

27 April 2017

Dear Shareholder,

On behalf of the Directors of Xanadu Mines Ltd (the **Company** or **Xanadu**), I am pleased to invite you to attend the 2017 Annual General Meeting (**AGM**) of the Company. Enclosed is the Notice of Meeting setting out the business of the AGM.

The Company's 2017 AGM will be held on Monday, 29 May 2017 commencing at 3:00pm (Sydney time) in the offices of Computershare Investor Services Pty Limited at Level 4, 60 Carrington Street, Sydney NSW.

If you are attending the AGM, please bring your Proxy Form with you to facilitate a faster registration. If you are unable to attend the AGM, I encourage you to complete and return the enclosed Proxy Form no later than 3:00pm (Sydney time) on Saturday, 27 May 2017 in one of the ways specified in the Notice of Meeting and Proxy Form.

I also encourage you to read the enclosed Notice of Meeting (including the Explanatory Memorandum) and the Proxy Form and consider directing your proxy how to vote in each resolution by marking either the "for" box, the "against" box or the "abstain" box on the Proxy Form.

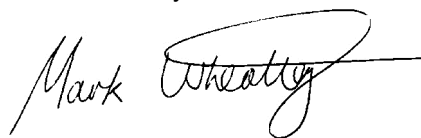
Subject to the abstentions noted in the Explanatory Memorandum, the Directors of Xanadu unanimously recommend that shareholders vote in favour of all resolutions.

Xanadu's Managing Director & Chief Executive Officer, Dr Andrew Stewart will provide shareholders with an update of exploration results from the current exploration program, among the largest to be undertaken by a junior ASX-listed exploration company in the coming year.

Following the conclusion of the AGM, you are welcome to join the Board and Management for light refreshments.

Thank you for your continued support of Xanadu and I look forward to your attendance.

Yours faithfully,



Mark Wheatley
Non-Executive Chairman
Xanadu Mines Ltd



CONTACT

Andrew Stewart
Managing Director and Chief
Executive Officer
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andrew.stewart@xanadumines.com

www.xanadumines.com



AUSTRALIA

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Sydney NSW 2000
T: +612 8280 7497



MONGOLIA

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Suite 23, Building 23B
Sukhbaatar District,
Ulaanbaatar 14240, Mongolia
T: +967 5011 0211



ASX
XAM

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.

XANADU MINES LTD
ABN 92 114 249 026

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting (**AGM** or **Meeting**) of shareholders of Xanadu Mines Ltd (the **Company** or **Xanadu**) will be held:

Date: Monday, 29 May 2017
Time: 3:00pm (Sydney time)
Venue: Computershare Investor Services Pty Limited
Level 4
60 Carrington Street
Sydney NSW 2000

The Explanatory Memorandum accompanying this Notice of Meeting provides additional information on matters to be considered at the AGM. The Explanatory Memorandum, Entitlement to Attend and Vote section, and proxy form are part of this Notice of Meeting.

A. CONSIDERATION OF REPORTS

To receive and consider the Financial Report, the Directors' Report, and the Independent Auditor's Report of the Company for the financial year ended 31 December 2016 (**Reports**).

All shareholders can view the Annual Report, which contains the Financial Report for the year ended 31 December 2016, on the Company's website at www.xanadumines.com.

B. QUESTIONS AND COMMENTS

Following consideration of the Reports, the Chairman will give shareholders a reasonable opportunity to ask questions about, or comment on the management of the Company.

The Chairman will also give shareholders a reasonable opportunity to ask the Auditor questions relevant to:

- a. the conduct of the audit;
- b. the preparation and content of the Independent Auditor's Report;
- c. the accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- d. the independence of the Auditor in relation to the conduct of the audit.

The Chairman will also give the Auditor a reasonable opportunity to answer written questions submitted by Shareholders that are relevant to the content of the Independent Auditor's Report or the conduct of the audit. A list of relevant written questions submitted by shareholders will be made available at the start of the AGM and any written answer tabled by the Auditor at the AGM will be made available as soon as practicable after the AGM.

