



19 November 2015

Dear Xanadu Shareholder,

## **Share Purchase Plan (SPP)**

On behalf of the Board, I am pleased to provide eligible shareholders with the opportunity to participate in Xanadu Mines Limited (**Xanadu** or the **Company**) Share Purchase Plan (**SPP Offer**) by subscribing for up to A\$15,000 of new fully paid ordinary shares in Xanadu (**New Shares**) subject to the Terms and Conditions detailed in this booklet.

The SPP Offer follows the Company's successful placement to new and existing sophisticated and institutional shareholders (**Placement**). The SPP Offer is being made at the same price as the Placement – the SPP issue price is 12.5 cents per share, being a 14.4% discount to the volume weighted average market price of shares traded on the ASX over the five trading days up to and including 9 November 2015, being the last day the Company's shares traded prior to completing the Placement.

The funds raised from the SPP Offer will be used to reduce the Kharmagtai deferred acquisition consideration and support a winter exploration program at our Kharmagtai project. A comprehensive work program, comprising approximately 15,000m of diamond and reverse circulation (RC) drilling is currently being finalised to expand the limits and grade of the current deposits not included in the current resource inventory and to follow-up on recent trenching success at Tsagaan Sudal. In conjunction, drilling has been planned to test areas of porphyry mineralisation under shallow cover.

Under the SPP Offer, Eligible Shareholders may elect to receive a minimum of \$1,000 and a maximum of \$15,000 worth of New Shares. If applications for New Shares under the SPP Offer exceed A\$2 million, Xanadu may, in its absolute discretion, allocate less than the number of New Shares you have applied for (**Scale Back**) and determine to apply the Scale Back to the extent and in the manner that it sees fit.

The SPP Offer will open on Thursday, 19 November 2015 and will remain open for subscription until 5:00 pm (Sydney time) on Friday, 4 December 2015.

The SPP Offer is made in accordance with Australian Securities and Investments Commission (**ASIC**) Class Order 09/425. Pursuant to this Class Order, there are limitations on the amount that can be invested if you hold fully paid ordinary XAM shares (**Xanadu Shares**) in more than one capacity, unless you are applying as a Custodian. We strongly recommend that you read and understand clause 3 of the Terms and Conditions before making an application for New Shares.

All New Shares issues under the SPP Offer will rank equally with existing Xanadu Shares from the date of issue, and carry the same voting rights and other entitlements as existing Xanadu Shares.



### CONTACT

Mark Wheatley  
Executive Chairman  
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[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

Your personalised Application Form is enclosed and I encourage you to read and consider carefully the Terms and Conditions of the SPP that follow. If you do not wish to participate in the SPP Offer, you do not need to take any action.

Thank you for your continued support of Xanadu.

Yours faithfully,

A handwritten signature in black ink, reading "Mark Wheatley". The signature is fluid and cursive, with a long horizontal stroke extending from the end of the name.

**Mark Wheatley**  
**Executive Chairman**



# XANADU MINES

Xanadu Mines Limited  
(‘Xanadu’ or ‘Company’)  
ABN 92 114 249 026

## SHARE PURCHASE PLAN (SPP) – TERMS AND CONDITIONS

### 1. SPP Offer

- 1.1 Under the SPP, Eligible Shareholders (defined below) have the opportunity to participate in the SPP Offer by subscribing for up to \$15,000 of New Shares without incurring brokerage and subject to the following Terms and Conditions.
- 1.2 Please read these Terms and Conditions relating to the SPP Offer carefully, as you will be bound by them by participating in the SPP.
- 1.3 All New Shares issued under the SPP Offer will rank equally with existing Xanadu Shares from the date of issue, and carry the same voting rights and other entitlements as existing shares.
- 1.4 All amounts referred to in these Terms and Conditions are in Australian dollars.

### 2. Key Dates

Event	Date
Record Date	Wednesday, 11 November 2015 (7:00pm Sydney time)
SPP Offer opens	Thursday, 19 November 2015
SPP Offer closes ( <b>Closing Date</b> )	Friday, 4 December 2015
Allotment of New Shares	Thursday, 10 December 2015
Despatch of allotment confirmations and refunds if applicable	Tuesday, 15 December 2015

Xanadu reserves the right to vary the timetable for the SPP Offer, including the Closing Date of the SPP Offer.

