

Corporate Governance Statement

31 March 2020

ASX Markets Announcement Office
Exchange Centre
20 Bridge Street
Sydney NSW 2000

BY ELECTRONIC LODGEMENT

Corporate Governance Statement

Please find attached the Company's Corporate Governance Statement for release to the market.

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This Announcement was authorised for release by Xanadu's Board of Directors

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CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

The Board is responsible for establishing Xanadu Mines Ltd's (**Xanadu** or the **Company**) corporate governance framework, the key features of which are set out in this **Corporate Governance Statement**.

This Corporate Governance Statement relates to the financial year ended 31 December 2019 and is current as at 31 March 2020 (**reporting period**) and was approved by Xanadu's board of directors (**Board**). Xanadu's charters and policies referred to herein are available on Xanadu's website www.xanadumines.com under the tab "About" then "Governance".

Xanadu provides its Corporate Governance Statement with reference to the 3rd edition of the Australian Securities Exchange (**ASX**) Corporate Governance Council's, *Corporate Governance Principles (Principles) and Recommendations (Recommendations)*. Xanadu's corporate governance framework has followed the Principles during the reporting period. Where Xanadu's corporate governance framework follows a Recommendation, Xanadu has made an affirmative statement. Where Xanadu's corporate governance framework has not followed the Recommendation, Xanadu has provided its reasons for not following the Recommendation and disclosed what, if any, alternative practices Xanadu has or will adopt instead of those set out in the respective Recommendation.

As Xanadu is also listed on the Toronto Stock Exchange (**TSX**), the Company takes into consideration, National Instrument (**NI**) 58-201 *Corporate Governance Guidelines* and NI 58-101 *Disclosure of Corporate Governance Practices*, issued by the TSX.

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1:

A listed entity should disclose:

- (a) the respective roles and responsibilities of its board and management; and*
- (b) those matters expressly reserved to the board and those delegated to management.*

Xanadu has followed this Recommendation during the reporting period. The Board and Senior Executives of the Company are committed to acting responsibly, ethically and with high standards of integrity as the Company strives to create shareholder value. The Board is responsible for the overall corporate governance of the Company and has developed and adopted corporate governance practices and policies appropriate for a company of Xanadu's size and at its stage of development.

The Company has established functions reserved to the Board and some of these are set out in the *Board Charter*. The Board is responsible for setting the strategic direction of Xanadu and for oversight of the Senior Executives of Xanadu, and its responsibilities include:

- appointing the Chairman of the Board;
- appointing, appraising and removal of the Managing Director (**MD**) and/or Chief Executive Officer (**CEO**); Chief Financial Officer (**CFO**); and Company Secretary;
- setting financial strategic objectives;
- overseeing control and accountability systems;
- financial and non-financial risk management;
- the oversight and management of material business risks;
- approving and monitoring financial and other reporting to the market, shareholders, employees and other stakeholders;
- input into and final approval of corporate strategy;
- evaluating and approving the annual operating budget and business plans and holding management accountable for delivery of same;
- evaluating, approving and monitoring the progress of major capital and operating expenditure, capital management and all major corporate transactions;
- monitoring compliance with all legal, regulatory and ethical obligations;
- approving the remuneration framework for Non-Executive Directors, and Executive Directors; and
- approving employment terms and conditions for Non-Executive Directors and Senior Executives.

Dr Stewart, as CEO, is responsible to the Board for the overall management and performance of Xanadu and works closely with the Chairman, Mr Colin Moorhead. The CEO manages the Company in accordance with the strategy, plans, budgets, practices and policies approved by the Board to achieve the agreed objectives.

Senior Executives (defined as direct reports to the CEO) are responsible for supporting and assisting the CEO in implementing the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

The composition of the Board has been formed on the basis of providing the Company with the benefit of a broad range of technical, financial and administrative skills, combined with an appropriate level of experience at a senior corporate level and board representation by major shareholders. The names and further information regarding the skills, experience, qualifications, relevant expertise and term of office of the Directors are set out in the Directors' Report included in the Company's 2019 Annual Report.

