

## Appendix 4G

### Key to Disclosures Corporate Governance Council Principles and Recommendations

Name of entity:

Xanadu Mines Ltd

ABN / ARBN:

92 114 249 026

Financial year ended:

31 December 2016

Our corporate governance statement<sup>2</sup> for the above period above can be found at:<sup>3</sup>

- These pages of our annual report:
- This URL on our website: <http://www.xanadumines.com/irm/content/governance.aspx?RID=274>  
(refer to "Corporate Governance Statement")

The Corporate Governance Statement is accurate and up to date as at 24 March 2017 and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date: 24 March 2017

Name of Director or Secretary authorising lodgement:



Janine Rolfe, Company Secretary

<sup>1</sup> Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

<sup>2</sup> "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

<sup>3</sup> Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity's corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes "OR" at the end of the selection and you delete the other options, you can also, if you wish, delete the "OR" at the end of the selection.

## ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
<b>PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT</b>			
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location] ... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management): <input checked="" type="checkbox"/> at <a href="http://www.xanadumines.com/irm/content/governance.aspx?RID=274">http://www.xanadumines.com/irm/content/governance.aspx?RID=274</a> (Refer to Board Charter)	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable

<sup>4</sup> If you have followed all of the Council's recommendations in full for the whole of the period above, you can, if you wish, delete this column from the form and re-format it.

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
1.5	<p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	<p>... the fact that we have a diversity policy that complies with paragraph (a):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of our diversity policy or a summary of it:</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraphs (c)(1) or (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>	
<b>PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE</b>			
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a nomination committee that complies with paragraphs (1) and (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a nomination committee and the processes we employ to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>AND</b></p> <p><input checked="" type="checkbox"/> at <a href="http://www.xanadumines.com/irm/content/governance.aspx?RID=274">http://www.xanadumines.com/irm/content/governance.aspx?RID=274</a> (Refer to Governance Committee Charter)</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
2.2	<p>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>... our board skills matrix:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	... the names of the directors considered by the board to be independent directors: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location] ... and, where applicable, the information referred to in paragraph (b): <b>Not applicable</b> <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location] ... and the length of service of each director: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
2.4	A majority of the board of a listed entity should be independent directors.	... the fact that we follow this recommendation: <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	... the fact that we follow this recommendation: <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
<b>PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY</b>			
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	... our code of conduct or a summary of it: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>AND</b> <input checked="" type="checkbox"/> at <a href="http://www.xanadumines.com/irm/content/governance.aspx?RID=274">http://www.xanadumines.com/irm/content/governance.aspx?RID=274</a> (Refer to Code of Conduct)	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
<b>PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING</b>			
4.1	The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	[If the entity complies with paragraph (a):] ... the fact that we have an audit committee that complies with paragraphs (1) and (2): <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location] ... and a copy of the charter of the committee: <input checked="" type="checkbox"/> at <a href="http://www.xanadumines.com/irm/content/governance.aspx?RID=274">http://www.xanadumines.com/irm/content/governance.aspx?RID=274</a> (Refer to Audit Committee Charter) ... and the information referred to in paragraphs (4) and (5): <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input checked="" type="checkbox"/> at <i>In respect of paragraph (4), refer to pages 10 to 128 of the Annual Report released to the ASX on 24 March 2017. In respect of paragraph (5), refer to page 12 of the Annual Report released to the ASX on 24 March 2017.</i> [If the entity complies with paragraph (b):] ... the fact that we do not have an audit committee and the processes we employ that independently verify and safeguard the integrity of our corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner: <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>AND</b> <input checked="" type="checkbox"/> at <a href="http://www.xanadumines.com/irm/content/governance.aspx?RID=274">http://www.xanadumines.com/irm/content/governance.aspx?RID=274</a> (Refer to Continuous Disclosure and Shareholders Communications Policy)	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity that does not hold an annual general meeting and this recommendation is therefore not applicable
<b>PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE</b>			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	... our continuous disclosure compliance policy or a summary of it: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
<b>PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS</b>			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	... information about us and our governance on our website: <input checked="" type="checkbox"/> <a href="http://www.xanadumines.com">http://www.xanadumines.com</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	... our policies and processes for facilitating and encouraging participation at meetings of security holders: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity that does not hold periodic meetings of security holders and this recommendation is therefore not applicable

