without limiting the ability of the Board to determine to issue additional shares or options under the ESOP to other eligible employees or service contractors on such terms and conditions as determined by the Board pursuant to the rules of the ESOP as summarised in Schedule 1.

Shareholders previously approved the Employee Share Option Plan at the AGM held on 30 July 2020. The terms of the Employee Share Option Plan being presented to shareholders at this Meeting have been amended slightly from those approved at the 2020 AGM in the following manner:

- the substitution of references to Division 1A of Part 7.12 of the Corporations Act in place of ASIC Class Order 14/1000;
- updates to definitions relating to "Eligible Persons" to increase the range of persons who qualify for participation in the ESOP to align the ESOP with the operation of Division 1A of Part 7.12 of the Corporations Act; and
- other administrative updates to align the operation of the ESOP to the operation of Division 1A of Part 7.12 of the Corporations Act.

These amendments have arisen as a result of amendments made to the Corporations Act, which took effect from 1 October 2022, to improve and simplify the conduct of employee share option schemes by companies. The amendments to the ESOP enable the ESOP to be consistent with the operation of the new laws under the new Division 1A of Part 7.12 of the Corporations Act.

### ASX Listing Rule 7.1

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

### ASX Listing Rule 7.2 (Exception 13)

Listing Rule 7.2 (Exception 13(b)) sets out an exception to Listing Rule 7.1 which provides that issues under an employee incentive scheme are exempt for a period of 3 years from the date on which shareholders approve the issue of securities under the scheme as an exception to ASX Listing Rule 7.1. Resolution 4 is being put to Shareholders for this purpose and will allow the Company to utilise Exception 13 of Listing Rule 7.2 for three (3) years from the date of Resolution 4 being passed.

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

- (a) a summary of the terms and conditions of the ESOP is set out in Schedule 1 below. The Board has the discretion to set the terms of offers under the ESOP pursuant to the terms of the ESOP;
- (b) the Company has previously issued 31,250,000 rights under an incentive plan approved by Shareholders in 2013 (between 2013 – 2017) and 17,000,000 options under the incentive plan approved by shareholders in 2020 (between 2020 – 2022); and
- (c) it is proposed that a maximum number of 44,100,000 Equity Securities will be issued under the ESOP following Shareholder approval. The maximum number is not intended to be a prediction of the actual number of equity securities to be issued under the ESOP, simply a ceiling for the purposes of Exception 13(b) of Listing Rule 7.2; and
- (d) a voting exclusion statement is included in the Notice in relation to this Resolution.

Exception 13(b) is only available if and to the extent that the number of equity securities issued under the ESOP does not exceed the maximum number set out above.

Exception 13(b) also ceases to be available if there is a material change to the terms of the ESOP from those summarised in Schedule 1.

If Resolution 4 is passed, the Company will be able to issue Shares and Options under the ESOP to eligible participants over a period of 3 years without impacting on the Company's ability to issue up to 15% of its total ordinary securities without Shareholder approval in any 12-month period.

If Resolution 4 is not passed, the Company will still be able to proceed with the issue of securities under the ESOP to eligible participants, but any issues of securities will reduce, to that extent, the Company's capacity to issue Equity Securities without Shareholder approval under Listing Rule 7.1 for the 12-month period following the issue of the securities.

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

Additionally, the Company believes it to be in the best interests of the Company to preserve the maximum commercial flexibility to issue equity securities that is afforded to it under the Listing Rules.

Directors of the Company are entitled to participate in the ESOP. Any future issues of Shares under the ESOP to a related party or a person whose relationship with the Company or the related party is, in ASX's opinion, such that approval should be obtained will require additional Shareholder approval under ASX Listing Rule 10.14 at the relevant time.

For completeness it is noted that pursuant to Resolutions 5, 6, 7 and 8 the Company is seeking approval under ASX Listing Rule 10.14 for the issue of Options to certain Directors, however, these are not being issued under the ESOP.

A summary of the key terms and conditions of the ESOP is set out in Schedule 1 below. In addition, a copy of the ESOP is available for review by Shareholders at the registered office of the Company until the date of the Meeting. A copy of the ESOP can also be sent to Shareholders upon request to the Company Secretary by email to [info@xanadumines.com](mailto:info@xanadumines.com). Shareholders are invited to contact the Company if they have any queries or concerns.

#### **Director Recommendations**

The Directors abstain, in the interests of corporate governance, from making a recommendation in relation to Resolution 4.

## **Resolutions 5, 6, 7 and 8 - Grant of options to Mr Colin Moorhead, Mr Ganbayar Lkhagvasuren, Mr Michele Muscillo and Mr Tony Pearson**

Under the Company's remuneration policy, the Company has previously issued options to its directors between 2020 and 2022 based upon a business strategy developed for the period between 2020 and 2022, including a range of performance criteria, which were approved at the 2020 AGM held on 30 July 2020.

With the announcement on 19 April 2022 of the strategic partnership with Zijin, the Board has undertaken a further review of its long term incentive program for directors and senior executives to formulate a program aligned to the delivery of the key terms of that strategic partnership. The Nominations and Remuneration Committee has recommended, and the Board has approved, a long term incentive program based upon continued employment or earlier delivery of a pre-feasibility study for the Kharmagtai Copper – Gold Project.

Accordingly, the Directors have resolved to refer to Shareholders for approval the proposed grant of 6,300,000 options to Mr Muscillo and 6,300,000 options to Mr Pearson (the **Non-Executive Director Options**) and 17,600,000 options to Mr Moorhead and 15,170,000 options to Mr Lkhagvasuren, (the **Executive Director Options**). The Non-Executive Director Options and the Executive Director Options are referred to collectively as the **Director Options**.