The **Board Charter** is available on the Company's website www.xanadumines.com under the tab "About" then "Governance".

During the reporting period, there were a number of changes to the Board. On 26 March 2019, the Company announced that with effect from the conclusion of the Annual General Meeting held on 30 April 2019, Xanadu's two London based Non-Executive Directors, Kevin Tomlinson and Marcus Englebrecht would stand down from the Board and Melbourne based Non-Executive Director Dr. Darryl Clark, would assume the position of Executive Chairman, to reflect a renewed focus by the Company on the Australian retail shareholder market.

At the same time, it was announced that MD & CEO, Dr Andrew Stewart, then based in Mongolia, would relocate to Sydney to take up the position of CEO and remain on the Board as an Executive Director. Dr Stewart's relocation to Australia was effective as from 1 October 2019.

On 22 July 2019, it was announced that Dr Clark would step away from the role of Executive Chairman and assume the role of Non-Executive Chairman with Dr Stewart remaining in the role of CEO.

On 18 October 2019, it was announced that Mr Stephen Motteram was to be appointed as Non-Executive Director of Xanadu, having been nominated by Noble Resources International Pte Ltd as a replacement for Ms Hannah Badenach, who had indicated her intention to resign as a Non-Executive Director of Xanadu, with effect from 1 November 2019.

Finally, on 28 November 2019, it was announced that Mr Colin Moorhead had been appointed as a Non-Executive Director and Chairman of the Board of Xanadu, replacing Dr. Clark who had indicated his intention to resign as Non-Executive Director and Chairman of the Board of Xanadu, with effect from 29 November 2019.

As a result of these changes, the Board now comprises five directors, with a majority of Non-Executive Directors (Messrs Moorhead, Muscilo and Motteram), two of whom are independent (Messrs Moorhead and Muscilo) and two Executive Directors (Messrs Stewart and Lkhagvasuren) and has reconstituted its Committees whereby:

1. The membership of the **Audit and Risk Committee** now comprises three non-executive directors, two of whom are independent, namely:
 - a) Michele Muscillo (Chairman)
 - b) Colin Moorhead
 - c) Stephen Motteram
2. The membership of the **Nomination and Remuneration Committee** now comprises three non-executive directors, two of whom are independent, namely:
 - a) Michele Muscillo (Chairman)
 - b) Colin Moorhead
 - c) Stephen Motteram
3. The membership of the **Safety, Health and Environment Committee** now comprises one independent Non-Executive Director and two Executive Directors, namely:
 - a) Andrew Stewart (Chairman)
 - b) Colin Moorhead
 - c) Ganbayar Lkhagvasuren

Recommendation 1.2:

A listed entity should:

- (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and*
- (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.*

Xanadu has followed this Recommendation during the reporting period. When appointing new Directors, the Board and the Nomination and Remuneration Committee consider the mix of skills and expertise required of Directors in order for the Board to contribute to the successful oversight and stewardship of the Company and to discharge its duties under the law diligently and efficiently.

The Nomination and Remuneration Committee undertakes work on behalf of the Board to identify qualified individuals for appointment to the Board. In identifying candidates, the Committee will have regard to the selection criteria set out in the Board appointment process, which includes:

- skills, expertise and background that add to, and complement the range of skills, expertise and background of the existing Directors, giving consideration to the current and future business of Xanadu and the Board skills matrix;
- diversity; and
- the extent to which the candidate would fill a present need on the Board.

At commencement of the Non-Executive Director selection process, the Company undertakes appropriate checks on potential candidates to consider their suitability to fill a casual vacancy on the Board or for election as a Non-Executive Director.

Prior to appointment, candidates are required to provide the Chairman with details of other commitments and an indication of time involved, and to acknowledge that they will have adequate time to fulfil his or her responsibilities as a Non-Executive Director of Xanadu. In addition, all relevant background checks such as bankruptcy, qualifications, police, criminal and or civil findings are independently obtained.