### 3. Eligible Shareholders

- 3.1 You are eligible to participate in the SPP Offer (an **Eligible Shareholder**) if:
  - (a) you were registered on the Xanadu share register as a holder of Xanadu Shares at 7:00pm (Sydney time) on Wednesday, 11 November 2015 (**Record Date**); and
  - (b) you have a registered address in either Australia or New Zealand at that time,unless you are, or are acting for the account or benefit of, a U.S. Person (as defined in Regulation S under the U.S. Securities Act).
- 3.2 Xanadu has determined that it is not practical for holders of Xanadu Shares with addresses on the share register in other jurisdictions to participate in the SPP Offer. Shares to be allotted under the SPP have not been and will not be registered under the U.S. Securities Act and may not be offered, sold or delivered, directly or indirectly, in or to persons in, the United States.
- 3.3 Eligible Shareholders can only apply for a maximum of \$15,000 worth of New Shares in aggregate under the SPP (unless you are applying as a Custodian). This limitation applies even if Eligible Shareholders receive more than one Application Form due to multiple holdings, or if they hold Xanadu Shares in more than one capacity such as if they are a sole Eligible Shareholder and a joint Eligible Shareholder and/or an Eligible Shareholder with more than one holding under a separate account or designation.
- 3.4 Eligible Shareholders who hold Xanadu Shares as a custodian, trustee or nominee (**Custodian**) (defined below) may participate on behalf of each Beneficiary (defined below) on whose behalf the Custodian is holding Xanadu Shares. An Eligible Shareholder is deemed to be a Custodian under ASIC Class Order (CO 09/425) if:
  - (a) it holds an Australian financial services licence that:
    - (i) covers the provision of a custodial or depository service; or
    - (ii) includes a condition requiring the holder to comply with the requirements of ASIC Class Order (CO 02/294); or
  - (b) it is exempt under:
    - (i) paragraph 7.6.01(1)(k) of the Corporations Regulations 2001; or
    - (ii) ASIC Class Order (CO 05/1270) to the extent that it relates to ASIC Class Order (CO 03/184),



from the requirement to hold an Australian financial services licence for the provision of a custodial or depository service; or

- (c) it is a trustee or a self-managed superannuation fund or a superannuation master trust; or
- (d) it is the responsible entity of an IDPS-like scheme (as defined by ASIC Class Order (CO 02/296)); or
- (e) it is the registered holder of Xanadu Shares and is noted on the Xanadu register of members as holding Xanadu Shares on account of another person.

A '**Beneficiary**' is a client of a Custodian or Downstream Custodian (defined below) on whose behalf the Custodian or Downstream Custodian held Xanadu Shares on the Record Date.

To the extent that a Custodian holds Xanadu Shares on behalf of a Beneficiary resident outside Australia and New Zealand, it is the responsibility of the Custodian to ensure that any acceptance complies with all acceptable foreign laws.

Custodians wishing to participate on behalf of one of the Beneficiary should pay by BPAY® or complete the Application Form and return it to Xanadu's share registry with payment. Custodians wishing to participate on behalf of more than one Beneficiary should contact Xanadu's share registry and request a Custodian Certificate and Schedule.

- 3.5 If you hold Xanadu Shares as a custodian, trustee or nominee for another person, but are not a Custodian as defined above, you cannot participate for beneficiaries in the manner described above. In this case, the rules for multitude single holdings (above) apply.
- 3.6 If you choose not to participate in the SPP Offer, your right to participate lapses on the Closing Date.

#### 4. Joint Holders/Joint Beneficiaries

If two or more persons are registered on the Xanadu share register as jointly holding Xanadu Shares, they are taken to be a single registered holder of Xanadu Shares and a certification given by any of them is taken to be a certification given by all of them.

#### 5. Application Procedure for New Shares

- 5.1 The SPP Offer opens on Thursday, 19 November 2015.
- 5.2 Eligible Shareholders may apply for a maximum of \$15,000 worth of New Shares under the SPP.
- 5.3 The number of New Shares is rounded down to the nearest whole number after dividing the dollar amount by the issue price.
- 5.4 If you do not wish to accept the SPP Offer, you do not need to take any action and the SPP Offer will lapse on the Closing Date.
- 5.5 If you wish to apply for New Shares under the SPP Offer, Eligible Shareholders must either:
  - (a) pay by BPAY®, using an Australian bank account, in accordance with the instructions on the Application Form to ensure cleared funds are received by the Closing Date. To do this, you must reference your unique identifier number printed on your Application Form. If paying by BPAY® you do not need to return the Application Slip, but you are taken to make the certifications and representations described in this booklet; or
  - (b) complete the enclosed Application Slip and forward it with a cheque, bank draft, money order to Xanadu Mines Limited, c/- Computershare Investor Services, GPO Box 2115, Melbourne VIC 3001. Cheques should be drawn on an Australian bank account and in Australian dollars for the correct amount so that it is received prior to the close of the offer on the Closing Date. Do not forward cash. Cheques, bank drafts and money orders should be made payable to "Xanadu Mines Limited" and crossed "Not Negotiable". Receipts for payment will not be issued.
- 5.6 Any application money received in excess of the amount required for the number of New Shares you successfully apply for will be refunded to you without interest. If the amount received is less than \$1,000, Xanadu will not allot any New Shares to you and the money received from you will be refunded without interest.
- 5.7 Xanadu reserves the right to reject any application for New Shares under the SPP Offer that it believes does not comply with these Terms and Conditions.