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

Approval for the issue of the Director Options is sought in accordance with the provisions of Listing Rule 10.14. As approval is being sought under Listing Rule 10.14, approval will not be required under Listing Rules 7.1 or 10.11. The board has determined that the requirements of Chapter 2E of the Corporations Act do not need to be observed for the issue of these Director Options.

### **Director Options Terms**

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

- The Director Options are linked to delivery of the Kharmagtai Pre-Feasibility Study.
- The 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 of:
    - delivery of a satisfactory pre-feasibility study for the Kharmagtai Copper – Gold Project which supports a JORC Code, 2012 compliant Ore Reserve or NI 43-101 compliant Mineral Reserve with:
      - a life of mine of at least 20 years (using economic input parameters consistent with the Scoping Study conducted by the Company dated 6 April 2022 and the NI43-101 Preliminary Economic Assessment Technical Report prepared by the Company dated 20 June 2022);
      - an internal rate of return of at least 20%; and
      - a payback period of less than 6 years (**PFS**),
    - (**Performance Condition**);
    - remaining continuously employed or engaged with the Company (or any related body corporate) for a period of:
      - in the case of the Executive Director Options - three years commencing from the date of the offer letter issued to the Director for the Executive Director Options; or
      - in the case of the Non-Executive Director Options – 18 months continuous service (first tranche of 50% of the Non-Executive Director Options) and three years continuous service (second tranche of 50% of the Non-Executive Director Options) from the date of the offer letter issued to the Director for the Non-Executive Director Options

(**Continuous Employment Condition**); and

- the volume weighted average market price (**VWAP**) of the Company's shares calculated over 5 consecutive days on which sales in the shares of the Company were recorded commencing the day after the earlier of either (a) the date on which the Performance Condition is satisfied or (b) the Continuous Employment Condition is satisfied is higher than the share price as determined by the VWAP of issued securities of the Company calculated over 10 consecutive days on which sales in the shares of the Company were recorded commencing on 1 December 2022 (**Share Price Hurdle**),

(together the **Vesting Conditions**).

The Director Options will vest immediately upon achievement of the Vesting Conditions.

- If vested, the Director Options will be subject to the following restrictions (**Restriction Conditions**):
  - Vested and unrestricted = 80%
  - Vested, but restricted from disposal for two years = 20%
- If a Director leaves the Company prior to the satisfaction of the Performance Condition and Continuous Employment Condition for a tranche are achieved relevant tranche of the Vesting Conditions, they will not be eligible for vesting of that tranche of Director Options. Other than in the case of a 'Bad Leaver' as determined by the Board, if the Director leaves after the date that the relevant Performance Condition and Continuous Employment Condition for a tranche are achieved, they will remain eligible to receive the 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 a Directors' employment is due to death of the Director, and the Director has been continuously employed with the Company (or any related body corporate) at least since 12 months up to and including the date of death, the Vesting Conditions and any Restriction Conditions applicable to all or any of their Director 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 a Director's Director 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 Director's unvested Director Options will lapse.
- Where the Board determines that a Director is a 'Bad Leaver' all unvested Director Options would automatically lapse.
- Where a Change of Control occurs, the Board may, in its discretion, determine that some or all of the Director 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 unvested Director Options will lapse.
- 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;
  - 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; or
  - a sale of shares in Khuiten Metals Pte Ltd resulting in the Company having less than a 50% interest in that company.



- The Board may also determine that Director's Options will lapse or be forfeited in circumstances where the Board may also determine that a 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 Director Options;
  - purported to dispose of, or grant any security Interest, over the 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 Nomination and Remuneration Committee to adjust (malus) or clawback unvested Director Options where there is reasonable evidence that the 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 Nomination and Remuneration Committee to cancel or adjust unvested 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 Director Options that are not exercised within 48 months (4 years) of their vesting will expire.
- The securities to be issued to each Director are options to subscribe for fully paid Shares.
- The Director Options are to be issued for no cash consideration.
- The exercise price of each Director Option is zero (**Exercise Price**).
- Shares issued on exercise of the Director Options will rank equally with all existing Shares from the date of issue.
- The Director Options, once vested, may be exercised wholly or in part by notice in writing to the Company received at any time on or before they expire.
- The Director Options shall be unlisted but shall be transferable.
- Upon allotment of Shares pursuant to the exercise of Director Options, the Company shall use its best endeavours to have such Shares quoted and listed on the Official List of the ASX.

- Option holders do not have any right to participate in new issues of securities in the Company made to Shareholders generally. The Company will, where required pursuant to the Listing Rules, provide Option holders with notice prior to the books record date (to determine entitlements to any new issue of securities made to Shareholders generally) to exercise the Director Options, in accordance with the requirements of the Listing Rules.
- Option holders do not participate in dividends or in bonus issues unless the Director Options are exercised, and the resultant shares of the Company are issued prior to the record date to determine entitlements to the dividend or bonus issue.
- In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company:
  - the number of Director Options, the exercise price, or both will be reconstructed (as appropriate) in a manner consistent with the Listing Rules, but with the intention that such reconstruction will not result in any benefits being conferred on the Director Option holder which are not conferred on Shareholders; and
  - subject to the provisions with respect to rounding of entitlements as sanctioned by a meeting of Shareholders of the Company approving a reconstruction of capital, in all other respects the terms for the exercise of the Director Options will remain unchanged.
- If there is a bonus issue to the holders of Shares, the number of Shares over which a Director Option is exercisable will be increased by the number of Shares which the Director Option holder would have received if the Director Options had been exercised before the record date for the bonus issue.
- The terms of the Director Options shall only be changed if holders (whose votes are not to be disregarded) of Shares approve of such a change. However, the terms of the Director Options shall not be changed to increase the number of Director Options or change any period for exercise of the Director Options.

