

19 June 2019

## **Non-renounceable Rights Issue - Shareholder and Option Holder Correspondence**

Xanadu Mines Ltd (**ASX:XAM, TSX:XAM**) (“**Xanadu**”) advises that the attached correspondence has been sent to Shareholders, Ineligible Shareholders and Option Holders following the Company’s Announcement yesterday of a pro-rata non-renounceable rights issue to eligible shareholders.

19 June 2019

XAM

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

Dear Shareholder

**Xanadu Mines Ltd ACN 114 249 026 - non-renounceable rights issue  
Letter to eligible shareholders**

Xanadu Mines Ltd (**Xanadu**) is pleased to announce a non-renounceable rights issue to eligible shareholders, on the basis of 1 new fully paid ordinary share for every 10 shares held, at an issue price of \$0.052 per share (**New Shares**), to raise approximately \$3,369,829, based on Xanadu's undiluted share capital (**Rights Issue**). Assuming no existing options on issue in the Company are exercised, approximately 64,804,413 fully paid ordinary shares will be offered under the Rights Issue.

The Rights Issue is partially underwritten by Patersons Securities Limited to an amount of \$1,750,000, subject to conditions summarised in the Offer Document.

The Rights Issue will be available to all registered shareholders who hold shares at 7:00pm (Sydney time) on Friday, 21 June 2019 (**Record Date**) with registered addresses in Australia, New Zealand and Singapore (**Eligible Shareholders**).

In accordance with the Listing Rules of the ASX, Xanadu has considered the number of shareholders with registered addresses in various jurisdictions outside of Australia, New Zealand and Singapore and the size of the shareholdings held by those shareholders. Taking this into consideration, as well as the costs of complying with the legal requirements and the requirements of the regulatory authorities relating to the shareholders with registered addresses in various jurisdictions outside of Australia, New Zealand and Singapore, the Company has formed the view that it is unreasonable to extend the Rights Issue to those shareholders. Accordingly, shareholders outside of Australia, New Zealand and Singapore will not be entitled to participate in the Rights Issue.

The purpose of the Rights Issue is to raise approximately \$3,369,829, including the costs of the Rights Issue. The funds raised from the Rights Issue will be used for the expansion of the drilling program at the Kharmagtai project, further exploration at the Red Mountain project, to fund the costs of the Rights Issue and to provide working capital.

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 [www.xanadumines.com](http://www.xanadumines.com)

A proposed timetable for the Rights Issue is set out in the table below:

<b>Event</b>	<b>Date</b>
Announcement of Rights Issue. Offer Document and Appendix 3B lodged with ASX	Tuesday, 18 June 2019 (pre-market open)
Notice of Rights Issue sent to option holders	Wednesday, 19 June 2019
Notice of Rights Issue sent to shareholders	Wednesday, 19 June 2019
Shares commence trading on an ex basis	Thursday, 20 June 2019
Record Date for the Rights Issue (7:00pm Sydney time)	Friday, 21 June 2019
Despatch Offer Document to shareholders	Tuesday, 25 June 2019
Opening date of Rights Issue (9:00am Sydney time)	Tuesday, 25 June 2019
Closing date of Rights Issue (5:00pm Sydney time)	Monday, 8 July 2019
Shares commence trading on deferred settlement basis	Tuesday, 9 July 2019
Advise ASX of any shortfall	Wednesday, 10 July 2019
Allotment of New Shares under Rights Issue	Monday, 15 July 2019
Despatch of holding statements for New Shares and deferred settlement trading ends	Monday, 15 July 2019
Normal trading of New Shares on ASX begins	Tuesday, 16 July 2019

This timetable is indicative only and may be subject to change subject to the requirements of the *Corporations Act 2001* (Cth) (**Corporations Act**) and the ASX Listing Rules.

The Rights Issue is being made without a disclosure document, under the exemption granted in section 708AA of the Corporations Act. Xanadu will prepare and send an offer document to shareholders on Tuesday, 25 June 2019, as set out in the timetable above. The Offer Document has been lodged with ASIC and ASX on Tuesday, 18 June 2019 and is available on the Company's website [www.xanadumines.com](http://www.xanadumines.com) and the ASX website.