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	<p>... the fact that we follow this recommendation:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
<b>PRINCIPLE 7 – RECOGNISE AND MANAGE RISK</b>			
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2):</p> <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location] <p>... and a copy of the charter of the committee:</p> <input type="checkbox"/> at [insert location] <p>... and the information referred to in paragraphs (4) and (5):</p> <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location] <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a risk committee or committees that satisfy (a) and the processes we employ for overseeing our risk management framework:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>AND</b> <input checked="" type="checkbox"/> at <a href="http://www.xanadumines.com/irm/content/governance.aspx?RID=274">http://www.xanadumines.com/irm/content/governance.aspx?RID=274</a> (Refer to Audit Committee Charter and Safety, Health and Environment Committee Charter)	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement



Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
7.2	The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	... the fact that board or a committee of the board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound: <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i> ... and that such a review has taken place in the reporting period covered by this Appendix 4G: <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	[If the entity complies with paragraph (a):] ... how our internal audit function is structured and what role it performs: <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i> [If the entity complies with paragraph (b):] ... the fact that we do not have an internal audit function and the processes we employ for evaluating and continually improving the effectiveness of our risk management and internal control processes: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>	
<b>PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY</b>			
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a remuneration committee that complies with paragraphs (1) and (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a remuneration committee and the processes we employ for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>AND</b></p> <p><input checked="" type="checkbox"/> at <a href="http://www.xanadumines.com/irm/content/governance.aspx?RID=274">http://www.xanadumines.com/irm/content/governance.aspx?RID=274</a> (Refer to Governance Committee Charter)</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
8.2	<p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	<p>... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>AND</b></p> <p><input checked="" type="checkbox"/> at</p> <p><i>Refer to pages 13 to 19 of the Annual Report released to the ASX on 24 March 2017.</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>... our policy on this issue or a summary of it:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>AND</b></p> <p><input checked="" type="checkbox"/> at <a href="http://www.xanadumines.com/irm/content/governance.aspx?RID=274">http://www.xanadumines.com/irm/content/governance.aspx?RID=274</a> (Refer to Securities Trading Policy)</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
<b>ADDITIONAL DISCLOSURES APPLICABLE TO EXTERNALLY MANAGED LISTED ENTITIES</b>			
-	<p><i>Alternative to Recommendation 1.1 for externally managed listed entities:</i></p> <p>The responsible entity of an externally managed listed entity should disclose:</p> <p>(a) the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity;</p> <p>(b) the role and responsibility of the board of the responsible entity for overseeing those arrangements.</p>	<p>... the information referred to in paragraphs (a) and (b):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
-	<p><i>Alternative to Recommendations 8.1, 8.2 and 8.3 for externally managed listed entities:</i></p> <p>An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.</p>	<p>... the terms governing our remuneration as manager of the entity:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

## CORPORATE GOVERNANCE STATEMENT

### INTRODUCTION

The Board is responsible for establishing Xanadu's corporate governance framework, the key features of which are set out in this Corporate Governance Statement.

Xanadu provides its Corporate Governance Statement with reference to the 3<sup>rd</sup> edition of the ASX Corporate Governance Council's Principles and Recommendations (**ASX Principles**). Where Xanadu's corporate governance practices follow the ASX Principles, Xanadu has made appropriate statements reporting on the adoption of the ASX Principles. Where Xanadu's corporate governance practices have not followed the ASX Principles, Xanadu has provided its reasons for not following the ASX Principles and disclosed what, if any, alternative practices Xanadu has or will adopt instead of those in the ASX Principles.

The Corporate Governance Statement is current as at 24 March 2017 and was approved by the Board. Xanadu's charters and policies are available on the Xanadu website under "About" then "Governance" (refer <http://www.xanadumines.com>).

### Principle 1: Lay solid foundations for management and oversight

#### **Recommendation 1.1:**

The Board and Senior Management of the Company are committed to acting responsibly, ethically and with high standards of integrity as the Company strives to create shareholder value. The Board is responsible for the overall corporate governance of the Company and has developed and adopted corporate governance practices and policies appropriate for a Company of Xanadu's size and at its stage of development.