#### 6. Issue Price

- 6.1 The SPP issue price is 12.5 cents.

You should note that Xanadu's share price may rise or fall between the date of this offer and the date when New Shares are allotted and issued to you under the SPP Offer. This means that the price you may pay for New Shares pursuant to this offer may be either higher or lower than Xanadu's share price at the time of the offer or at the time of the New Shares



are issues and allotted to you under the SPP Offer. Please refer to the information under “Participation is Optional” about to monitor current trading prices of Xanadu Shares.

- 6.2 The number of New Shares issued to an applicant will be determined by dividing the value of the New Shares applied for by the issue price. If this calculation produces a fractional number, the number of New Shares issued will be rounded down to the nearest whole New Share.

## 7. Scale Back of SPP Offer

- 7.1 If application for New Shares under the SPP Offer exceed A\$2 million, Xanadu may in its absolute discretion allocate to you less than the number of New Shares you have applied for. If there is a Scale Back, Xanadu may in its absolute discretion determine to apply the Scale Back to the extent and in the manner that it sees fit.
- 7.2 If the Scale Back produces a fractional number of New Shares when applied to your issue of New Shares, the number of New Shares issued will be rounded down to the nearest whole New Share.
- 7.3 If there is a Scale Back, your application money may be greater than the value of the New Shares you will be issued. In that event, the excess application money will be refunded to you on or around Tuesday, 15 December 2015. Any application monies refunded by Xanadu will be paid by cheque or direct credit (the payment method will be determined by Xanadu in its absolute discretion) in Australian currency. By applying for New Shares, each shareholder authorises Xanadu to pay any monies to be refunded by using the payment instructions of the shareholder recorded in Xanadu's share register if Xanadu should elect to pay in this manner. No interest will be payable to you on any monies refunded.

## 8. Participation is Optional

Participation in the SPP Offer is entirely optional (subject to the eligibility criteria set out in these Terms and Conditions). The offer to acquire New Shares is not a recommendation. If you are in any doubt about the SPP Offer, whether you should participate in the SPP Offer or how participation will affect you, you should consider seeking independent financial and taxation advice before making a decision as to whether or not to accept this offer. Xanadu also recommends that you monitor the Xanadu share price which can be found on Xanadu's website at [www.xanadumines.com](http://www.xanadumines.com), in the financial pages of major Australian metropolitan newspapers, or on the Australian Securities Exchange (ASX) website at [www.asx.com.au](http://www.asx.com.au) (ASX code: XAM). Xanadu also recommends that you monitor via the abovementioned websites any Xanadu announcements made to the ASX.

## 9. Issue Date

- 9.1 The New Shares will be issued on or around Thursday, 10 December 2015 or as soon as possible after that date.
- 9.2 Allotment confirmations will be dispatched on or around Tuesday, 15 December 2015. You should confirm your holdings before trading in any New Shares you believe have been allotted to you under the SPP Offer. In advance of receiving your allotment confirmation notice, you can check the number of New Shares issued under the SPP Offer by visiting Computershare's website at [www-au.computershare.com](http://www-au.computershare.com) and following the security access instructions.

## 10. No Transfer

The SPP Offer is non-renounceable and non-transferable and, therefore, Eligible Shareholders cannot transfer their right to purchase New Shares under the SPP Offer to a third party.

## 11. Brokerage and Transaction Costs

No brokerage or other transaction costs will apply to the acquisition of New Shares under the SPP. The only cost to you is the issue price of the New Shares.

## 12. Quotation

Xanadu will apply for the New Shares issued under the SPP to be quoted on the ASX.

## 13. Class Order Compliance

The SPP Offer of New Shares is made in accordance with ASIC Class Order (CO 09/425), which grants relief from the requirement to prepare a prospectus for the SPP Offer of New Shares.