## Regulatory Requirements

### Listing Rule 10.14

The Company is proposing to issue the Director Options.

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

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

unless it obtains the approval of its Shareholders.

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

Resolutions 5, 6, 7 and 8 seek the required Shareholder approval to issue the Director Options under and for the purposes of Listing Rule 10.14.

If Resolutions 5, 6, 7 and 8 are passed, the Company will be able to proceed with the issue of the Director Options and the Directors will be remunerated accordingly based on the achievement of the criteria set out above.

If any of Resolutions 5, 6, 7 and 8 are not passed, the Company will not be able to proceed with the issue of the relevant Director Options the subject of that/those Resolution(s) which are not passed, and the Company may need to consider other forms of performance-based remuneration in that regard.

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

- The following directors (or their respective nominees) are to be the recipients of the Director Options:
  - Resolution 5, Mr Moorhead;
  - Resolution 6, Mr Lkhagvasuren
  - Resolution 7, Mr Muscillo; and
  - Resolution 8, Mr Pearson.
- As each of the above are directors of the Company they fall within the category stipulated by Listing Rule 10.14.1. In the event the Director Options are issued to a nominee of the Director, that person will fall within the category stipulated by Listing Rule 10.14.2
- The maximum number of Director Options to be issued to Mr Moorhead, Mr Lkhagvasuren, Mr Muscillo and Mr Pearson is 45,370,000 Director Options, being:
  - the grant of 17,600,000 Executive Director Options to Mr Moorhead or his nominee;
  - the grant of 15,170,000 Executive Director Options to Mr Lkhagvasuren or his nominee;
  - the grant of 6,300,000 Non-Executive Director Options to Mr Muscillo or his nominee;
  - the grant of 6,300,000 Non-Executive Director Options to Mr Pearson or his nominee.
- Details of the total remuneration package of each of Mr Moorhead, Mr Lkhagvasuren, Mr Muscillo and Mr Pearson are as follows:

Mr Moorhead

- Mr Moorhead currently receives total fixed remuneration of A\$220,000 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 A\$110,000).
- Excluding the Director Options, Mr Moorhead holds 6,560,000 Shares and 2,280,000<sup>1</sup> options in the Company.

Mr Lkhagvasuren

- Mr Lkhagvasuren currently receives total fixed remuneration of US\$265,000 per annum (total cost to the Company) from the Company for his services as an Executive Director. In addition, Mr Lkhagvasuren is eligible for an annual short term incentive payable in cash of up to 30% of this total fixed remuneration (being up to a further US\$79,500).
- Excluding the Director Options, Mr Lkhagvasuren holds 16,558,329 Shares and 8,500,000 options in the Company.

Mr Michele Muscillo

- Mr Muscillo currently receives total fixed remuneration of A\$70,000 per annum (total cost to the Company) from the Company for his services as a Non-Executive Director.
- Excluding the Director Options, Mr Muscillo holds 2,879,981 Shares and 1,140,000<sup>2</sup> options in the Company.

Mr Tony Pearson

- Mr Pearson currently receives total fixed remuneration of \$70,000 per annum (total cost to the Company) from the Company for his services as a Non-Executive Director.
- Excluding the Director Options, Mr Pearson holds 1,320,555 Shares and 2,280,000<sup>3</sup> options in the Company.

- Details of securities previously issued to each of Mr Moorhead, Mr Lkhagvasuren, Mr Muscillo and Mr Pearson under the remuneration policy are as follows.

<sup>1</sup> These remaining Options will vest as of 31 December 2022.

<sup>2</sup> These remaining Options will vest as of 31 December 2022

<sup>3</sup> 1,140,000 of these remaining Options will vest as of 31 December 2022

- Mr Moorhead - 6,840,000 options
- Mr Lkhagvasuren - 8,500,000 options
- Mr Muscillo - 3,420,000 options
- Mr Pearson - 3,420,000 options

These options were issued for nil consideration and with a nil exercise price pursuant to the approval given by shareholders at the annual general meeting of the Company held on 30 July 2020, the extraordinary general meeting of the Company held on 23 December 2020 and the annual general meeting of the Company on 17 June 2021.

- A summary of the material terms of the Director Options is set out above.
- The Board has proposed to issue the Director Options to reward and incentivise the Directors to contribute to the growth of the Company, whilst minimising cash outflows. The Director Options are directly linked to the delivery by the Company of the Kharmagtai Pre-Feasibility Study under the Kharmagtai Joint Venture with Zijin and the delivery of the PFS. The Board believes that the grant of the Director Options provides a cost-effective and efficient incentive as opposed to alternative forms of incentives (e.g., increased remuneration). The grant of options provides an appropriate form of remuneration to Directors that is aligned with shareholder interests and enables the Company to use available cash to fund its operations and growth. In addition, the estimated values of the Director Options are not excessive when compared to the other remuneration elements of each Director. The grant of Director Options will constitute an equity award that covers a period of up to three years commencing from the date of the offer letter, with no further rolling annual grants of equity to be made to Directors in the intervening years over that period.
- Details regarding the value of the Director Options are as follows:

The Company has undertaken a valuation of the Director Options utilising the hybrid single barrier option pricing model with a Parisian barrier adjustment. The model incorporates a Monte Carlo simulation, which simulates the Company's share price at the test date.

