

29 May 2017

## **CHAIRMAN'S AGM ADDRESS**

I am very pleased to be able to address the Meeting to talk about the Company's progress over 2016 right up to today's AGM, which will be my last AGM as Chairman of Xanadu.

Last year at this meeting, the share price was in the mid twenty cents range after a very significant movement upwards in that year. Leading into this year's AGM, we have consolidated at slightly lower levels. While this is disappointing, it is not uncommon on the way to discovery and value creation when exploring porphyry copper projects and there has been significant technical progress reported during the year that has advanced the understanding of our two main projects, increasing the likelihood of a game changing discovery. Total direct exploration spend in 2016 was \$4.8 million with over 70% allocated towards the more advanced Kharmagtai project. Andy can elaborate on the technical results and company strategy in his presentation after the meeting. The company also spent \$US 2.8m (\$A3.9m) on the reduced and last payment for the acquisition of Kharmagtai.

It is a good time to reflect on the acquisition of our main project, Kharmagtai. The structure used to acquire the project relatively cheaply in 2014 at a time in the cycle when copper, asset prices and company valuations were on the way down, limited the use of XAM equity when it was very cheap and allowed the USD deferred acquisition consideration to be repayed later after some exploration success at higher company valuations and improvement in markets. The acquisition strategy was not without risk and we were hurt by foreign exchange movements. The final payment in 2016 to fully secure the project was a major milestone and even though the final AUD price of the project may have been higher than anticipated, the deferred payment strategy has proved to be very successful and has helped underpin the growth of the company. The very last instalment of the strategy will be concluded when the shareholder loan advanced to us in 2014 to help acquire and explore the project is repaid this year.

During the year and up to this meeting, there were a number of changes to the executive team and board. Dr Andrew Stewart was appointed Managing Director and Chief Executive Officer and in Andrew the company has a new managing director with a long history with the company and his understanding of our projects and Mongolia is a real asset to the company. Mr Mat Brown joined the Company as Chief Geologist in the back half of the year and adds significant technical and exploration management experience to the team and this has allowed Andrew to allocate more time to the marketing of the company.

Dr Stewart was invited to speak at the prestigious Beaver Creek Precious Metals conference in Colorado recently as the profile of the Company continues to increase. The Board is of the view that more work is needed here and plans are in place to continue to bolster the profile of the company.

Mr Kevin Tomlison has now been appointed as Chairman following the conclusion of today's AGM and will add a fresh set of eyes and the right skills to assist in the next phase of shareholder growth.

Mr Barry Lavin also retires from the board after today's AGM and the Board would like to thank Barry for his contributions.

The company, just last week, announced revised equity incentive arrangements for executive management and the incoming Chairman that both incentivises the team and is more closely aligned with shareholder expectations. After the related announcements late in 2016 and in April this year, this process has been detailed and the board is very pleased with the outcomes.



The Company successfully raised \$12.2 million mid-year 2016 at 20 cents per share, enjoying the support of existing major shareholders and welcoming several new and well regarded institutional shareholders to the register. This allowed the company to start the new year with a strong cash balance of \$8.3 million.

Xanadu has all the ingredients in place to maximise its chance of creating significant shareholder value, namely: good projects in the right location, a strong team, supportive shareholders, improving copper market fundamentals as supply disruptions continue and copper finds new uses outside the construction market, a new government which will hopefully support stable mining laws, and major companies looking to add new high quality projects to their portfolios. On this last point, I think you will enjoy Andrew's presentation after the meeting and his insights on what is happening at the larger established copper projects, the lack of discovery and what this might mean for Xanadu.

My four and half years at Xanadu has been very challenging, spanning a time of some instability in Mongolia, now well behind us, and real weakness in the copper price and commodity markets, now also hopefully behind us; but also a very rewarding time with some tough decisions, and the Company has grown and thrived. I feel however the most exciting time for Xanadu and it's shareholders is not too far away and I wish Kevin, Andrew, the Board and management team all the very best in the successful execution of the company's strategy.

Thank you.

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