The Company has established functions reserved to the Board and some of these are set out in the Board Charter. The Board is responsible for setting the strategic direction of Xanadu and for the senior executives of Xanadu, including:

- appointing the Chairman of the Company;
- appointing, appraising and removal of the:
  - Chief Executive Officer;
  - Chief Financial Officer; and
  - Company Secretary;
- setting financial strategic objectives;
- overseeing control and accountability systems;
- reviewing and monitoring the Company's audit function;
- financial risk management;
- the oversight and management of material business risks;
- approving and monitoring financial and other reporting to the market, shareholders, employees and other stakeholders;
- inputting into and final approval of corporate strategy;
- evaluating and approving the annual operating budget and business plans and holding management accountable for delivery of same;
- evaluating, approving and monitoring the progress of major capital and operating expenditure, capital management and all major corporate transactions;
- monitoring compliance with all legal and regulatory and ethical obligations;
- approving the remuneration framework for Non-Executive Directors and Executive Directors; and
- approving employment terms and conditions for Non-Executive Directors and Senior Executives.

### *Developments during the year:*

On 8 March 2016, Dr Andrew Stewart was appointed as an Executive Director in addition to being Chief Executive Officer (**CEO**). On 24 October 2016, Andrew Stewart was appointed to also act as Managing Director (**MD & CEO**). On 24 October 2016, Mark Wheatley transitioned from part-time Executive Chairman to Non-Executive Chairman following Dr Stewart's appointment as MD & CEO. From 1 January 2016 to 23 October 2016, the Executive Chairman and Chief Executive Officer together were responsible to the Board for the overall management and performance of Xanadu. Since 24 October 2016, Dr Stewart, as MD & CEO, has been responsible to the Board for the overall management and performance of Xanadu. The MD & CEO has been managing the Company in accordance with the strategy, plans, practices and policies approved by the Board to achieve the agreed objectives.

Senior Executives are responsible for supporting and assisting the MD & CEO in implementing the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

The composition of the Board has been formed on the basis of providing the Company with the benefit of a broad range of technical, administrative and financial skills, combined with an appropriate level of experience at a senior corporate level and board representation by major shareholders. The names and further information regarding the skills, experience, qualifications, relevant expertise and term of office of the Directors are set out in the Directors' Report.

The Board Charter is available on the Company's website under "About" then "Governance".

### **Recommendation 1.2:**

When appointing new Directors, the Board and the Governance Committee consider the mix of skills and expertise required of Directors in order for the Board to contribute to the successful oversight and stewardship of the Company and to discharge its duties under the law diligently and efficiently.

The Governance Committee undertakes work on behalf of the Board to identify qualified individuals for appointment to the Board. In identifying candidates, the Committee will have regard to the selection criteria set out in the Board appointment process, which includes:

- skills, expertise and background that add to, and complement the range of skills, expertise and background of the existing Directors, giving consideration to the current and future business of Xanadu and the Board skills matrix;
- diversity; and
- the extent to which the candidate would fill a present need on the Board.

At commencement of the Non-Executive Director selection process, the Company undertakes appropriate checks on potential candidates to consider their suitability to fill a casual vacancy on the Board or for election as a Non-Executive Director.

Prior to appointment, candidates are required to provide the Chairman with details of other commitments and an indication of time involved, and to acknowledge that they will have adequate time to fulfil his or her responsibilities as a Non-Executive Director of Xanadu.

Directors available for re-election at a general meeting will be reviewed by the Governance Committee and recommended to the Board. Directors are re-elected in accordance with the Company's Constitution and the ASX Listing Rules. Shareholders will be provided with all material information for a Director's election in the Notice of Meeting that would be relevant for shareholders to make a decision on whether or not to elect or re-elect a Director, such as the Director's qualifications, experience and contribution to the Board.

### Recommendation 1.3:

Newly appointed Non-Executive Directors receive formal letters of appointment setting out the key terms, conditions, responsibilities and expectations of their appointment. Additionally, the Company enters into employment contracts with each newly employed Senior Executive, setting out in further detail the responsibilities specifically delegated to them.

### Recommendation 1.4:

The Company Secretary is accountable to the Board, through the Chairman on all governance matters to do with the proper functioning of the Board.