Inherent in the application of this pricing model are a number of inputs, some of which must be assumed. The data relied upon in the valuation applying the hybrid single barrier option pricing model was:

- an exercise price of the options being zero;
- a market price of Shares of \$0.027 being the 5 day VWAP of Shares prior to the valuation, as a proxy for the market price at the future date of issue, being the date of the Meeting to approve the issue;
- the Executive Director Options and Tranche B of the Non-Executive Director Options vesting on 30 November 2025 and Tranche A of Non-Executive Director Options vesting on 30 May 2024;
- an Expiry Date of 30 November 2028 for the Director Options;
- a volatility measure of 90%;
- a risk-free interest rate of 3.165% for the Executive Director Options and Tranche B of the Non-Executive Director Options and 3.110% for Tranche A of the Non-Executive Director Options; and
- a dividend yield of Nil.
- Based on the valuation, the Company has adopted an indicative value for the Director Options as follows:

Item	Executive Director Options	Non-Executive Director Options	
		Tranche A (3 years continuous service)	Tranche B (18 months continuous service)
Valuation date	30 Nov 2022	30 Nov 2022	30 Nov 2022
Underlying Security spot price	\$0.027	\$0.027	\$0.027
Exercise price	Nil	Nil	Nil
5 day VWAP	\$0.027	\$0.027	\$0.027
Commencement of performance period	30 Nov 2022	30 Nov 2022	30 Nov 2022
Performance measurement date	30 Nov 2025	30 May 2024	30 Nov 2025
Expiry date	30 Nov 2028	30 Nov 2028	30 Nov 2028
Performance period (years)	3	1.5	3
Life of the Options (years)	6	6	6
Volatility	90%	90%	90%
Dividend yield	Nil	Nil	Nil
Risk-free rate	3.165%	3.110%	3.165%
Valuation per Option	\$0.022	\$0.022	\$0.022

On that basis, the respective value of the Director Options to be issued pursuant to Resolutions 5, 6, 7 and 8 are as follows:

Name	Executive Director Options		Non-Executive Director Options			
			Tranche A ( 3 years continuous service)		Tranche B (18 months continuous service)	
	(Number)	(Value)	(Number)	(Value)	(Number)	(Value)
Mr Moorhead (Resolution 5)	17,600,000	\$387,200	-	-		
Mr Lkhagvasuren (Resolution 6)	15,170,000	\$333,740	-	-		
Mr Muscillo (Resolution 7)	-	-	3,150,000	\$69,300	3,150,000	\$69,300
Mr Pearson (Resolution 8)	-	-	3,150,000	\$69,300	3,150,000	\$69,300
<b>Total</b>	<b>32,770,000</b>	<b>\$720,940</b>	<b>6,300,000</b>	<b>\$138,600</b>	<b>6,300,000</b>	<b>\$138,600</b>

- The Director Options are intended to be granted as soon as possible following the Meeting and completion of the Phase 3 Agreement, but in any event, within three (3) years of the date of the Meeting.
- The Director Options are being issued for nil cash consideration and have a zero exercise price.
- A summary of the material terms of the Director Options is set out above. For completeness it is noted that the Director Options are not being issued pursuant to the ESOP for which approval is being sought under Resolution 4.
- No funds are being raised by the grant or exercise of the Director Options. Accordingly, no loans of any description will be provided to the Directors in relation to the Director Options.
- Details of the Director Options 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 5, 6, 7 and 8 are approved (should they be approved) and who are not named in this Notice will not participate until approval is obtained under Listing Rule 10.14.

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

Save as set out in this Explanatory Memorandum, the Directors are not aware of any other information that will be reasonably required by Shareholders to make a decision in relation to benefits contemplated by Resolutions 5, 6, 7 and 8.

#### **Director Recommendations**

With respect to Resolution 5, Mr Lkhagvasuren, Mr Muscillo and Mr Pearson recommend that Shareholders vote in favour of that Resolution.

As Mr Moorhead is interested in the outcome of Resolution 5, he accordingly makes no recommendation to Shareholders in respect of that Resolution .

With respect to Resolution 6, Mr Moorhead, Mr Muscillo and Mr Pearson recommend that Shareholders vote in favour of that Resolution.

As Mr Lkhagvasuren is interested in the outcome of Resolution 6, he accordingly makes no recommendation to Shareholders in respect of that Resolution.

With respect to Resolution 7, Mr Moorhead, Mr Lkhagvasuren and Mr Pearson recommend that Shareholders vote in favour of that Resolution.

As Mr Muscillo is interested in the outcome of Resolution 7, he accordingly makes no recommendation to Shareholders in respect of that Resolution.

With respect to Resolution 8, Mr Moorhead, Mr Lkhagvasuren and Mr Muscillo recommend that Shareholders vote in favour of that Resolution.

As Mr Pearson is interested in the outcome of Resolution 8, he accordingly makes no recommendation to Shareholders in respect of that Resolution.