### **Excluded information**

Xanadu discloses, for the purposes of its notice given under section 708AA(2)(f) that, as at the date of this notice:

- (a) the Company is investigating and giving consideration to farm-out opportunities in relation to the Red Mountain project. As part of this consideration, the Company is in discussions with a third party regarding a potential transaction. However as at the date of this notice, no agreements have been reached with any third parties with respect to terms for a farm-out arrangement in relation to that project, and there is no guarantee that a transaction may materialise. Even if agreement is reached on the terms of a farm-out, it is likely that such transaction will be subject to conditions precedent such as satisfactory due diligence, amongst other matters; and
- (b) following from the board and management changes announced on 26 March 2019 and effective from the conclusion of the Company's Annual General Meeting (**AGM**) held on 30 April 2019, the Company is presently in discussions with Darryl Clark (Executive Chairman) and Andrew Stewart (CEO and Director) in relation to the remuneration arrangements for each of them, including appropriate long term incentives. These discussions are ongoing. Pending

such changes, Mr Clark and Mr Stewart are continuing to be remunerated at their pre-board change remuneration. In Mr Clark's case, it is likely that when a remuneration level is set and agreement, it will be deemed effective from the AGM, being the date he assumed the Executive Chair position. An ASX release will be made in accordance with the Listing Rules once this has been determined.

### Further information

The Company anticipates that, approximately 64,804,413 New Shares will be issued (this number may have to be increased to 2,673,796 New Shares if all existing option holders exercise their options prior to the Record Date). The New Shares will be issued for \$0.052 each.

Upon completion of the Rights Issue, and assuming it is fully subscribed and that existing option holders do not exercise their options, the issued capital of Xanadu will comprise:

- (a) approximately 712,848,544 shares;
- (b) 29,411,759 unlisted Options exercisable at \$0.25 expiring on 26 June 2020; and
- (c) 8,000,000 unlisted performance rights subject to hurdle and tenure testing on 26 July 2019, exercisable at \$0.60; and
- (d) 2,000,000 unlisted performance rights subject to hurdle and tenure testing on 11 October 2019, exercisable at \$0.60.

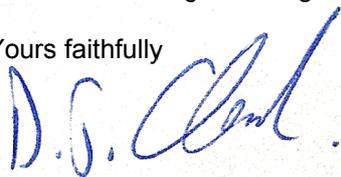
The New Shares will rank equally in all respects with Xanadu's existing shares. If an Eligible Shareholder's entitlement results in a fraction of a New Share, the shareholder's entitlement will be rounded up to the nearest whole number. There will be no change to the dividend policy of the Company as a result of the Rights Issue.

Trading in the New Shares is expected to commence on Tuesday, 16 July 2019, the first business day following dispatch of the holding statements for the New Shares.

An Appendix 3B applying for quotation of the New Shares was lodged with ASX on Tuesday, 18 June 2019.

Xanadu encourages all Eligible Shareholders to participate in the capital raising.

Yours faithfully



Darryl Clark  
Executive Chairman  
Xanadu Mines Ltd

19 June 2019



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

Dear Shareholder

**Xanadu Mines Ltd ACN 114 249 026 - non-renounceable rights issue  
 Letter to ineligible shareholders**

On 18 June 2019, Xanadu Mines Ltd (**Xanadu** or the **Company**) announced a non-renounceable rights issue to eligible shareholders, on the basis of 1 new fully paid ordinary share for every 10 shares held at an issue price of \$0.052 per share (**New Share**), to raise approximately \$3,369,829 before costs (**Rights Issue**).

The Rights Issue is partially underwritten by Patersons Securities Limited to an amount of \$1,750,000, subject to conditions summarised in the Offer Document.

The purpose of the Rights Issue is to raise approximately \$3,369,829, including the costs of the Rights Issue. The funds raised from the Rights Issue will be used for the expansion of the drilling program at the Kharmagtai project, further exploration at the Red Mountain project, to fund the costs of the Rights Issue and to provide working capital.