### Recommendation 1.5:

The Company does not have a formal policy concerning diversity and has not established measurable objectives for achieving gender diversity at this time. Given the small size of the Company's workforce which is predominantly located in Mongolia, the Board has determined that it is not currently necessary or practicable to implement a policy concerning diversity or to establish measurable objectives for achieving gender diversity. The Board will consider and review matters relating to diversity, including whether it is necessary to establish formal policies and objectives as the Company matures.

The table below outlines the proportion of women and men employed by Xanadu as at 1 March 2017:

	Women	Men
Board	1 (14.3%)	6 (85.7%)
Senior Management <sup>1</sup>	0 (0%)	2 (100%)
Whole organisation	4 (19%)	17 (81%)

### Recommendation 1.6

The Governance Committee is responsible for developing and implementing a process for evaluating the performance of the Board, Committees and Directors, evaluating the collective performance of the Board, the Chairman of the Board and the individual performance of all the Directors and reporting the results of the evaluation to the Board.

In respect of the reporting period, the Governance Committee undertook a performance evaluation of the Board, its Committees and Directors by requesting all Directors to complete a Board Self-Assessment Questionnaire. Observations made by the Governance Committee following the evaluation will be considered by the Board at its next strategy session.

The Governance Committee Charter is available on the Company's website under "About" then "Governance".

### Recommendation 1.7:

The Governance Committee is responsible for developing and implementing a process for evaluating the performance of Senior Executives, reviewing the individual performance of all Senior Executives and reporting the results of the evaluation to the Board.

In respect of the reporting period, the Governance Committee undertook a review of the performance of the Chairman (in respect of the period to 23 October 2016), Executive Director, MD & CEO and CFO by evaluating their performance against their respective key performance indicators (**KPIs**) set for the year and included within the Short Term Incentive Plan (**STIP**). The outcome of the performance evaluations were reported to the Board to consider performance of Senior Executives.

The Governance Committee Charter is available on the Company's website under "About" then "Governance".

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<sup>1</sup>Senior management includes all executives reporting directly to the MD & CEO.

## **Principle 2: Structure the Board to add value**

### **Recommendation 2.1:**

The Governance Committee was established to assist the Board in fulfilling its corporate governance responsibilities in regard to nomination related matters (amongst other items). Without limiting its scope, the Committee is to:

- review Board composition and succession planning, including development of a Board skills matrix;
- oversee induction and continuing education programs for Directors;
- develop and implement a process for evaluating the performance of the Board, its Committees and Directors;
- manage the process for appointing new Directors; and
- review plans for succession of key executives.

The Board has adopted a Governance Committee Charter. Under the Charter, the Committee must comprise at least three members with a majority of Non-Executive Directors and the Chairman of the Committee is to be an Independent Non-Executive Director.

The Governance Committee is chaired by Mr Barry Lavin, an Independent Non-Executive Director. The Committee comprises two Independent Non-Executive Directors and two Nominee Non-Executive Directors. The Committee comprises a majority of Non-Executive Directors. Whilst not a majority of Independent Non-Executive Directors, the Company considers that its members collectively have the mix of skills and expertise appropriate for Xanadu.

The profile of each of the Governance Committee members and their attendance at Committee meetings during the reporting period are set out in the Directors' Report.

The Governance Committee Charter is available on the Company's website under "About" then "Governance".

### **Recommendation 2.2:**

The Governance Committee assists the Board in developing a Board skills matrix process to identify and assess necessary and desirable Director skills and competencies, and provide advice to the Board on the skills and competency levels of Directors with a view to enhancing the Board composition.

The Board's current skills matrix assessment includes expertise and experience in: geology, exploration and discovery, engineering and mining operations, Mongolian business, senior executive leadership, mergers and acquisitions, funding and finance, corporate affairs and community relations.

The Governance Committee considers the Board skills matrix when reviewing the Board composition.

### **Recommendation 2.3:**

Directors are independent if they are not members of Management and are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement.

During the reporting period, the independence of Directors was measured having regard to the relationships listed in Box 2.3 of the ASX Principles and the Company's materiality thresholds set out in the Board Charter.

The following table sets out the Directors of the Company during the reporting period, including their length of service and non-executive and independent status.

