

XANADU MINES



1 October 2020

**EXTRAORDINARY
GENERAL MEETING**

XANADU MINES

24 August 2020

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**) of the Company. Enclosed is the *Notice of Meeting* setting out the business of the EGM.

The EGM will be held virtually online on **Thursday, 1 October 2020 commencing at 10:00am (Sydney time)**.

In light of the ongoing COVID-19 pandemic, the Board has elected that the EGM will be held as an online webcast only, similar to the Annual General Meeting held virtually on Thursday, 30 July 2020.

On Monday 10 August 2020, the Company announced a two tranche placement to raise \$12 million. The purpose of the EGM is to seek shareholder ratification of the issue of Tranche 1 of the placement shares on Tuesday, 18 August 2020, being 123,776,228 fully paid ordinary shares at a price of 4.5 cents per share raising approximately \$5.57 million (**Tranche 1 Shares**), and to also seek shareholder approval of Tranche 2 of the placement, being a further issue of 142,890,439 placement shares on the same terms, to raise a further \$6.43 million (**Tranche 2 Shares**, together with Tranche 1 Shares, the **Placement**).

Shareholders will be able to participate in the EGM by:

- joining the EGM in real time via our online platform at <https://web.lumiagm.com/375772387>;
- asking questions of the Board:
 - o before the EGM by lodging questions online at www.investorvote.com.au/xam and/or
 - o during the EGM via the online platform; and
- voting on the resolution to be considered at the EGM either by lodging the enclosed Proxy Form before the EGM or by voting online during the meeting,

or by a combination of these steps.

Further details of how to participate in the online meeting are set out in the attached Notice of Meeting and in the *Online Meeting Guide* that accompanies it. 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.

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 resolution by marking either the **For** box, the **Against** box or the **Abstain** box on the Proxy Form.

The Directors of Xanadu Mines unanimously recommend that shareholders vote in favour of the resolutions.

Thank you for your continued support of Xanadu Mines.

Yours faithfully,



Colin Moorhead
Chairman
Xanadu Mines Ltd

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: Thursday, 1 October 2020

Time: 10:00am (Sydney time)

Venue: Online only

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.

ORDINARY BUSINESS

RESOLUTIONS

Resolution 1 Ratification of Prior Issue of Tranche 1 Shares - 18 August 2020

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

*"That, the issue on 18 August 2020 of a total of 123,776,228 fully paid ordinary shares in Xanadu Mines Ltd at an issue price of 4.5 cents per Share (**Tranche 1 Shares**), 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. and for all other purposes"*

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 any person who participated in the issue of the Tranche 1 Shares or any associate of such persons.

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 Approval of Issue of Tranche 2 Shares

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

*"That, the proposed issue of up to 142,890,439 fully paid ordinary shares in Xanadu Mines Ltd at an issue price of 4.5 cents per Share (**Tranche 2 Shares**), 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 7.1. and for all other purposes"*

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 any person who is expected to participate in, or who will obtain a material benefit as a result of the proposed issue of the Tranche 2 Shares (except a benefit solely by reason of being a holder of ordinary securities in the Company), or any associate of such persons.

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.

Voting Intention of Chair

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 the Resolutions the subject of this Meeting, subject to compliance with the *Corporations Act 2001 (Cth)* (**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 7:00pm (Sydney time) on Tuesday, 29 September 2020 will be entitled to attend and vote at the EGM as a shareholder.

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.

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 **10:00am (Sydney time) on Tuesday, 29 September 2020**. Proxies must be received before that time by one of the following methods:

- | | |
|------------------------|--|
| By post: | Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia |
| By facsimile: | 1800 783 447 (within Australia)
+61 3 9473 2555 (outside of Australia)
Computershare Investor Services Pty Limited |
| By delivery in person: | Level 3, 60 Carrington Street
Sydney NSW 2000 |
| Online: | www.investorvote.com.au (for Shareholders)
www.intermediaryonline.com (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 **10:00am (Sydney time) on Tuesday, 29 September 2020**, 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 under the help tab, "Printable Forms".

Voting at the Meeting

As the meeting is being held online, the voting on the proposed resolutions at this Meeting will be conducted by a poll.

SHAREHOLDER QUESTIONS

Shareholders who are unable to attend the Meeting or who may prefer to register questions in advance are invited to do so. Please log onto www.investorcentre.com, select Voting then click 'Ask a Question'.

To allow time to collate questions and prepare answers, please submit any questions by 10:00am (Sydney time) on Thursday, 24 September 2020 (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.investorcentre.com to ensure the timely and cost-effective receipt of your proxy;
- **Virtual Meeting and Voting Guide**, which 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.

BY ORDER OF THE BOARD



Philip Mackey
Company Secretary

24 August 2020

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared to assist shareholders of the Company (**Shareholders**) in considering the Resolution 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 **10:00am (Sydney time) on Thursday, 1 October 2020**.

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

The Directors unanimously recommend that Shareholders vote in favour of the Resolutions. The Chairman of the Meeting intends to vote all available undirected proxies in favour of each resolution.