An Offer Document in relation to the Rights Issue was lodged with the Australian Securities Exchange (**ASX**) on Tuesday, 18 June 2019 and is available on the ASX website and also on the Company website at [www.xanadumines.com](http://www.xanadumines.com).

A proposed timetable for the Rights Issue is set out in the table below:

Event	Date
Announcement of Rights Issue. Offer Document and Appendix 3B lodged with ASX	Tuesday, 18 June 2019 (pre-market open)
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Shares commence trading on an ex basis	Thursday, 20 June 2019
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 Level 12, 680 George Street  
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 Olympic St, Sukhbaatar District  
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Event	Date
Opening date of Rights Issue (9:00am Sydney time)	Tuesday, 25 June 2019
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Normal trading of New Shares on ASX begins	Tuesday, 16 July 2019

This timetable is indicative only and may be subject to change subject to the requirements of the Corporations Act and the ASX Listing Rules.

In accordance with the ASX Listing Rules, Xanadu has considered the number of shareholders with registered addresses outside of Australia, New Zealand and Singapore, the number and value of the shares held by those shareholders, and the number and value of New Shares those shareholders would be offered pursuant to the Rights Issue. Taking this into consideration, as well as taking into consideration the costs of complying with the legal requirements and the requirements of the regulatory authorities of those relevant jurisdictions outside of Australia, New Zealand and Singapore, Xanadu believes it to be unreasonable to extend the Rights Issue to all shareholders. Accordingly, the offer pursuant to the Rights Issue will only be extended to those who are Xanadu shareholders as at 7.00pm (Sydney time) on Friday, 21 June 2019, and who have registered addresses in Australia, New Zealand and Singapore. Entitlements to New Shares pursuant to the Rights Issue are non-renounceable and accordingly will not be traded on the ASX.

As you are a shareholder with a registered address outside of Australia, New Zealand and Singapore, the offer pursuant to the Rights Issue will not be extended to you.

Please contact the Company by phone on + 61 2 9547 4300 or by email on [info@xanadumines.com](mailto:info@xanadumines.com) if you have any queries regarding the Rights Issue or your eligibility to participate in the Rights Issue.

Yours faithfully

Darryl Clark  
Executive Chairman  
Xanadu Mines Ltd

18 June 2019

**MR SAM SAMPLE  
123 SAMPLE STREET  
SAMPLETOWN VIC 3000**

Dear Sir/Madam

**Xanadu Mines Ltd ACN 114 249 026 - non-renounceable rights issue  
Notice to option holders**

The option register for Xanadu Mines Ltd (**Company**) indicates that you are the holder of options to acquire ordinary shares in the capital of the Company (**Options**).

In accordance with the terms of issue of the Options, notice is given that the Company intends to undertake a non-renounceable pro-rata rights issue of new shares to eligible shareholders on the basis of 1 new share for every 10 existing shares held at an issue price of \$0.052, to raise approximately \$3,369,829 before costs (**Rights Issue**).

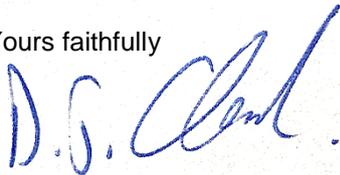
The Rights Issue is partially underwritten by Patersons Securities Limited to an amount of \$1,750,000, subject to conditions summarised in the Offer Document.

As an option holder, you are permitted to participate in the Rights Issue **only** in the event that you:

1. have **exercised your existing Options** prior to the record date selected by the Company for determining entitlements to participate in the new share issue, being 7.00pm (Sydney time) on Friday, 21 June 2019 (**Record Date**); and
2. have a registered address in Australia, New Zealand or Singapore.

The Rights Issue is being made without a disclosure document, under the exemption granted in section 708AA of the *Corporations Act 2001* (Cth). The Offer Document in relation to the Rights Issue was lodged with the Australian Securities Exchange (**ASX**) on Tuesday, 18 June 2019 and is available on the ASX website and also on the Company website at [www.xanadumines.com](http://www.xanadumines.com). The Company will send the Offer Document to all eligible shareholders on Tuesday, 25 June 2019.

Yours faithfully



Mr Darryl Clark  
Executive Chairman  
Xanadu Mines Ltd