C. ITEMS FOR APPROVAL

Resolution 1. Re-election of Director – Ms Hannah Badenach – Non-Executive Director

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

“That Ms Hannah Badenach, who retires in accordance with clause 11.4 of the Company’s Constitution, and being eligible for election, is re-elected as a Director of the Company.”

Resolution 2. Remuneration Report

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

“That, the Company’s Remuneration Report for the financial year ended 31 December 2016, as set out in the Directors’ Report, is adopted.”

The Remuneration Report is contained in the 2016 Annual Report (available at www.xanadumines.com). Please note that, in accordance with section 250R(3) of the *Corporations Act 2001* (Cth) (the **Act**), the vote on this resolution is advisory only and does not bind the Directors or the Company.

Voting Exclusion Statement

A vote on Resolution 2 must not be cast (in any capacity) by, or on behalf of, the following persons:

- a. a member of the Key Management Personnel (**KMP**) whose remuneration details are included in the 2016 Remuneration Report; or
- b. a closely related party of such a KMP (including close family members and companies the KMP controls).

However, a person described above may cast a vote on Resolution 2 as proxy if the vote is not cast on behalf of a person described in either paragraph a or paragraph b and either:

- a. the proxy appointment is in writing and specifies the way the proxy is to vote (for, against, abstain) on a resolution; or
- b. the vote is cast by the Chair of the meeting as proxy and the appointment of the Chair as proxy:
 - i. does not specify the way the proxy is to vote on the resolution; and
 - ii. expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the KMP.

Resolution 3. Ratification of Placement

To consider and, if thought fit, pass the following as an ordinary resolution:

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the issue on 24 June 2016 of a total of 60,832,101 fully paid ordinary shares in Xanadu (Shares) at an issue price of 20 cents per Share, on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice, is ratified.”

Voting Exclusion Statement

In accordance with ASX Listing Rule 14.11, the Company will disregard any votes cast on Resolution 3 by any person who participated in the above issue and any associates of those persons.

However, the Company need not disregard a vote cast on Resolution 3 if:

- a. it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- b. it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

BY ORDER OF THE BOARD



Nathan Bartrop
Company Secretary
27 April 2017

ENTITLEMENT TO ATTEND AND VOTE

In accordance with Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), the Board has determined that persons who are registered holders of shares of the Company as at 7:00pm (Sydney time) on Saturday, 27 May 2017 will be entitled to attend and vote at the AGM as a shareholder.

If more than one joint holder of shares is present at the AGM (whether personally, by proxy or by attorney or by representative) and tenders a vote, only the vote of the joint holder whose name appears first on the register is counted.

Appointment of Proxy

If you are a shareholder entitled to attend and vote, you may appoint an individual or a body corporate as a proxy. If a body corporate is appointed as a proxy, that body corporate must ensure that it appoints a corporate representative in accordance with section 250D of the Corporations Act 2001 (Cth) (the **Act**) to exercise its powers as proxy at the AGM.

A proxy need not be a shareholder of the Company.

A shareholder may appoint up to two proxies and specify the proportion or number of votes each proxy may exercise. If the shareholder does not specify the proportion or number of votes to be exercised, each proxy may exercise half of the shareholder's votes.

To be effective, the proxy must be received at the Share Registry of the Company no later than 3:00pm (Sydney time) on Saturday, 27 May 2017. Proxies must be received before that time by one of the following methods:

By post: Computershare Investor Services Pty Limited
 GPO Box 242
 Melbourne VIC 3001
 Australia

By facsimile: 1800 783 447 (within Australia)
 +61 3 9473 2555 (outside of Australia)

By delivery in person: Computershare Investor Services Pty Limited
 Level 4
 60 Carrington Street
 Sydney NSW 2000

Online: www.investorvote.com.au (for Shareholders)
 www.intermediaryonline.com (Intermediary Online subscribers only)

To be valid, a proxy form must be received by the Company in the manner stipulated above. The Company reserves the right to declare invalid any proxy not received in this manner.