The Resolutions are ordinary resolutions, which require 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 Tranche 1 Shares

As announced on Monday, 10 August 2020, the Company successfully completed a placement of a total of 123,776,228 fully paid ordinary shares in Xanadu Mines (**Shares**) to existing shareholders and new sophisticated and professional investors at an issue price of 4.5 cents per Share raising a total of \$5,569,930 (**Tranche 1 Shares**). In addition to the issue of the Tranche 1 Shares, the Company also announced at the same time that it would undertake a further placement of up to 142,890,439 Shares to existing shareholders and new sophisticated and professional investors on the same terms raising a further \$6,430,070, subject to shareholder approval (which is the subject of Resolution 2). The issue of the Tranche 1 Shares and the Tranche 2 Shares will raise \$12,000,000 in total (before costs).

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

ASX Listing Rule 7.4 provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with Shareholder approval for the purpose of ASX Listing Rule 7.1. The issue of Tranche 1 Shares does not fall within any of the exceptions under Listing Rule 7.2.

The Tranche 1 Shares were issued 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 7.4, the following information is provided:

- a) 123,776,228 fully paid ordinary shares (**Tranche 1 Shares**) were issued on 18 August 2020 at a price of 4.5 cents per Share and rank equally with all other existing Shares.

- b) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- c) the Shares were issued to existing shareholders and new sophisticated and professional investors (**Placement Participants**) identified by Argonaut Securities Pty Limited and CLSA Australia Pty Ltd as Joint Lead Managers (**JLMs**), through a book-build process which involved the JLMs undertaking a comprehensive marketing process and seeking expressions of interest to participate in the placement from non-related parties of the Company. None of the Placement Participants are a related party of the Company, a member of the Company's key management personnel, a substantial holder in or an advisor to the Company or an associate of any of them other than as noted in (d) below;
- d) the following existing significant substantial shareholders participated in the Tranche 1 Placement and were issued more than 1% of the Company's then current issued capital (this also details, the number and percentage of shares purchased by them under Tranche 1:
 - i) ACA Capital and Advisers Pte Ltd: 25,528,627 Tranche 1 Shares (comprising 20.62% of the Tranche 1 Shares);
 - ii) SSI Asset Management AG: 11,748,947 Tranche 1 Shares (comprising 9.86% of the Tranche 1 Shares)
- e) the funds raised from the issue of the Tranche 1 Shares will be used towards the Kharmagtai exploration drilling & resource definition drilling program in accordance with Xanadu's published strategy, working capital purposes and costs of the issue;
- f) the Shares were issued pursuant to Xanadu Mines' 15% placement capacity in accordance with ASX Listing Rule 7.1; and
- g) a Voting Exclusion Statement accompanies Resolution 1 in the Notice of Meeting.

The Directors unanimously recommend Shareholders vote in favour of Resolution 1

Resolution 2 Approval of Issue of Tranche 2 Shares

As announced on Monday, 10 August 2020, in addition to the issue of the Tranche 1 Shares the Company will undertake a further placement of up to 142,890,439 Shares to existing shareholders and new sophisticated and professional investors at an issue price of 4.5 cents per Share raising a total of \$6,430,070 (**Tranche 2 Shares**), subject to shareholder approval.

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**). At the time of agreeing to issue the Tranche 2 Placement Shares, Xanadu Mines had fully utilised its 15% Threshold (due to the issue of the Tranche 1 Shares) and as such, the issue of the Tranche 2 Shares is conditional upon shareholder approval. The issue of Tranche 2 Shares does not fall within any of the exceptions under Listing Rule 7.2.

If Shareholders approve Resolution 2, the issue of the Tranche 2 Shares will be able to take place and will also be excluded from the calculation of Xanadu Mines' 15% limit in ASX Listing Rule 7.1, maintaining the number of equity securities it can issue without Shareholder approval over the 12-month period following the issue of the Tranche 2 Shares.

If Shareholders do not approve Resolution 2, Xanadu Mines will not be able to issue the Tranche 2 Shares and as such will not raise the additional \$6,430,070 in funds (before costs).

For the purposes of ASX Listing Rule 7.3, the following information is provided:

- a) the Tranche 2 Shares will be issued to existing shareholders and new sophisticated and professional investors identified by the JLMs through a book-build process which involved the JLMs undertaking a comprehensive marketing process and seeking expressions of interest to participate in the placement from non-related parties of the Company. None of the Placement Participants are a related party of the Company, a member of the Company's key management personnel, a substantial holder in or an advisor to the Company or an associate of any of them other than as noted in (d) below;

- b) the maximum number of Shares that may be issued is 142,890,439;
- c) the Tranche 2 Shares will be fully paid ordinary shares issued at a price of 4.5 cents per Share and will rank equally with all other existing Shares;
- d) the following existing substantial shareholders will participate in the Tranche 2 Placement and will be issued more than 1% of the Company's current issued capital (this also details the number and percentage of shares to be purchased by them under Tranche 2:
 - i) ACA Capital and Advisers Pte Ltd: 29,470,900 Tranche 2 Shares (comprising 20.62% of the Tranche 2 Shares);
 - ii) SSI Asset Management AG: 13,563,284 Tranche 2 Shares (comprising 9.86% of the Tranche 2 Shares);
- e) the Tranche 2 Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that the issue of the Shares will occur on or about Friday, 9 October 2020;
- f) the funds raised from the issue of the Tranche 2 Shares will be used towards the Kharmagtai exploration drilling & resource definition drilling program in accordance with Xanadu's published strategy, working capital purposes and costs of the issue; and
- g) a Voting Exclusion Statement accompanies Resolution 2 in the Notice of Meeting.

The Directors unanimously recommend Shareholders vote in favour of Resolution 2