## 14. Dispute Resolution

- 14.1 Xanadu may settle, in any manner it deems, any difficulties, anomalies, or disputes which may arise in connection with the operation of this SPP whether generally or in relation to any participant or any application for New Shares, and its decision shall be conclusive and binding on all participants and other persons to whom the determination relates.
- 14.2 Xanadu reserves the right to waive strict compliance with any provision of these Terms and Conditions.
- 14.3 The powers of Xanadu under these Terms and Conditions may be exercised by its Directors or any delegate or representative of the Directors.



## 15. Variation and Termination

- 15.1 The Board of Xanadu reserves the right to amend or vary these Terms and Conditions provided any amendments or variations do not adversely affect or prejudice the rights of Eligible Shareholders.
- 15.2 The Board of Xanadu reserves the right to suspend or terminate the SPP at any time.
- 15.3 Failure to notify shareholders of a change to or termination of the SPP Offer or the non-receipt of notice will not invalidate the change or termination.
- 15.4 Xanadu reserves the right not to issue New Shares or to issue fewer New Shares than that applied for under the SPP by an Eligible Shareholder (including a Custodian applying on behalf of its Beneficiaries) if Xanadu believes that the issue of those New Shares would contravene any law or the ASX Listing Rules.
- 15.5 In the event that the SPP is terminated prior to the issue of New Shares, all application monies will be refunded. No interest will be paid on any monies returned to you.

## 16. No Underwriting

The SPP will not be underwritten.

## 17. Acknowledgements

By making payment (including through BPAY®) or returning an Application Slip or Custodian Certificate and Schedule, you certify, acknowledge, warrant and represent as true, correct and not misleading to Xanadu that:

- (a) you have read and accepted the Terms and Conditions in full;
- (b) you declare that all details and statements in your application are true and complete and not misleading;
- (c) your application, under the Terms and Conditions of the SPP set out in this booklet (including the Application Form and Custodian Certificate and Schedule), will be irrevocable and unconditional (i.e. it cannot be withdrawn);
- (d) as at the Record Date, you were recorded on Xanadu's share register as being a registered holder of Xanadu shares and having an address in Australia or New Zealand;
- (e) if you have a registered address in New Zealand, you continued to hold Xanadu Shares as at the opening of the SPP Offer on Thursday, 19 November 2015;
- (f) you and each person for whose account or benefit you are acting is not in the United States and is not a U.S. Person, or acting for the account or benefit of a U.S. Person;
- (g) you acknowledge that the New Shares have not, and will not be, registered under the U.S. Securities Act or securities laws of any state or other jurisdiction of the United States, and the New Shares may not be offered, sold or otherwise transferred unless an exemption from the registration requirement of the U.S. Securities Act is available;
- (h) you represent that you have not, and you agree that you will not, send any materials relating to the SPP to any person in the United States or to any person who is, or is acting for the account or benefit of, a U.S. Person;
- (i) if you are applying on your own behalf (and not as a Custodian) you are not applying for New Shares with an aggregate application value, when aggregated with the application value of any Xanadu Shares issue to you or a Custodian on your behalf under the SPP Offer or similar arrangement in the previous 12 months, of more than \$15,000 under the SPP Offer (including by instructing a Custodian to acquire New Shares on your behalf under the SPP Offer), and you are complying with the limitations detailed in clause 3.3 of the SPP Terms and Conditions;
- (j) if you are a Custodian and are applying on behalf of a Beneficiary on whose behalf you hold Xanadu Shares:
  - (i) you are a Custodian (as that term is defined in ASIC Class Order (CO 09/425));
  - (ii) either or both of the following apply (as applicable):
    - (A) that on the Record Date you held Xanadu Shares on behalf of one or more other persons (each a Beneficiary) that are not Custodians;
    - (B) that on the Record Date another Custodian (**Downstream Custodian**) held beneficial interests in Xanadu Shares on behalf of one or more other persons (each a Beneficiary), and you hold the shares to which those beneficial interests relate on behalf of the Downstream Custodian or another Custodian;
  - (iii) each Beneficiary has subsequently instructed either you or the Downstream Custodian (as applicable) to apply for shares on their behalf under the SPP;