## SCHEDULE 1 - TERMS AND CONDITIONS OF ESOP

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

1. The ESOP is to extend to Eligible Persons or Eligible Associates (as the case may be) of the Company or an Associated Body Corporate of the Company as the Board may in its discretion determine.
2. The total number of Securities which may be offered by the Company under the ESOP shall not at any time exceed 5% of the Company's total issued Shares when aggregated with the number of Securities issued or that may be issued as a result of offers made at any time during the previous three-year period under:
  - (a) an employee incentive scheme covered by Division 1A of Part 7.12 of the Corporations Act; or
  - (b) an ASIC exempt arrangement of a similar kind to an employee incentive scheme.
3. The Shares are to be issued at a price determined by the Board.
4. The Options are to be issued for no consideration.
5. The exercise price of an Option is to be determined by the Board at its sole discretion.
6. The Option Commencement Date will be any such date or dates with respect to the Options or tranches of Options (as the case may be) as may be determined by the Board prior to the issuance of the relevant Options.
7. The Option Period commences on the Option Commencement Date and ends on the earlier of:
  - (a) the expiration of such period nominated by the Board at its sole discretion at the time of the grant of the Option but being not less than two years;
  - (b) if an Eligible Person's employment or engagement with the Company or an Associated Body Corporate ceases because of an Uncontrollable Event, the earlier of:
    - (1) the expiry of the Option Period; or
    - (2) six months (or such other period as the Board shall, in its absolute discretion, determine) from the end of the calendar year in which the Eligible Person ceased that employment or engagement where a relevant Performance Hurdle was satisfied; ;
  - (c) if an Eligible Person's employment or engagement with the Company or an Associated Body Corporate ceases because of a Controllable Event:
    - (1) the expiry of the Option Period; or
    - (2) three months (or such other period as the Board shall, in its absolute discretion, determine) from the end of the calendar year in which the Eligible Person ceased that employment or engagement where a relevant Performance Hurdle was satisfied; or
  - (d) the Eligible Person ceasing to be employed or engaged by the Company or an Associated Body Corporate of the Company due to fraud, dishonesty or being in material breach of their obligations to the Company or an Associated Body Corporate or having materially contributed to, or been materially responsible for, the need to restate or adjust the financial results of the Company or an Associated Body Corporate. The Board may also cancel unvested Participant Options where it determines they are not appropriate or warranted due to exceptional circumstances.
8. Eligibility to participate is determined by the Board. Eligibility is restricted to Eligible Persons (or their Eligible Associates where applicable) of the Company or an Associated Body Corporate of the Company. The Board is entitled to determine:

- (a) subject to paragraph 2, the total number of Shares and Options to be offered in any one year to Eligible Persons or Eligible Associates;
- (b) the Eligible Persons to whom offers will be made; and
- (c) the terms and conditions of any Shares and Options granted, subject to the ESOP.
9. In respect of Options, Option holders do not participate in dividends or in bonus issues unless the Options are exercised.
10. Option holders do not have any right to participate in new issues of securities in the Company made to shareholders generally. The Company will, where required pursuant to the ASX Listing Rules, provide Option holders with notice prior to the books record date (to determine entitlements to any new issue of securities made to shareholders generally) to exercise the Options, in accordance with the requirements of the ASX Listing Rules.
11. In the event of a pro rata issue (except a bonus issue) made by the Company during the term of the Options the Company may adjust the exercise price for the Options in accordance with the formula in the terms of the Plan.
12. The Board has the right to vary the entitlements of Participants to take account of the effect of capital reorganisations, bonus issues or rights issues.
13. The terms of the Options shall only be changed if holders (whose votes are not to be disregarded) of Shares in the Company approve of such a change. However, the terms of the Options shall not be changed to reduce the Exercise Price, increase the number of Options or change any period for exercise of the Options.
14. The Board may impose as a condition of any offer of Shares and Options under the ESOP any restrictions on the transfer or encumbrance of such Shares and Options as it determines.
15. The Board may vary the ESOP.
16. The ESOP is separate to and does not in any way form part of, vary or otherwise affect the rights and obligations of an Eligible Person under the terms of his or her employment or arrangement.
17. At any time from the date of an Offer until the Acceptance Date of that Offer, the Board undertakes that it shall provide information as to:
- (a) the Current Market Price of the Shares; and
- (b) the acquisition price of the Shares or Options offered where this is calculated by reference to a formula, as at the date of the Offer,
- to any Participant within three Business Days of a written request to the Company from that Participant to do so.
18. Any Offer made pursuant to the ESOP will specify whether subdivision 83A-C of the applicable Tax Laws applies to that Offer such that any tax payable by a Participant under the Offer will be deferred to the applicable deferred taxing point described in that subdivision.

In the ESOP:

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

**Uncontrollable Event** means:

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

## ANNEXURE A

### SUMMARY OF JOINT VENTURE AGREEMENT TERMS

The key terms of the joint venture agreement between the Company and Zijin are as follows:

- commencement from the date of completion of the subscription agreement for the Phase 3 JV;
- the primary objective for Xanadu to use reasonable endeavours to deliver a PFS for the Kharmagtai Project within 18 months from commencement of the joint venture;
- funding to be paid from the payment made by Zijin to subscribe for its 50% interest and thereafter to be borne by shareholders in their respective proportions. Where a party fails to meet its funding obligations, the other party will be entitled to meet that shortfall in return for the issue of additional shares (resulting in the dilution of the defaulting shareholder);
- agreement on an initial development plan and budget for the first 18 months from commencement of the Joint Venture Agreement (which is expected to take the joint venture through to delivery of the PFS). After that, approval of annual budgets and development plans will require unanimous approval of the board of Khuiten;
- appointment of Xanadu in the role of the operator of the joint venture from commencement until the earlier of delivery of the PFS or 18 months from commencement of the preparation of the PFS, after which Zijin will assume the role of operator unless otherwise agreed by shareholders;
- the initial appointment of two directors from each of Xanadu and Zijin to the board of Khuiten (one for each 25% interest held);
- a right for Xanadu to appoint the initial chairperson of the Khuiten board through until the earlier of delivery of the PFS or 18 months from commencement of the preparation of the PFS. Xanadu's Executive Chairman and Managing Director, Colin Moorhead, will be the initial appointee as chairperson. Zijin will have the right to appoint the chairperson after that initial period has lapsed;
- a right for Xanadu to appoint the initial General Manager for Khuiten through until the earlier of delivery of the PFS or 18 months from commencement of the preparation of the PFS, with the Deputy General Manager to be appointed by Zijin. After that initial period has elapsed, these rights will reverse (provided that Xanadu must retain at least a 25% interest to preserve its right to appoint the Deputy General Manager);
- equal voting rights from commencement for Xanadu and Zijin at Khuiten board meetings (voting rights based upon respective proportionate shareholdings), with the chairperson not having a casting vote;
- identified critical business matters, including certain expenditure or transactions with a value above US\$1,000,000, increasing to US\$10,000,000 after the earlier of delivery of the PFS or 18 months from commencement of the preparation of the PFS, will require a special majority approval by the board of Khuiten (being greater than 67% of votes which may be cast);
- deadlocks at a board or shareholder meeting for Khuiten, the following process will be instigated:
  - the conduct of a further meeting as soon as possible to consider the same resolution;
  - where there is a continuing deadlock, negotiations must be conducted between the senior representatives of Xanadu and Zijin to resolve the dispute;
  - where the deadlock continues and relates to technical or accounting matters, then the dispute is to be referred to an appropriately qualified independent expert as appointed by the board;
  - if a deadlock is unable to be resolved, the board will be taken to have determined that no action is to be taken on that resolution;
- the grant of the two put options to Xanadu to require Zijin to acquire from Xanadu either a further 25% interest in Khuiten (**25% Option**) or the whole of Xanadu's 50% interest in Khuiten (**50% Option**). The key terms relating to the exercise of these options are:
  - purchase price payable by Zijin is US\$25,000,000 for the 25% Option and US\$50,000,000 for the 50% Option;