Name	Length of Service	Non-Executive?	Independent?
Mark Wheatley	4 years 4 months	✓/ x <sup>1</sup>	x <sup>1</sup>
Andrew Stewart	1 year <sup>2</sup>	x	x
Hannah Badenach	5 years 5 months	✓	x
Darryl Clark	4 years 4 months	✓	✓
Marcus Engelbrecht	1 year 9 months	✓	x
Barry Lavin	2 years 6 months	✓	✓
Ganbayar Lkhagvasuren	10 years 7 months	x	x

<sup>1</sup> Mr Wheatley was appointed as Executive Chairman in March 2015, was formerly an Independent Non-Executive Chairman and on 24 October 2016 resumed as Non-Executive Chairman.

<sup>2</sup> Dr Stewart was appointed as an Executive Director on 8 March 2016 and Managing Director on 24 October 2016

The current Board has seven Directors comprising two Executive Directors, two Independent Non-Executive Directors, two nominee Non-Executive Directors and one Non-Executive Director. The current members of the Board are:

- Mr Mark Wheatley – Non-Executive Chairman
- Dr Andrew Stewart – CEO & MD
- Ms Hannah Badenach – Non-Executive Director
- Dr Darryl Clark – Independent Non-Executive Director
- Mr Marcus Engelbrecht – Non-Executive Director
- Mr Barry Lavin – Independent Non-Executive Director
- Mr Ganbayar Lkhagvasuren – Executive Director

#### Recommendation 2.4:

The Board currently does not have a majority of Independent Directors. Ms Badenach is not an Independent Non-Executive Director as she is a nominee of Noble Resources International Pte Ltd, a substantial shareholder of Xanadu. Mr Engelbrecht is not an Independent Non-Executive Director as he is a nominee of Asia Capital Advisors Pte Ltd, a substantial shareholder of Xanadu. Mr Mark Wheatley is not an Independent Director as he was formerly Executive Chairman and acted in an executive capacity until 24 October 2016.

To participate in a particular Board decision, each Director must bring an independent judgement to bear, and in accordance with the Company's Conflict of Interest Protocols, abstain from participating in the deliberation.

Under the Board Charter, the Board must consist of at least a majority of Non-Executive Directors. The current Board comprises a majority of Non-Executive Directors. The Company has implemented a process to appoint a suitable Independent Non-Executive Chairman to succeed Mr Wheatley to increase the number of independent directors.

#### Recommendation 2.5:

The Chairman of the Board is not an Independent Non-Executive Director.

Mr Mark Wheatley was an Independent Non-Executive Chairman during the period November 2013 to March 2015 and was subsequently appointed as Executive Chairman in March 2015. The Board believed that Mr Wheatley was appropriately qualified to be charged with the role and responsibility of Executive Chairman given his previous experience in senior management and leadership positions. Following the appointment of Dr Andrew Stewart as MD & CEO on 24 October 2016, Mr Mark Wheatley resumed as Non-Executive Chairman on 24 October 2016. On 27 January 2017, the Company announced that Mr Wheatley will step down as Chairman and Non-Executive Director and will leave the



Company at the Company's Annual General Meeting in May 2017. The Company has implemented a process to appoint a suitable Independent Non-Executive Chairman to succeed Mr Wheatley.

Dr Andrew Stewart was appointed as Chief Executive Officer in March 2015, as an Executive Director in March 2016 and as MD & CEO on 24 October 2016. The role of the Chairman and MD & CEO are not exercised by the same individual. The Board Charter sets out the distinct responsibilities of each role.

## **Recommendation 2.6:**

### **Director Induction and Development**

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

To achieve continuing improvement in Board performance and to enhance the skills of Board members, all Directors may request and undertake training and professional development, as appropriate, at the Company's expense. During the year, Dr Stewart attended the Australian Institute of Company Directors (AICD) International course and became a member of AICD.

### **Independent Professional Advice**

The Company's Non-Executive Directors have the right, at the Company's cost, to seek independent professional advice in carrying out of their duties as Directors. Any Director seeking independent advice must first discuss the request with the Chairman (or Committee Chairman as the case may be) who will facilitate obtaining such advice. The Chairman may determine that any advice received by a Director be circulated to the Board.

## **Principle 3: Act ethically and responsibly**

### **Recommendation 3.1:**

#### **Code of Conduct**

The Code of Conduct governs all Xanadu's commercial operations and the conduct of Directors, employees, contractors, consultants and all other people when they represent Xanadu (**Personnel**).