- (iv) details of the number of Beneficiaries instructing you to participate, the name and address of each Beneficiary and in respect of each such Beneficiary:
  - (A) the number of Xanadu Shares that you hold on behalf of that Beneficiary; and
  - (B) the dollar amount of New Shares that the Beneficiary, or its agent, has instructed you to accept on behalf of the Beneficiary,as set out in the Application Form or the Custodian Certificate and Schedule, is true and correct;
- (v) there are no Beneficiaries in respect of whom the total of the application value for (a) the New Shares applied for by you under the SPP on their behalf; and (b) any Xanadu Shares issued to you in the previous 12 months as a result of an instruction given by the Beneficiary to you or a Downstream Custodian to apply for Xanadu Shares on their behalf under an arrangement similar to the SPP, exceeds \$15,000; and
- (vi) a copy of this offer document was given to each Beneficiary;
- (k) you may be offered New Shares pursuant to the SPP in accordance with all applicable laws, and any acceptable by you on your own behalf or in respect of any person for which you are acting complies with all applicable laws;
- (l) you accept the risk associated with any refund that may be dispatched to you by direct or cheque to your address shown on Xanadu's share register;
- (m) you are responsible for any dishonour fees or other costs Xanadu may incur in presenting a cheque for payment which is dishonoured;
- (n) you agree to be bound by the provisions of the Constitution of Xanadu (as amended and as it may be amended from time to time in the future);
- (o) you authorise Xanadu and its affiliates, officers and representatives to do anything on your behalf necessary for New Shares to be issued to you in accordance with these Terms and Conditions;
- (p) you authorise Xanadu (and its officers and agents) to correct minor or easily rectified errors in, or omissions from, your application and to complete the application by the insertion of any missing minor detail; and
- (q) Xanadu may at any time irrevocably determine that your application is valid in accordance with these Terms and Conditions, even if the application is incomplete, contains errors or is otherwise defective.

## 18. Governing Law

These Terms and Conditions are governed by the laws in force in New South Wales.








XANADU MINES

XANADU MINES LTD  
ABN 92 114 249 026


**For all enquiries:**

**Phone:**  
 Xanadu Mines Ltd +61 2 8280 7497

**Email:**  
 info@xanadumines.com

└ 000001 000 XAM  
MR SAM SAMPLE  
123 SAMPLE STREET  
SAMPLETOWN VIC 3000

**Make your payment:**

 See overleaf for details of the Offer and how to make your payment

## Share Purchase Plan Application Form

 **Your payment must be received by 5:00pm (Sydney time) Friday 4 December 2015**

This is an important document that requires your immediate attention.

It can only be used in relation to the shareholding represented by the details printed overleaf. If you are in doubt about how to deal with this form, please contact your financial or other professional adviser.

By making payment you agree to be bound by the Constitution of Xanadu Mines and that the submission of this payment constitutes an irrevocable offer by you to subscribe for Xanadu Mines shares on the terms of the Share Purchase Plan (SPP).

In addition, by making payment you certify that the aggregate of the application price paid by you for:

- the New Shares the subject of the payment slip overleaf; and
- any other shares and interests in the class applied for by you under the SPP or any similar arrangement in the 12 months prior to the date of submission of the payment, does not exceed \$15,000.

Xanadu Mines may make determinations in any manner it thinks fit, in relation to any difficulties which may arise in connection with the SPP whether generally or in relation to any participant or application.

Any determinations by Xanadu Mines will be conclusive and binding on all Eligible Shareholders and other persons to whom the determination relates. Xanadu Mines reserves the right to waive strict compliance with any provision of the terms and conditions of the SPP, to amend or vary those terms and conditions or to suspend or terminate the SPP at any time. Any such amendment, suspension or termination will be binding on all Eligible Shareholders even where Xanadu Mines does not notify you of that event.

### Step 1: Registration Name & Offer Details

Details of the shareholding and the Offer are shown overleaf.

Please check the details provided and update your address via [www.investorcentre.com](http://www.investorcentre.com) if any of the details are incorrect.

If you have a CHESS sponsored holding, please contact your Controlling Participant to notify a change of address.

### Step 2: Make Your Payment

Enter the purchase amount between \$1,000 and \$15,000.

Note that the amount chosen may be subject to scale back in accordance with the terms of the SPP.

Choose one of the payment methods shown below.

**BPAY®:** See overleaf. Do not return the payment slip with BPAY payment.

**By Mail:** Complete the reverse side of this payment slip and detach and return with your payment. Make your cheque, bank draft or money order payable in Australian dollars to "Xanadu Mines" and cross "Not Negotiable". The cheque must be drawn from an Australian bank. Cash is not accepted.

Payment will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques received may not be re-presented and may result in your Application being rejected. Paperclip (do not staple) your cheque(s) to the payment slip. Receipts will not be forwarded. Funds cannot be debited directly from your account.

Entering your contact details is not compulsory, but will assist us if we need to contact you.

Xanadu Mines Share Purchase Plan Application Form  
Payment must be received by 5:00pm (Sydney time) Friday 4 December 2015

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**Turn over for details of the Offer →**

