

1 December 2014

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Dear Shareholder

**Non-Renounceable Rights Issue Offer**

On 25 and 28 November 2014, Xanadu Mines Ltd (**Xanadu or the Company, ASX:XAM**) announced a non-renounceable rights issue offer to raise approximately A\$8.35 million by issue of approximately 69,581,954 shares (**New Shares**) on the basis of 2 new fully paid ordinary shares for every 7 shares held, at an issue price of 12 cents per share (**Rights Issue**). In addition to being able to apply for New Shares under the Rights Issue, eligible shareholders will also have the ability to apply for additional New Shares that are not subscribed for under the Rights Issue via a "top-up" facility.

The funds raised under the Rights Issue (after payment of costs) will be used to partly repay the deferred consideration for the Kharmagtai project and advance exploration activities at the Kharmagtai and Oyut Ulaan copper-gold projects.

The timetable for the Rights Issue is as follows:

Event	Date
Release Appendix 3B	Friday, 28 November 2014
Dispatch of notices to shareholders informing them of Rights Issue (including ineligible holders)	Monday, 1 December 2014
Shares quoted on an ex-entitlement basis	Tuesday, 2 December 2014
<b>Record Date</b> for determining entitlements	Thursday, 4 December 2014
Dispatch of Rights Issue Offer Document to shareholders Rights Issue opens for acceptance	Tuesday, 9 December 2014
Closing Date	Thursday, 18 December 2014, (5:00pm AEDST)
New Shares quoted on a deferred settlement basis	Friday, 19 December 2014
Notification of under subscriptions	Tuesday, 23 December 2014
Issue Date – Anticipated date for allotment and issue of New Shares	Monday, 29 December 2014
Dispatch of confirmation statements by Computershare	Monday, 29 December 2014

Subject to the ASX Listing Rules and the Corporations Act, the above dates may be changed without notice.

**CONTACT**  
 George A. Lloyd  
 Managing Director  
 T: +852 6397 3308  
 george.lloyd@xanadumines.com

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

**AUSTRALIA**  
 c/o Company Matters Pty Limited  
 Level 12, 680 George Street  
 Sydney NSW 2000  
 T: +612 8280 7497

**MONGOLIA**  
 2nd Khoroo, Military Town  
 AOS Street, Bayanzurkh District  
 Ulaanbaatar, 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 – with Mongolia emerging as a globally significant copper province.

The Rights Issue will be offered to the Company's shareholders with a registered address in Australia or New Zealand or Singapore on the Record Date (**Eligible Shareholder**).

The capital structure of the Company post-completion of the Rights Issue will be as follows:

Issued Shares	Number of Shares
Total issued capital of Xanadu at the Record Date for the Rights Issue*	243,836,539
Number of new shares offered under the Rights Issue including any shortfall shares and subject to rounding	69,581,954
Issue of placement shares subject to approval of shareholders at the Annual General Meeting on 28 November 2014	111,226,455
Total issued capital of Xanadu at completion of Rights Issue assuming maximum number of New Shares under the Rights Issue are issued	424,644,948

It is anticipated that the Rights Issue offer document (**Offer Document**) offering New Shares for subscription will be mailed out to Eligible Shareholders on 9 December 2014. The Offer Document may be viewed on the ASX website at [www.asx.com.au](http://www.asx.com.au) or alternatively on Xanadu's website at [www.xanadumines.com](http://www.xanadumines.com).

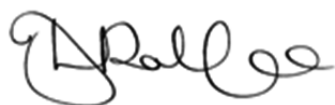
Application will be made to the ASX for official quotation of the New Shares. In the calculation of any entitlement, fractions will be rounded up to the nearest whole number. No shareholder approval is required for the Rights Issue.

#### Overseas Shareholders

The Rights Issue is only made to Eligible Shareholders (shareholders with a registered address in Australia or New Zealand or Singapore on the Record Date of 4 December 2014). Therefore, if you are a shareholder with a registered address other than in Australia or New Zealand or Singapore (**Excluded Shareholder**), no offer will be made to you. In making this decision, the Directors have taken into account the costs and administrative complexity of complying with applicable regulations in jurisdictions outside Australia, New Zealand and Singapore.

If you have any questions in relation to this letter please seek professional advice or contact Xanadu on +61 2 8280 7497 during office hours.

Yours Sincerely



Janine Rolfe  
 Company Secretary