Voting by Attorney

A proxy form and the original power of attorney (if any) under which the proxy form is signed (or a certified copy of that power of attorney or other authority) must be received by the Company no later than 3:00pm (Sydney time) on Saturday, 27 May 2017, being 48 hours before the AGM.

Corporate Representatives

A body corporate which is a shareholder, or which has been appointed as a proxy, is entitled to appoint any person to act as its representative at the AGM. The appointment of the representative must comply with the requirements under section 250D of the Act. The representative should bring to the AGM a properly executed letter or other document confirming its authority to act as the company's representative.

A "Certificate of Appointment of Corporate Representative" form may be obtained from the Company's share registry or online www.investorcentre.com under the help tab, "Printable Forms".

IMPORTANT: If you appoint the Chairman of the Meeting as your proxy, or the Chairman becomes your proxy by default, and you do not direct your proxy how to vote on Resolution 2 then by submitting the proxy form you will be expressly authorising the Chairman to exercise your proxy on the relevant resolution, even though the resolutions are connected, directly or indirectly, with the remuneration of the KMP.

ENCLOSURES

Enclosed are the following documents:

- proxy form to be completed if you would like to be represented at the AGM by proxy. Shareholders are encouraged to use the online voting facility that can be accessed on Xanadu's share registry's website at www.investorvote.com.au to ensure the timely and cost effective receipt of your proxy;
- a reply paid envelope for you to return either or both the proxy form and AGM Question Form.

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the information of shareholders of the Company (**Shareholders**) in relation to the business to be conducted at the Company's AGM to be held on Monday, 29 May 2017.

The purpose of this Explanatory Memorandum is to provide Shareholders with information that is reasonably required to decide how to vote upon the resolutions.

Subject to the abstentions noted below, the Directors unanimously recommend that Shareholders vote in favour of all Resolutions. The Chairman of the meeting intends to vote all available undirected proxies in favour of each resolution.

Resolutions 1 and 3 are ordinary resolutions which require a simple majority of votes cast by Shareholders present and entitled to vote on the resolution. Resolution 2 is an advisory resolution and does not bind the Directors or the Company.

Resolution 1. Re-election of Ms Hannah Badenach

Ms Hannah Badenach was appointed as a Non-Executive Director of the Company on 4 October 2011 and is appointed by Noble Resources International Pte Ltd (Noble) as Noble's nominee director to the Board of Xanadu. In accordance with clause 11.4 of the Constitution, Ms Badenach retires from office at the conclusion of the AGM and is eligible for re-election as a Director of the Company.

Hannah is a member of the Governance Committee.

Hannah is a lawyer and an Executive Director at Noble. Hannah has built and manages the Mongolian business and also runs the global Base Metals business on behalf of Noble. Hannah has worked in various markets globally and has extensive commercial and business development experience. She has been responsible for the development and execution of business development strategies for the last 14 years.

The Directors, with Ms Badenach abstaining, unanimously recommend Shareholders vote in favour of Resolution 1.

Resolution 2. Remuneration Report

Section 250R(2) of the Corporations Act 2001 (Cth) (the **Act**) requires that the section of the Directors' Report dealing with the remuneration of directors and key management personnel (**KMP**) of the Company (**Remuneration Report**) be put to the vote of Shareholders for adoption by way of a non-binding vote.

Broadly, the Remuneration Report details the remuneration policy for the Company and:

- explains the structure of, and rationale behind, the Company's remuneration practices and the link between the remuneration of executives and the Company's performance;
- sets out remuneration details for each Director and for each executive with authority and responsibility for directing the affairs of the Company; and
- discusses the relationship between the policy and Company performance.

Shareholders can view the full Remuneration Report in the Annual Report which is available on Xanadu Mines' website at www.xanadumines.com.