Directors available for re-election at a general meeting will be reviewed by the Nomination and Remuneration Committee and if appropriate, recommended to the Board. Directors are re-elected in accordance with the Company's Constitution and the ASX and TSX Listing Rules. Shareholders will be provided with all material information for a Director's election or re-election in the Annual General Meeting (**AGM**) Notice of Meeting that would be relevant for shareholders to make a decision on whether or not to elect or re-elect a Director, such as the Director's qualifications, experience and contribution to the Board.

Recommendation 1.3:

A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

Xanadu has followed this Recommendation during the reporting period. Newly appointed Non-Executive Directors receive formal letters of appointment setting out the key terms, conditions, responsibilities and expectations of their appointment. Additionally, the Company enters into employment contracts with each Executive Director and all Senior Executives, setting out in further detail the responsibilities specifically delegated to them. The Company and each Director enter into a *Deed of Access, Indemnity and Insurance*, and a *Disclosure of Director's Interests Agreement*, as required by the ASX and TSX Listing Rules, to enable the Company to comply with its disclosure obligations.

Recommendation 1.4:

The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

Xanadu has followed this Recommendation during the reporting period. The Company Secretary is accountable to the Board, through the Chairman on all governance matters to do with the proper functioning of the Board.

Recommendation 1.5:

A listed entity should:

- (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;*
- (b) disclose that policy or a summary of it; and*
- (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:
 - (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or*
 - (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.**

Xanadu has not followed this Recommendation during the reporting period. The Company does not have a formal policy concerning diversity and has not established measurable objectives for achieving gender diversity at this time. Given the small size of the Company's workforce, which is predominantly located in Mongolia, the Board has determined that it is not currently necessary or practicable to implement a policy concerning diversity or to establish measurable objectives for achieving gender diversity. The Board will continue to consider and review matters relating to diversity, including whether it is necessary to establish formal policies and objectives as the Company matures.

Recommendation 1.6

A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and*
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.*

Xanadu has not followed this Recommendation during the reporting period. The Nomination and Remuneration Committee is responsible for developing and implementing a process for evaluating the performance of the Board, its Committees and Directors, evaluating the collective performance of the Board, the Chairman of the Board and the individual performance of all the Directors and reporting the results of the evaluation to the Board.

In respect of the reporting period and as a result of the number of changes to the Board's composition during 2019, the Nomination and Remuneration Committee did not undertake a performance evaluation of the Board, its Committees and Directors, however an evaluation is planned during FY2020.

The **Nomination and Remuneration Committee Charter** is available on the Company's website www.xanadumines.com under the tab "About" then "Governance".

Recommendation 1.7:

A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of its senior executives; and*
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process*

Xanadu has followed this Recommendation during the reporting period. The Nomination and Remuneration Committee is responsible for developing and implementing a process for evaluating the performance of Senior Executives, reviewing the individual performance of all Senior Executives and reporting the results of the evaluation to the Board.

In respect of the reporting period, the Nomination and Remuneration Committee undertook a review of the performance of the CEO, and Executive Director Mr Ganbayar Lkhagvasuren, by evaluating their performance against their respective key performance indicators (**KPIs**) set for the year and included within the Company's Short Term Incentive Plan (**STIP**). The outcome of the performance evaluations was reported to the Board to consider performance of Senior Executives.

Principle 2: Structure the Board to add value

Recommendation 2.1:

The board of a listed entity should:

(a) have a nomination committee which:

(1) has at least three members, a majority of whom are independent directors; and

(2) is chaired by an independent director,

and disclose:

(3) the charter of the committee;

(4) the members of the committee; and

(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

Xanadu has followed this Recommendation during the reporting period. The Nomination and Remuneration Committee was established to assist the Board in fulfilling its corporate governance responsibilities in regard to nomination related matters (amongst other items). Without limiting its scope, the Committee is to:

- review Board composition and succession planning, including development of a Board skills matrix;
- oversee induction and continuing education programs for Directors;
- develop and implement a process for evaluating the performance of the Board, its Committees and Directors;
- manage the process for appointing new Directors; and
- review plans for succession of key executives.