- the right to exercise either put option only arises if Xanadu delivers the PFS for the Kharmagtai Project. This PFS:
  - must constitute a comprehensive prefeasibility study of the viability of the Kharmagtai Project including:
    - a comparison of options and selecting a single path forward for mining method, processing and infrastructure; and a financial analysis based on reasonable assumptions of technical, engineering, operating, economic factors and the evaluation of other relevant factors which are sufficient for a qualified person, acting reasonably, to determine if all or part of the mineral resource may be classified as a mineral reserve under the JORC Code, 2012 or NI 43-101;
  - must support a JORC Code, 2012 compliant Ore Reserve or NI43-101 compliant Mineral Reserve:
    - with a life of mine of at least 20 years (using economic input parameters consistent with the Scoping Study dated 6 April 2022 and the NI43-101 Preliminary Economic Assessment Technical Report dated 20 June 2022);
    - with an internal rate of return of at least 20%; and
    - a payback period of less than 6 years.
- once the PFS is delivered, Xanadu will have a 6 month period to exercise either option, including first obtaining any shareholder, ASX, TSX or other regulatory approvals which may be necessary as a precondition to Xanadu being able to exercise the relevant option;
- completion will take place two months after the exercise of an option by Xanadu; and
- Xanadu will only be able to exercise either one of these options (ie. the 50% Option will lapse if the 25% Option is exercised);
- if Xanadu exercises the 25% Option, it will remain liable for its respective proportion of the funding for the progression of the joint venture until commencement of commercial production at the Kharmagtai Project. This would be funded by way of a loan from Zijin (**Funding Loan**) on the following key terms:
  - interest will be payable on the Funding Loan at SOFR (based on a 6 month term) + 5% per annum;
  - the Funding Loan will rank in priority to distributions to shareholders;
  - 90% of dividends and distributions due to Xanadu will be directed to Zijin and applied in payment of the Funding Loan (interest before principal);
  - Repayment of the Funding Loan will be due 10 years from the date of the commencement of the commercial production of the Kharmagtai Project or upon earlier termination of the joint venture or earlier default by the Company; and
  - interest will be capitalised monthly and payable on the Repayment Date;
- pre-emptive rights for the issue of additional shares in Khuiten, such that new shares will be first offered to all shareholders in their respective proportions. Additional shares which have not been accepted by a shareholder will then be offered to the other shareholders. Any additional shares which have still not been accepted can then be offered to third parties (at no lower issue price);
- pre-emptive rights for the acquisition of shares held in Khuiten proposed to be disposed of by a shareholder to a third party. Notice and details of the proposed sale must be provided to the other shareholders and be open for acceptance, in their respective proportions, for 20 business days. Offers not initially accepted by a shareholder must be offered to other shareholders. Remaining unsold shares can be sold to a third party within 3 months after this process on terms no more advantageous than those offered to the shareholders; and
- drag along and tag along rights apply to a proposed sale of shares held in Khuiten by either a single shareholder holding at least 51% or multiple shareholders holding at least 75% in aggregate – on terms the same as (drag right) or no less favourable than (tag rights) the terms on which the seller proposes to sell its shares to a proposed purchaser.

# XANADU MINES

29 December 2022

Dear Shareholders,

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

The Company's EGM will be held as a **Hybrid EGM** on Tuesday, 7 February 2023 commencing at 11:00am (Sydney time):

- at the Victoria Hotel, 215 Little Collins Street, Melbourne VIC 3000; and
- online at: <https://meetnow.global/MN9FA9R>

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

- joining the EGM in real time via our online platform at <https://meetnow.global/MN9FA9R>
- asking questions of the Board:
  - before the EGM by lodging questions online at [www.investorvote.com.au/xam](http://www.investorvote.com.au/xam); and/or
  - during the EGM via the online platform; and
- voting on the resolutions to be considered at the EGM either by lodging the enclosed Proxy Form before the EGM or by direct voting online during the Meeting,

or by a combination of these steps.

Further details of how to participate in the Meeting online are set out in the Notice of Meeting and in the Online Meeting 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 EGM.

If you are physically attending the EGM, please bring your Proxy Form with you to facilitate a faster registration. If you are unable to physically attend the EGM, I encourage you to either:

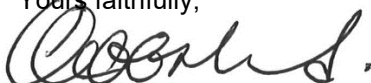
- (a) vote online ahead of the Meeting at [www.investorvote.com.au](http://www.investorvote.com.au) (for Shareholders) or [www.intermediaryonline.com](http://www.intermediaryonline.com) (Intermediary Online subscribers only); or
- (b) complete and return the enclosed Proxy Form no later than 11:00am (Sydney time) on Sunday, 5 February 2023 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 the resolutions 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 recommend that shareholders vote in favour of the resolutions.