Following consideration of the Remuneration Report, the Chairman of the Meeting will give Shareholders a reasonable opportunity to ask questions about, or make comments on, the Remuneration Report. A resolution that the Remuneration Report be adopted will then be put to the vote. The vote on this resolution is advisory only and does not bind the Directors of the Company.

However the Board will take the outcome of the vote into account in setting remuneration policy for future years.

The Directors abstain, in the interests of corporate governance, from making a recommendation in relation to this resolution.

Resolution 3. Ratification of Placement

On 24 June 2016, the Company announced the issue of 60,832,101 Shares to professional and sophisticated investors to subscribe for new Xanadu shares at a price of 20 cents per share, to raise approximately \$12.2 million (**Placement**).

Under ASX Listing Rule 7.1, a company must obtain shareholder approval if it wants to issue more than 15% of its equity securities. ASX Listing Rule 7.4.2 provides that shareholders may approve an issue of securities after the fact so that the securities issued are regarded as having been made with approval for the purpose of ASX Listing Rule 7.1.

The Company is seeking approval for the purposes of ASX Listing Rule 7.4 to enable the Company to refresh its issuing capacity under Listing Rule 7.1, thereby providing the Company with the flexibility to issue further securities under ASX Listing Rule 7.1 if the need arises.

The Placement was made within the 15% limit permitted under ASX Listing Rule 7.1 and without shareholder approval. Accordingly, Resolution 3 is proposed for the purpose of ratifying the issue of the Placement and thereby refreshing the Company's ability to issue Shares in the future up to the 15% limit should the need or opportunity arise.

For the purposes of ASX Listing Rule 7.5, the following information is provided:

- the number of Shares issued under the Placement was 60,832,101;
- the Shares issued under the Placement were issued at a price of 20 cents per share;
- Shares under the Placement have been issued to:
 - a range of sophisticated and professional investors who qualify under the requirements of sections 9 and 708 of the Act identified by Bell Potter; and
 - international resident investors to whom an offer of the Placement Shares did not require disclosure under the laws of the relevant jurisdiction;
- the Shares issued under the Placement were fully paid ordinary shares which rank equally with all other existing Shares from the date of issue;
- the funds raised from the Placement will be used by the Company to fund exploration activities at the Kharmagtai project and the Oyut Ulaan project; and
- a Voting Exclusion Statement accompanies Resolution 3 in the Notice of Meeting.



XANADU MINES

XANADU MINES LTD
ABN 92 114 249 026

Lodge your vote:



Online:
www.investorvote.com.au



By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

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For all enquiries call:
(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

XAM

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

Proxy Form



Vote and view the annual report online

- Go to www.investorvote.com.au or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

Control Number: 9999999

SRN/HIN: I9999999999 PIN: 99999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.



For your vote to be effective it must be received by 3:00pm (Sydney time) Saturday 27 May 2017

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the Meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Default to Chairman of the Meeting: Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted as set out in this Proxy Form, including where the Item is connected directly or indirectly with the remuneration of key management personnel of Xanadu Mines Ltd.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the Meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form** ➔

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

☐

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Xanadu Mines Ltd hereby appoint

☐ the Chairman of the Meeting

OR

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the directions set out below (or if no directions have been given, to vote as the proxy sees fit, to the extent permitted by law) at the Annual General Meeting of Xanadu Mines Ltd to be held at Computershare Investor Services, Level 4, 60 Carrington Street, Sydney NSW 2000 on Monday, 29 May 2017 at 3:00pm (Sydney time) (Meeting) and at any adjournment or postponement of that Meeting.

Chairman of the Meeting is authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on item 2 (except where I/we have indicated a different voting intention below) even though item 2 is connected directly or indirectly with the remuneration of a member of key management personnel of Xanadu Mines Ltd.

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on item 2 by marking the appropriate boxes in Step 2 below.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

	For	Against	Abstain
1 Re-election of Director – Ms Hannah Badenach – Non-Executive Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Ratification of Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date