The Board has adopted a Nomination and Remuneration Committee Charter. Under the Charter, the Committee must comprise at least three members, all of whom must be Independent Non-Executive Directors.

Due to the current composition of the Board, there are only two Independent Non-Executive Directors (Messrs Moorhead and Muscillo), both of whom are on the newly constituted Nomination and Remuneration Committee, together with the other Non-Executive Director, Mr Motteram.

The profile of each of the Nomination and Remuneration Committee members and their attendance at Committee meetings during the reporting period are set out in the Directors' Report included in the Company's 2019 Annual Report.

Recommendation 2.2:

A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

Xanadu has followed this Recommendation during the reporting period. The Nomination and Remuneration Committee assists the Board in developing a Board skills matrix process to identify and assess necessary and desirable Director Skills and competencies, and provide advice to the Board on the skills and competency levels of Directors with a view to enhancing the Board composition.

The Board's skills, expertise, experience and attributes as at 31 March 2020 are set out in the table below:

Skills and Experience	The extent to which this skill or experience is present amongst directors
ASX Listed	64%
Public Company (i.e. other than ASX listed)	72%
Strategy & Growth	72%
Operations & Execution	80%
Copper Gold Exploration	76%
Industry Relationships	88%
Investor Relations	72%
Health, Safety, Environment & Community	80%
Finance & Banking	64%
Audit & Accounting	48%
Legal & Risk	64%
Governance & Compliance	80%
Doing Business in Mongolia	60%
Leadership	80%
Influential	84%
Communication & Networking	88%
Availability/time	88%

Recommendation 2.3:

A listed entity should disclose:

- (a) the names of the directors considered by the board to be independent directors;
- (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 (of the Principles) but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and
- (c) the length of service of each director.

Xanadu has followed this Recommendation during the reporting period. Directors are independent if they are not members of Management and are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement.

During the reporting period, the independence of Directors was measured having regard to the relationships listed in Box 2.3 of the ASX Principles and the Company's materiality thresholds set out in the Board Charter.

The following table sets out the names of the Directors of the Company during the reporting period, including their length of service and non-executive and independent status.

Name	Appointed	Resigned	Length of Service	Non-Executive	Independent
Kevin Tomlinson	29 May 2017	30 April 2019	1 year, 11 months	✓	✓
Colin Moorhead	29 November 2019	n/a	4 months	✓	✓
Andrew Stewart	8 March 2016 ¹	n/a	4 years, 1 month	✗	✗
Ganbayar Lkhagvasuren	28 August 2006	n/a	13 years, 7 months	✗	✗
Hannah Badenach	4 October 2011	1 November 2019	8 years, 1 month	✓	✗
Darryl Clark	9 November 2012	29 November 2019	7 years, 1 month	✓	✓
Marcus Engelbrecht	16 June 2015	30 April 2019	3 years, 10 months	✓	✗
Stephen Motteram	1 November 2019	n/a	5 months	✓	✗
Michele Muscillo	14 August 2017	n/a	2 years, 7 months	✓	✓

¹ Dr Stewart was appointed Executive Director from 8 March 2016 to 24 October 2016, and since 30 April 2019; Managing Director from 24 October 2016 to 30 April 2019 and Chief Executive Officer from 8 March 2016.

The current Board has five Directors comprising two Independent Non-Executive Directors, one nominee Non-Executive Director and two Executive Directors. The current members of the Board are:

- Mr. Colin Moorhead - Independent Non-Executive Chairman
- Dr Andrew Stewart - CEO & Executive Director
- Mr. Ganbayar Lkhagvasuren - Executive Director
- Mr. Stephen Motteram - Non-Executive Director, nominee of Noble Resources International Pte Ltd
- Mr. Michele Muscillo - Independent Non-Executive Director

Mr Motteram is not an Independent Non-Executive Director as he is a nominee of Noble Resources International Pte Ltd, a 7.20% substantial shareholder of Xanadu

Recommendation 2.4:

A majority of the board of a listed entity should be independent directors.