*If you have any questions after reading the Notice of Meeting, please call the Shareholder Information Line on 1300 367 804 (within Australia) or +61 2 9066 6162 (outside Australia), Monday to Friday between 9:00am and 5:00pm (Sydney time).*

Thank you for your continued support of Xanadu Mines.

Yours faithfully,



**Colin Moorhead**  
**Executive Chairman and Managing Director**  
**Xanadu Mines Ltd**

**AUSTRALIA**  
c/o Company Matters Pty Limited  
Level 12, 680 George Street  
Sydney NSW 2000  
T: +612 8280 7497

**MONGOLIA**  
Suite 23, Building 9B  
Olympic St, Sukhbaatar District  
Ulaanbaatar, Mongolia  
T: +967 7012 0211

Xanadu Mines Ltd ACN 114 249 026  
[www.xanadumines.com](https://www.xanadumines.com)

# XANADU MINES

XANADU MINES LTD  
ABN 92 114 249 026

XAM

MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

## Need assistance?



### Phone:

1300 855 080 (within Australia)  
+61 3 9415 4000 (outside Australia)



### Online:

[www.investorcentre.com/contact](http://www.investorcentre.com/contact)



## YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **11:00am (AEDT) on Sunday, 5 February 2023.**

# Proxy Form

## How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

### APPOINTMENT OF PROXY

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

### SIGNING INSTRUCTIONS FOR POSTAL FORMS

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

### PARTICIPATING IN THE MEETING

#### Corporate Representative

If a representative of a corporate securityholder or proxy is to participate in the meeting you will need to provide the appropriate "Appointment of Corporate Representative". A form may be obtained from Computershare or online at [www.investorcentre.com/au](http://www.investorcentre.com/au) and select "Printable Forms".

## Lodge your Proxy Form:

XX

### Online:

Lodge your vote online at [www.investorvote.com.au](http://www.investorvote.com.au) using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is

**Control Number: 132087**

For Intermediary Online subscribers (custodians) go to [www.intermediaryonline.com](http://www.intermediaryonline.com)

### By Mail:

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

### By Fax:

1800 783 447 within Australia or  
+61 3 9473 2555 outside Australia



**PLEASE NOTE:** For security reasons it is important that you keep your SRN/HIN confidential.

You may elect to receive meeting-related documents, or request a particular one, in electronic or physical form and may elect not to receive annual reports. To do so, contact Computershare.



MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

☐

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

## Proxy Form

Please mark ☒ to indicate your directions

### Step 1

### Appoint a Proxy to Vote on Your Behalf

XX

I/we being a member/s of Xanadu Mines Ltd hereby appoint

☐

the Chairman  
of the Meeting

OR

**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Extraordinary General Meeting of Xanadu Mines Ltd to be held at Victoria Hotel, 215 Little Collins Street, Melbourne VIC 3000 and as a virtual meeting on Tuesday, 7 February 2023 at 11:00am (AEDT) and at any adjournment or postponement of that meeting.

**Chairman authorised to exercise undirected proxies on remuneration related resolutions:** Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolutions 4, 5, 6, 7 and 8 (except where I/we have indicated a different voting intention in step 2) even though Resolutions 4, 5, 6, 7 and 8 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

**Important Note:** If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolutions 4, 5, 6, 7 and 8 by marking the appropriate box in step 2.

### Step 2

### Items of Business

**PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Ratification of prior issue of placement shares to Whittle Consulting Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Ratification of prior issue of placement shares to Jinping (Singapore) Mining Pte Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Issue of further placement shares to Jinping (Singapore) Mining Pte Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Renewal of Employee Share and Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Grant of Options to Colin Moorhead	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Grant of Options to Mr Ganbayar Lkhagvasuren	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Grant of Options to Mr Michele Muscillo	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Grant of Options to Tony Pearson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

### Step 3

### Signature of Securityholder(s)

*This section must be completed.*

Individual or Securityholder 1

Sole Director & Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

/ /

Date

**Update your communication details** (Optional)

Mobile Number

Email Address

By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically

XAM

296227A



Computershare



# ONLINE MEETING GUIDE



## GETTING STARTED

If you choose to participate online you will be able to view a live webcast of the meeting, ask the Directors questions online and submit your votes in real time. To participate online visit <https://meetnow.global/au> on your smartphone, tablet or computer. You will need the latest versions of Chrome, Safari, Edge or Firefox. Please ensure your browser is compatible.

## TO LOG IN, YOU MUST HAVE THE FOLLOWING INFORMATION:

### Australian Residents

SRN or HIN and postcode of your registered address.

### Overseas Residents

SRN or HIN and country of your registered address.

### Appointed Proxies

Please contact Computershare Investor Services on +61 3 9415 4024 to request your unique email invitation link prior to the meeting day.

## PARTICIPATING AT THE MEETING

To participate in the online meeting, visit <https://meetnow.global/au>. Then enter the company name in the 'Filter' field. Select and click on the displayed meeting.

### Search for meeting

Australia

Filter


Please enter Company or Meeting Name. Enter 3 or more characters. e.g. Computershare

### To register as a shareholder

Select 'Shareholder', enter your SRN or HIN and select your country. If Australia, also enter your post code.

Shareholder Invitation Guest

If you are a shareholder or an appointed corporate representative, please enter the required details below.

SRN/HIN   
eg. X1234567890

Country  
Australia

Post Code  
eg. 0123

**SIGN IN**

### or To register as a proxyholder

To access the meeting click on the link in the invitation e-mail sent to you. Or select 'Invitation' and enter your invite code provided in the e-mail.