The Company's Code of Conduct discloses the practices necessary to maintain confidence in the integrity of the Company and its subsidiaries, the practices necessary for the Company to fulfil its legal obligations, the responsibility and accountability of individuals for reporting and investigating reports of unethical behaviour; and clarifies the standards of ethical behaviour required of the Board, Senior Executives and all employees to encourage the observance of those standards.

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

The Code of Conduct is available on the Company's website under "About" then "Governance".

## Securities Trading Policy

The Securities Trading Policy applies to all Personnel. The Policy prohibits Personnel from dealing in Xanadu securities while in possession of price-sensitive or inside information.

In addition, Directors and Senior Executives of the Company and its subsidiaries (**Designated Persons**) and any family member or associate over whom a Designated Person has influence (**relevant persons**), may deal in Xanadu securities by following the 'notice of intent to deal' procedures, but are prohibited from dealing in Xanadu securities (subject to exceptional circumstances) during certain blackout periods.

Designated Persons and relevant persons are prohibited from entering into hedging arrangements or otherwise permitting a grant of a charge over Xanadu's securities.

Directors and Senior Executives are not permitted to enter into transactions with securities (or any derivative thereof) in associated products which limit the economic risk of any unvested entitlements awarded under any equity-based remuneration scheme currently in operation or which will be offered by the Company in the future.

The Securities Trading Policy is available on the Company's website under "About" then "Governance".

## Principle 4: Safeguard integrity in corporate reporting

### Recommendation 4.1:

The Board has established an Audit Committee and adopted an Audit Committee Charter. Under the Charter, the Committee must comprise at least three members, with a majority of Non-Executive Directors and the Chairman of the Committee is to be a Non-Executive Director. Members should be all financially literate, and at least one member should have relevant financial qualifications and experience and all members should have understanding of the industry in which the Company operates.

The Company complied with this recommendation (majority of Non-Executive Directors) for part of the year, from 24 October 2016 to 31 December 2016, following the transition of Mr Wheatley to Non-Executive Chairman. The Company considers that its members collectively have the mix of skills and expertise appropriate for the Company. Mr Marcus Engelbrecht, the Committee Chairman is a Non-Executive Director and while not Independent, the Board believes that Mr Engelbrecht is appropriately qualified to be charged with the role and responsibility as Committee Chairman.

Committee members' qualifications and their attendance at the Audit Committee Meetings are set out in the Directors' Report. All the Committee members are financially literate and have an understanding of the industry in which the Company operates.

The Audit Committee Charter is available on the Company's website under "About" then "Governance".

### Recommendation 4.2:

Prior to Board approval of Xanadu's quarterly, half year and annual financial reports, the MD & CEO and Chief Financial Officer (**CFO**) must provide the Board with declarations required under or consistent with (as the case may be) section 295A of the Corporations Act 2001(Cth) and Recommendation 4.2 of the ASX Principles.

For the financial year ended 31 December 2016, the MD & CEO and CFO provided the Board with declarations that, in their opinion, the financial records of Company had been properly maintained and that the financial statements complied with the appropriate accounting standards and gave a true and fair view of the financial position and performance of the Company and that the opinion had been formed on the basis of a sound system of risk management and internal control which was operating effectively.

A similar declaration will be given by the MD & CEO and CFO in respect of the half year ended 30 June 2017 and each Quarterly Report throughout the year.

### **Recommendation 4.3:**

Xanadu's external auditor attends each Annual General Meeting (**AGM**) and is available to answer shareholder questions about the conduct of the audit and preparation and conduct of the Independent Auditor's Report. Xanadu believes this is important in both promoting and encouraging shareholder participation in the meeting and providing balanced and understandable information. The Company also considers that this reflects and underlines the role of the auditor and the auditor's accountability to shareholders.

### **Principle 5: Make timely and balanced disclosure**

#### **Recommendation 5.1:**

The Board adopted a Continuous Disclosure Shareholder Communications Policy to ensure the Company's compliance with its disclosure obligations under the Corporations Act 2001 (Cth) and ASX Listing Rules. The Policy outlines the procedures that apply to the central collection, control, assessment and if required, release to ASX, of material information.