Xanadu has partially followed this Recommendation during the reporting period. Up to 30 April 2019, the Board comprised a majority Independent Directors, and since that date, the Board has not been comprised of a majority of Independent Directors. It is the opinion of the Board that the current size and composition of the Board is suitable for the Company at this time.

To participate in a particular Board decision, each Director must bring an independent judgement to bear, and abstain from participating in the deliberation if they have a conflict of interest.

Under the Board Charter, the Board must consist of at least a majority of Non-Executive Directors. The current Board comprises a majority of Non-Executive Directors.

Recommendation 2.5:

The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

Xanadu has followed this Recommendation during the reporting period. The Chairman of the Board is an Independent Non-Executive Director. The role of the Chairman and the CEO are not exercised by the same individual. The Board Charter sets out the distinct responsibilities of each role.

Recommendation 2.6:

A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

Director Induction and Development

Xanadu has followed this Recommendation during the reporting period. Each new Director undergoes a formal induction program in which they are given a full briefing on Xanadu, its operations and the industry in which it operates. This includes meeting members of the existing Board, Company Secretary and the Senior Executives for new Director to familiarise themselves with the Company and Board practices and procedures. The Nomination and Remuneration Committee is responsible for reviewing induction procedures for any newly appointed Director to facilitate their ability to discharge their responsibilities.

To achieve continuing improvement in Board performance and to enhance the skills of Board members, all Directors may request and undertake training and professional development, as appropriate, at the Company's expense.

Independent Professional Advice

The Company's Non-Executive Directors have the right, at the Company's cost, to seek independent professional advice in carrying out of their duties as Directors. Any Director seeking independent advice must first discuss the request with the Chairman (or Committee Chairperson as the case may be) who will facilitate obtaining such advice. The Chairman may determine that any advice received by a Director be circulated to the Board.

Principle 3: Act ethically and responsibly

Recommendation 3.1:

A listed entity should:

- (a) have a code of conduct for its directors, senior executives and employees; and*
- (b) disclose that code or a summary of it.*

Code of Conduct

Xanadu has followed this Recommendation during the reporting period. The Company's *Code of Conduct* governs all of Xanadu's commercial operations and the conduct of Directors, Senior Executives and all employees, contractors, consultants and all other people when they represent Xanadu (**Personnel**).

The Code of Conduct discloses the practices necessary to maintain confidence in the integrity of the Company and its subsidiaries, the practices necessary for the Company to fulfil its legal obligations, the responsibility and accountability of individuals for reporting and investigating reports of unethical behaviour; and clarifies the standards of ethical behaviour required of the Board, Senior Executives and all employees to encourage the observance of those standards.

The Board monitors implementation of the Code of Conduct. All Personnel are requested to report immediately, any circumstances which may involve a breach of the Code of Conduct, to the Company Secretary, the CEO or the Chairman. The Code of Conduct protects individuals who, in good faith, report conduct which they reasonably believe to be corrupt, illegal or unethical on a confidential basis, without fear of reprisal, dismissal or discriminatory treatment.

The **Code of Conduct** is available on the Company's website www.xanadumines.com under the tab "About" then "Governance".

Securities Trading Policy

The Company's *Securities Trading Policy* applies to all Personnel. The Policy prohibits Personnel from dealing in Xanadu securities while in possession of price-sensitive or inside information.

In addition, Directors and Senior Executives of the Company and its subsidiaries (**Designated Persons**) and any family member or associate over whom a Designated Person has influence (**relevant persons**), may deal in Xanadu securities by following the 'notice of intent to deal' procedures set out in the Policy, but are prohibited from dealing in Xanadu securities (subject to exceptional circumstances) during certain blackout periods. Designated Persons and relevant persons are prohibited from entering into hedging arrangements or otherwise permitting a grant of a charge over Xanadu's securities.

Directors and Senior Executives are not permitted to enter into transactions with securities (or any derivative thereof) in associated products which limit the economic risk of any unvested entitlements awarded under any equity-based remuneration scheme currently in operation or which will be offered by the Company in the future.

