

24 October 2016

APPOINTMENT OF ANDREW STEWART AS MANAGING DIRECTOR

The Board of Xanadu Mines Ltd (**ASX: XAM** - “**Xanadu**”) is pleased to announce the appointment of Dr Andrew Stewart as Managing Director and Chief Executive Officer. Mark Wheatley, Executive Chairman, will move to Non-Executive Chairman. These changes are of immediate effect and are being made in line with the Company’s long standing and well prepared succession plan.

Andrew has been CEO since 18 March 2015 and prior to that had been Chief Geologist of the company. Dr Stewart has already made significant contributions to the Company and this promotion to Managing Director and Chief Executive Officer is in recognition of Dr Stewart’s development, performance and leadership over the last 18 months. Andrew will continue to be based in Mongolia until the end of this financial year or a date to be agreed and will then move to Sydney.

Speaking about his appointment as Managing Director and Chief Executive Officer, Dr Stewart said: “I am delighted to take up this new role with Xanadu Mines, and work with the Board to realise the full potential of our advanced copper-gold and gold projects in Mongolia’s highly prospective South Gobi region. Over the next few months, I will be appointing a highly experienced Chief Geologist to ensure a seamless transition of the succession plan. This will complete a reorganisation of our exploration team in Mongolia to ensure our focus on exploration success continues and will strengthen in-country capacity to support our well-funded ongoing exploration programs across multiple projects. My move to Australia will assist with promotion of the Company and provide easier and more regular access to important stakeholders and capital investment markets.”

Mark Wheatley, Xanadu’s Non-Executive Chairman, commented: “This is a natural progression for Andrew who has provided excellent leadership as Chief Executive Officer and I look forward to building on our productive working relationship. The Board of the Xanadu welcomes Dr Stewart to the role of Managing Director.”


The key officer engagement terms are provided in Appendix 1.

About Xanadu Mines

Xanadu Mines Ltd (ASX: XAM) is copper and gold exploration company with several advanced exploration projects in Mongolia’s highly mineralised and vastly underexplored south Gobi region. Our vision is to be the most successful copper-gold explorer in Asia. Xanadu controls one of the most promising porphyry

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Xanadu Mines Ltd (ASX: XAM) is an exploration company that has assembled a significant exploration portfolio across Mongolia’s porphyry belts. These belts are part of the larger Central Asian Orogenic Belt – one of the last great exploration frontiers known to host large copper porphyry deposits – and Mongolia is emerging as a globally significant copper province.

copper-gold projects in Asia with Kharmagtai, and has an expanding portfolio of exploration projects. Xanadu is increasing its exploration budget and programs to aggressively pursue these promising opportunities and is the only company doing so in Asia.

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APPENDIX 1: KEY ENGAGEMENT TERMS

The key terms of the new executive agreements are summarised in the following table for the purposes of ASX Listing Rule 3.16.4.

Item	Description
1. Andrew Stewart – Managing Director & Chief Executive Officer	
<u>Remuneration</u>	<p><u>Fixed</u></p> <ul style="list-style-type: none"> • Unchanged until the MD & CEO relocates to Australia (Transition Date). Please refer to page 11 of the Annual Financial Statements dated 18 March 2016 (2016 Statements) for details of the MD & CEO's salary and non-cash benefits. • After the Transition Date, TFR of \$365,000 per annum (inclusive of superannuation). No ex-patriate benefits are payable after the Transition Date. <p><u>Short Term Incentive (STI)</u></p> <ul style="list-style-type: none"> • Prior to and after the Transition Date: an amount equal to up to 50% of the MD & CEO's TFR at the time may be paid under the Company's STI program, depending on the MD & CEO's achievement against personal key performance indicators as annually assessed initially by the Governance Committee and as ultimately approved by the Board in its discretion. <p><u>Long Term Incentive (LTI)</u></p> <ul style="list-style-type: none"> • Dr Stewart has no outstanding entitlements under the Company's LTI program. Upon appointment and subject to shareholder approval at Xanadu's 2017 AGM, the MD & CEO will receive the following tranches of share rights (a right for a share at nil cost) subject to the following conditions (each a Vesting Condition): <ul style="list-style-type: none"> ○ Tranche 1: 2 million share rights exercisable if the volume weighted average price (VWAP) of Xanadu's shares as traded on ASX is equal to or exceeds 30 cents per share for 20 consecutive days during the first year after appointment. ○ Tranche 2: 2 million share rights exercisable if the VWAP of Xanadu's shares as traded on ASX is equal to or exceeds 40 cents per share for 20 consecutive days during the second year after appointment. ○ Tranche 3: 3 million share rights exercisable if the VWAP of Xanadu's shares as traded on ASX is equal to or exceeds 50 cents per share for 20 consecutive days during the third year after appointment. <p>If the Vesting Conditions in Tranche 1 are not met, the Tranche 1 share rights will be subject to the Tranche 2 Vesting Conditions. If the Vesting Conditions in Tranche 1 or 2 are not met, the Tranche 1 and 2 share rights will be subject to the Tranche 3 vesting conditions. If the Tranche 3 vesting conditions are not satisfied, the Tranche 1, 2 and 3 share rights will lapse.</p> <p>Vested share rights may be exercisable up to 15 years after the date of grant.</p>



	<p>If a control event occurs prior to Xanadu's 2017 AGM, the Company will pay the MD & CEO a cash amount equal to the equity value of the share rights that would have vested at the price payable of the control event.</p> <p>If a control event occurs after the share rights have been granted, the share rights which vest will be determined having regard to the price per share paid by the bidder. <i>For example, if the price payable per share as part of the control event is 45 cents per share, then Tranche 1 and Tranche 2 share rights will automatically vest.</i></p> <p>If the MD & CEO's performance is terminated for poor performance or if the MD & CEO resigns before relevant Vesting Conditions are met, the share rights will lapse unless the Board otherwise determines.</p>
<p><u>Termination</u></p>	<ul style="list-style-type: none"> • Prior to Transition Date: Unchanged. Please refer to page 13 of the 2016 Statements. • After the Transition Date: <ul style="list-style-type: none"> ○ By Xanadu: Without cause - provision of 12 months' notice. With cause – immediately. ○ By the MD & CEO: Provision of 12 months' notice.
<p>2. Mark Wheatley – Non-Executive Chairman</p>	
<p><u>Remuneration</u></p>	<ul style="list-style-type: none"> • The Non-Executive Chairman will receive directorship fees of \$80K per annum (being the same fees received prior to commencing the Executive Chairmanship role in March 2015). No additional fees are payable for Committee membership by the Chairman. • As compensation of lieu in notice under the March 2015 Executive Chairman's Executive Services Agreement, the Chairman will receive a gross allowance of \$10k per calendar month for the next 3 months. In recognition of this allowance the Chairman will dedicate additional time to the continued support of the newly appointed MD & CEO and the benefit of the business.