The only persons authorised to speak to ASX or externally (such as analysts, investors, brokers or shareholders) in relation to the Company are the:

- Chairman;
- MD & CEO; and
- Company Secretary.

The Continuous Disclosure and Shareholder Communications Policy is available on the Company's website under "About" then "Governance".

### **Principle 6: Respect the rights of security holders**

#### **Recommendation 6.1:**

The Board is committed to providing shareholders with sufficient information to enable them to assess the performance of Xanadu, and to inform shareholders of major developments affecting the state of affairs of Xanadu. Information is communicated to shareholders by lodging all relevant financial and other information with the ASX and publishing information on Xanadu's website, [www.xanadumines.com](http://www.xanadumines.com).

Xanadu's website contains an overview of the Company's profile and businesses. The following Company and governance information is available on the website:

- Xanadu's strategy and projects;
- Board and Management profiles;
- Corporate Governance Charters and Policies;
- corporate directory, including Share Registry contact details;
- ASX announcements – current and historical;
- presentations;
- technical reports;
- financial and annual reports; and
- share price information.

### **Recommendation 6.2:**

Xanadu will hold its AGM in May 2017 and the Chairman and MD & CEO will engage with shareholders in advance of the AGM, as appropriate.

Should shareholders wish to contact the Company, the contact details of Xanadu and its Share Registry (see Recommendation 6.4) are available on the Company's website.

Xanadu recognises the importance of its relationships with investors and analysts. The Chairman and MD & CEO are each the primary contacts for communicating with the investment community. Further details are contained in the Continuous Disclosure and Shareholder Communications Policy available on the Company's website under "About" then "Governance".

### **Recommendation 6.3:**

To encourage shareholder engagement and participation at the AGM and general meetings, shareholders have the opportunity to attend, ask questions on the floor, participate in voting and meet the Board and Management in person.

Shareholders who are unable to attend a meeting are encouraged to vote on the proposed motions by appointing a proxy via the proxy form accompanying the Notice of Meeting. At the AGM, shareholders have the opportunity to submit written questions to the Company and external auditor, or make comments on the management of the Company and access AGM presentations and speeches made by the Chairman and MD & CEO prior to the commencement of the meeting. The Company will publish results of the meeting to the ASX and on its website following the conclusion of the AGM or general meeting.

### **Recommendation 6.4:**

Shareholders have the option of receiving all shareholder communications (including notification that the Annual Report is available to view and Notices of Meeting) by email. Shareholders can also subscribe to ASX announcement email alerts via the Xanadu website under "Contact" then "Alerts". Electronic communications have the added advantage of being more timely and cost effective, which benefits all shareholders.

The Company's contact details are available on the Company's website under "Contact". Shareholders can contact Xanadu via email at [info@xanadumines.com](mailto:info@xanadumines.com).

## **Principle 7: Recognise and manage risk**

### **Recommendation 7.1:**

Following the review of Xanadu's governance practices, the Board considered the scope of the Audit Committee and determined that given the size and stage of development of the Company as well as its Board and Committee Meetings schedule, it would more appropriate to retain the responsibilities for risk oversight at the Board that would consider risk periodically at its regular Meetings.

#### **Audit Committee**

Refer to commentary under Recommendation 4.1 for further information about this Committee.

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

In addition, the Safety, Health and Environment Committee assists the Board in fulfilling its corporate governance responsibilities in regard to safety, health, environment and community matters concerning Xanadu, including operational risk management.

Under the Charter, the Committee must comprise at least three members with a majority of Non-Executive Directors and the Chairman of the Committee is to be an Independent Non-Executive Director.

The Safety, Health and Environment Committee comprises two Independent Non-Executive Directors, Mr Barry Lavin (Committee Chairman) and Dr Darryl Clark, a Non-Executive Director, Mr Mark Wheatley and one Executive Director, Mr Ganbayar Lkhagvasuren. From 24 October 2016, the Committee comprised a majority of Non-Executive Directors. Prior to this, the Company considered that whilst it did not comprise a majority of Non-Executive Directors, its members collectively had the mix of skills and expertise appropriate for the Committee to assist the Xanadu Board.