The **Securities Trading Policy** is available on the Company's website www.xanadumines.com under the tab "About" then "Governance".

Principle 4: Safeguard integrity in corporate reporting

Recommendation 4.1:

The board of a listed entity should:

(a) have an audit committee which:

- (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and*
- (2) is chaired by an independent director, who is not the chair of the board,*

and disclose:

- (3) the charter of the committee;*
- (4) the relevant qualifications and experience of the members of the committee; and*

- (5) *in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
- (b) *if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.*

Xanadu has followed this Recommendation during the reporting period. The Board has established an Audit and Risk Committee and adopted an *Audit and Risk Committee Charter*. Under the Charter, and to comply with TSX requirements, the Committee must comprise at least three members, all of whom must Independent Non-Executive Directors and the Chair of the Committee will not be the Chair of the Board. Due to the current composition of the Board, there are only two Independent Non-Executive Directors (Messrs Moorhead and Muscillo), both of whom are on the newly constituted Audit and Risk Committee, together with the other Non-Executive Director, Mr Motteram. The Chair of the Committee is Mr Muscillo, who is an Independent Non-Executive Director.

All members of the Committee must be able to read and understand financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and level of complexity of the issues reasonably expected to be raised by the Company's financial statements.

The Company considers that the Audit and Risk Committee members collectively have the mix of skills and expertise appropriate for the Company.

Committee members' qualifications and their attendance at the Audit and Risk Committee Meetings are set out in the Directors' Report included in the Company's 2019 Annual Report. All the Committee members are financially literate and have an understanding of the industry in which the Company operates.

The **Audit and Risk Committee Charter** is available on the Company's website www.xanadumines.com under the tab "About" then "Governance".

Recommendation 4.2:

The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Xanadu has followed this Recommendation during the reporting period. Prior to Board approval of Xanadu's quarterly, half-year and annual financial reports, the CEO and CFO must provide the Board with signed declarations required under or consistent with (as the case may be) section 295A of the *Corporations Act 2001(Cth)* (**Corporations Act**) and Recommendation 4.2 of the Principles (**Declaration**).

For the financial year ended 31 December 2019, the CEO and CFO provided the Board with Declarations that, in their opinion, the financial records of Company had been properly maintained and that the financial statements complied with the appropriate accounting standards and gave a true and fair view of the financial position and performance of the Company and that the opinion had been formed on the basis of a sound system of risk management and internal control which was operating effectively.

A similar Declaration was given by the CEO and CFO in respect of the half-year ended 30 June 2019 and each Quarterly Report throughout the financial year ended 31 December 2019.

Recommendation 4.3:

A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

Xanadu has followed this Recommendation during the reporting period. Xanadu's external auditor attends each AGM and is available to answer shareholder questions about the conduct of the audit and preparation and content of the Independent Auditor's Report. Xanadu believes this is important in both promoting and encouraging shareholder participation in the meeting and providing balanced and understandable information. The Company also considers that this reflects and underlines the role of the auditor and the auditor's accountability to shareholders.

Principle 5: Make timely and balanced disclosure

Recommendation 5.1:

A listed entity should:

- (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and*
- (b) disclose that policy or a summary of it.*

Xanadu has followed this Recommendation during the reporting period. The Board has adopted a *Continuous Disclosure and Shareholder Communications Policy* to ensure the Company's compliance with its disclosure obligations under the Corporations Act and ASX and TSX Listing Rules. The Policy outlines the procedures that apply to the central collection, control, assessment and if required, release to ASX and TSX of material information.

The only persons authorised to speak to ASX or TSX or externally (such as analysts, investors, brokers or shareholders) in relation to the Company are the:

- Chairman;
- CEO; and
- Company Secretary.

The **Continuous Disclosure and Shareholder Communications Policy** is available on the Company's website www.xanadumines.com under the tab "About" then "Governance".

Principle 6: Respect the rights of security holders

Recommendation 6.1:

A listed entity should provide information about itself and its governance to investors via its website.