Shareholder Invitation Guest

If you are a received an email invitation for this meeting, please enter your invite code below.

Invite Code  
Enter your invite code. e.g. G-ABCDEFGH or ABCD

**SIGN IN**

### or To register as a guest

Select 'Guest' and enter your details.

Shareholder Invitation Guest

If you would like to attend the meeting as a Guest please provide your details below.

First Name \*

Last Name \*

Email

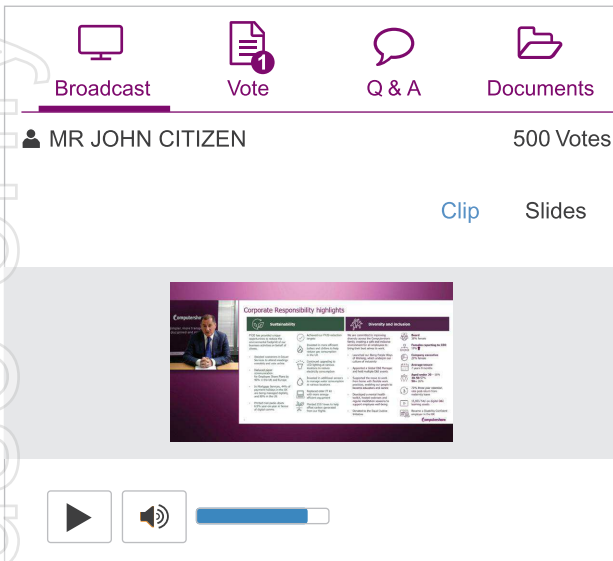
Company Name

**SIGN IN**



## Broadcast

The webcast will appear automatically once the meeting has started. If the webcast does not start automatically press the play button and ensure the audio on your computer or device is turned on.

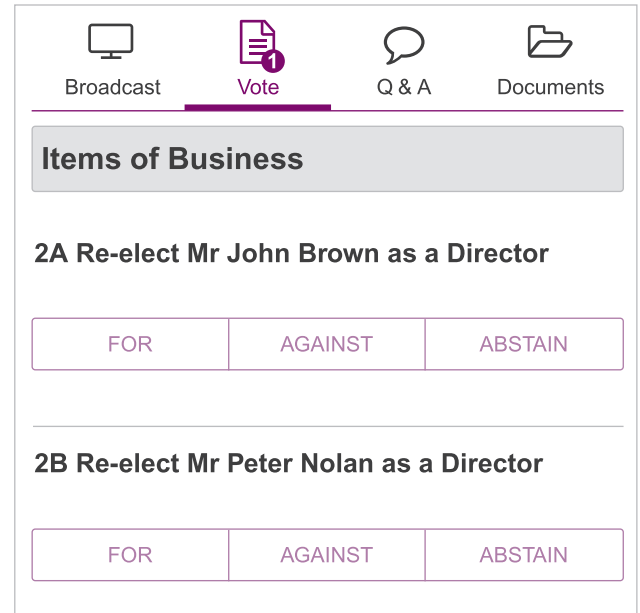


## Vote

When the Chair declares the poll open, select the 'Vote' icon and the voting options will appear on your screen.

To vote, select your voting direction. A tick will appear to confirm receipt of your vote.

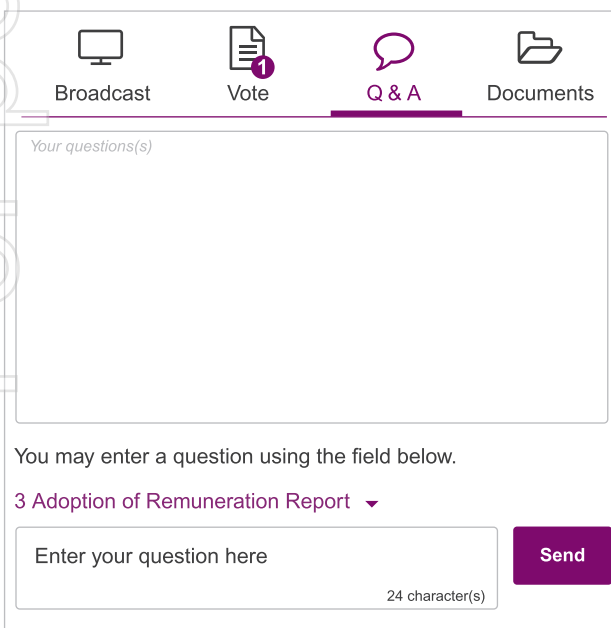
To change your vote, select 'Click here to change your vote' and press a different option to override.



## Q & A

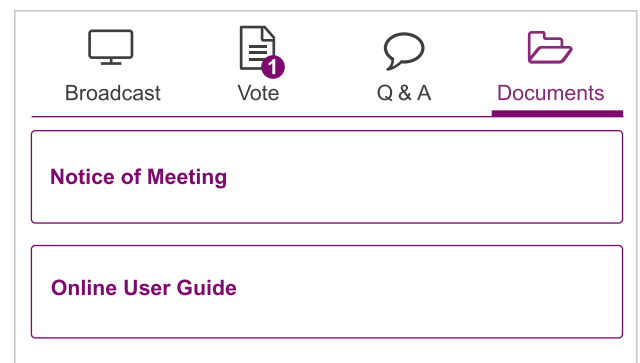
To ask a question select the 'Q & A' icon, select the topic your question relates to. Type your question into the chat box at the bottom of the screen and press 'Send'.

To ask a verbal question, follow the instructions on the virtual meeting platform.



## Documents

To view meeting documents select the 'Documents' icon and choose the document you wish to view.



## FOR ASSISTANCE

If you require assistance before or during the meeting please call +61 3 9415 4024.