The profile of each of the Safety, Health and Environment Committee members and their attendance at Committee meetings during the reporting period are set out in the Directors' Report. During the year there was only one meeting of the Safety, Health and Environment Committee, despite the Committee Charter specifying that the Committee is to meet at least four times a year. During its internal review, the Committee considered its performance, noting:

- during 2016, the Committee had been less directly active due to the direct attention that safety, health, environment and community matters were receiving at meetings of the full Board;
- that Xanadu's safety, health, environment performance and community matters had not suffered as a result of the paucity of specific Committee Meetings; and
- each of its responsibilities described in the Committee Charter and that each of these duties remains appropriate. The Committee undertook a greater degree of specific engagement for 2017.

The Safety, Health and Environment Committee Charter is available on the Company's website under "About" then "Governance".

#### **Recommendation 7.2:**

The Board has required Management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires Management to report to it confirming that those risks are being managed effectively.

During the reporting period, the Board did not receive a formal report from Management as to the effectiveness of the Company's management of its material business risks, however necessary assurances were given by the MD & CEO and the Chief Financial Officer to the Board at the time of approving the financial statements for the half year ended 30 June 2016 and the year ended 31 December 2016. As part of its presentation of the statutory accounts, Management presented to the Board on the Company's management of its material financial business risks at its March 2017 Meeting.

#### **Recommendation 7.3:**

The Company does not have an internal audit function at this time. Given the small size and scope of the Company's operations, the Board has not established an internal audit function. During the reporting period, the Audit Committee was responsible for oversight of the Company's internal processes and practices and assessing the effectiveness of the Company's risk management and internal control processes.

#### **Recommendation 7.4:**

The Board recognises that material risks facing the Company are the more significant areas of uncertainty or exposure to the Company that could adversely affect the achievement of the Company's objectives and successful implementation of its business strategies.

Xanadu does not have material exposures to economic, environment and social sustainability risks. However, Xanadu will strive to conduct its business in ways that appropriately balance financial, social and environmental benefits.

Details about the Company's material business risks, such as political and regulatory risks, capital management and exchange rate and commodity price risks, and approach to managing these business risks are set out in the Review of Operations.

The Board will consider these material risks as part of its periodic risk management review, on an as required basis upon advices from either the Safety, Health and Environment Committee, the Audit Committee or Senior Management (including the MD & CEO and Chief Geologist).

### **Principle 8: Remunerate fairly and responsibly**

The Governance Committee was established to assist the Board in fulfilling its corporate governance responsibilities in regard to remuneration related matters (amongst other items). Without limiting its scope, the Committee is to:

- review and make recommendations to the Board on the remuneration framework for Non-Executive Directors and Executive Directors;
- review senior executive performance and any performance-related incentive recommendations; and
- review and recommend to the Board any awards under the Xanadu Incentive Equity Plan.

Refer to commentary under Recommendation 2.1 for further information about this Committee.

### **Recommendation 8.2:**

Non-Executive Directors are paid fees from an aggregate sum approved by shareholders of the Company. There are no retirement schemes for Non-Executive Directors, other than superannuation. Non-Executive Directors are remunerated at a fixed fee for time, commitment and responsibilities and their remuneration is not linked to the operating performance of the Company. From time to time and where appropriate, the Company may issue equity awards to Non-Executive Directors subject to shareholder approval. Details about equity-based incentives to Non-Executive Directors during the year are set out in the Remuneration Report.

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

Details of remuneration, including the Company's policy on remuneration, are contained in the Remuneration Report which forms part of the Directors' Report. The Company's remuneration policies are reflected in the Company's Remuneration Philosophy (as set out at the start of the Remuneration Report). The Company's Remuneration Philosophy is to establish competitive remuneration, including performance incentives, consistent with long term development and success, to ensure remuneration is fair and reasonable, taking into account all relevant factors, and within appropriate controls or limits, ensure performance and remuneration are appropriately linked, that all remuneration packages are reviewed annually or on an ongoing basis in accordance with Management's remuneration packages and that retirement benefits or termination payments (other than notice periods) will not be provided or agreed other than in exceptional circumstances.

### **Recommendation 8.3:**

Directors and Senior Executives are not permitted to enter into transactions with securities (or any derivative thereof) in associated products which limit the economic risk of any unvested entitlements awarded under any equity-based remuneration scheme currently in operation or which will be offered by the Company in the future.

The Securities Trading Policy is available on the Company's website under "About" then "Governance".