Xanadu has followed this Recommendation during the reporting period. The Board is committed to providing shareholders with sufficient information to enable them to assess the performance of Xanadu, and to inform shareholders of major developments affecting the state of affairs of the Company. Information is communicated to shareholders by lodging all relevant financial and other information with the ASX and TSX, and publishing information on Xanadu's website, www.xanadumines.com.

Xanadu's website contains an overview of the Company's profile and businesses. The following Company and governance information is available on the website:

- Xanadu's strategy and projects;
- Board and Management profiles;
- Corporate Governance Charters and Policies;
- Corporate directory, including Share Registry contact details;
- ASX / TSX Announcements - current and historical;
- Investor and other presentations;
- Technical reports;
- Financial and annual reports; and
- Share price information.

Recommendation 6.2:

A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors

Xanadu has followed this Recommendation during the reporting period. Xanadu will hold its AGM on Friday, 8 May 2020 and the Chairman and the CEO will engage with shareholders in advance of the AGM, as appropriate.

Should shareholders wish to contact the Company, the **contact details** of Xanadu and its Share Registry are available on the Company's website www.xanadumines.com under the tab "About" then "Corporate Directory".

Xanadu recognises the importance of its relationships with investors and analysts. The Chairman and the CEO are each the primary contacts for communicating with the investment community. Further details are contained in the **Continuous Disclosure and Shareholder Communications Policy** available on the Company's website www.xanadumines.com under the tab "About" then "Governance".

Recommendation 6.3:

A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

Xanadu has followed this Recommendation during the reporting period. To encourage shareholder engagement and participation at the AGM and general meetings of members, shareholders have the opportunity to attend, ask questions on the floor, participate in voting and meet the Board and Management in person.

Shareholders who are unable to attend the AGM or any general meetings of members are encouraged to vote on the proposed motions by using the online voting facility maintained by the Company's Share Registrar, or by appointing a proxy via the proxy form accompanying the Notice of Meeting. Shareholders have the opportunity to submit written questions to the Company and external auditor ahead of the AGM, or make comments on the management of the Company, and they can access AGM presentations and speeches made by the Chairman and the CEO, lodged by the Company with the ASX and TSX prior to the commencement of the meeting. The Company will publish results of the AGM or general meeting with the ASX and TSX following the conclusion of the AGM or general meeting and these can be accessed on the Company's website www.xanadumines.com under the tab "Investors" and then "Announcements".

Recommendation 6.4:

A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

Xanadu has followed this Recommendation during the reporting period. Shareholders have the option of receiving all shareholder communications by email (including notification that the Annual Report and Notices of Meetings are available to view online on the Company's website). Shareholders can also subscribe to ASX / TSX announcement email alerts via the Xanadu website www.xanadumines.com under the tab "Contact" then "Alerts". Electronic communications have the added advantage of being more timely and cost effective, which benefits all shareholders.

The Company's contact details are available on the Company's website www.xanadumines.com under the tab "Contact". Shareholders can contact Xanadu via email at info@xanadumines.com.

Principle 7: Recognise and manage risk**Recommendation 7.1:**

The board of a listed entity should:

- (a) *have a committee or committees to oversee risk, each of which:*
- (1) *has at least three members, a majority of whom are independent directors; and*
 - (2) *is chaired by an independent director,*
- and disclose:*
- (3) *the charter of the committee;*
 - (4) *the members of the committee; and*
 - (5) *as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
- (b) *if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.*

Xanadu has followed this Recommendation during the reporting period. The oversight of financial and non-financial risk management is a responsibility of the Audit and Risk Committee.

Audit and Risk Committee

Refer to commentary under Recommendation 4.1 above for further information about this Committee.

Safety, Health and Environment Committee

In addition, the Safety, Health and Environment Committee assists the Board in fulfilling its corporate governance responsibilities in regard to safety, health, environment and community matters concerning Xanadu, including operational risk management.

Under the *Safety, Health and Environment Committee Charter*, the Committee must comprise at least three members with a majority of Non-Executive Directors and the Chairman of the Committee is to be an Independent Non-Executive Director. Due to the current composition of the Board, there is only one Non-Executive Director (Mr Moorhead) on the newly constituted Safety, Health and Environment Committee, together with the two Executive Directors, Messrs Stewart and Lkhagvasuren.

The Company considers the Committee's members collectively have the mix of skills and expertise appropriate for the Committee to assist the Xanadu Board.

The profile of each of the Safety, Health and Environment Committee members and their attendance at Committee meetings during the reporting period are set out in the Directors' Report included in the Company's 2019 Annual Report.

The **Safety, Health and Environment Committee Charter** is available on the Company's website www.xanadumines.com under the tab "About" then "Governance".

Recommendation 7.2:

The board or a committee of the board should:

- (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and*
- (b) disclose, in relation to each reporting period, whether such a review has taken place.*

Xanadu has followed this Recommendation during the reporting period. As noted above, the oversight of financial and non-financial risk management is a responsibility of the Audit and Risk Committee. The Board has required Management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires Management to report to the Audit and Risk Committee at least every six months, confirming that those risks are being managed effectively.

During the reporting period, the Board received a two formal reports from Management as to the effectiveness of the Company's management of its material strategic and operational risks. In addition, assurances were given by the CEO and the CFO to the Board at the time of approving the financial statements for the half-year ended 30 June 2019 and the full-year ended 31 December 2019, which the Board considers adequate for the current size and scope of the Company's operations.

Recommendation 7.3:

A listed entity should disclose:

- (a) if it has an internal audit function, how the function is structured and what role it performs; or*
- (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.*

Xanadu has followed this Recommendation during the reporting period. Given the small size and scope of the Company's operations, the Board has not established an internal audit function. During the reporting period, the Audit and Risk Committee was responsible for oversight of the Company's internal processes and practices and assessing the effectiveness of the Company's risk management and internal control processes.

Recommendation 7.4:

A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

Xanadu has followed this Recommendation during the reporting period. The Board recognises that material risks facing the Company are the more significant areas of uncertainty or exposure to the Company that could adversely affect the achievement of the Company's objectives and successful implementation of its business strategies.

Details about the Company's material business risks, such as political and regulatory risks, capital management and exchange rate and commodity price risks, and approach to managing these business risks are set out in the Management's Discussion and Analysis, set out in the 2019 Annual Report.

The Board considers these material risks as part of its periodic risk management review, based upon reports from the Safety, Health and Environment Committee, the Audit and Risk Committee or Senior Executives (including the CEO and Chief Geologist).

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1:

The board of a listed entity should:

(a) *have a remuneration committee which:*

(1) *has at least three members, a majority of whom are independent directors; and*

(2) *is chaired by an independent director,*

and disclose:

(3) *the charter of the committee;*

(4) *the members of the committee; and*

(5) *as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*

(b) *if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.*

Xanadu has followed this Recommendation during the reporting period. The Nomination and Remuneration Committee was established to assist the Board in fulfilling its corporate governance responsibilities in regard to remuneration related matters (amongst other items). Without limiting its scope, the Committee is to:

- review and make recommendations to the Board on the remuneration framework for Non-Executive Directors and Executive Directors and Senior Executives;
- review Senior Executive performance and any performance-related incentive recommendations; and
- review and recommend to the Board any awards under the Xanadu Incentive Equity Plan.

Refer to commentary under Recommendation 2.1 above for further information about this Committee.

Recommendation 8.2:

A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

Xanadu has followed this Recommendation during the reporting period. Non-Executive Directors are paid fees from an aggregate sum of \$350,000, approved by shareholders of the Company. The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers fees paid and securities issued to Non-Executive Directors of comparable companies when undertaking the annual review, as well as the time commitment of directors in discharging duties at Board and Committee meetings and any additional assistance provided to the Company. Currently, the Non-Executive Director base fee is \$52,000 per annum and a Committee Chairman receives \$4,000 per annum per committee. The Non-Executive Chairman receives a fee of \$120,000 per annum.

There are no retirement schemes for Non-Executive Directors, other than superannuation. Non-Executive Directors are remunerated at a fixed fee for time, commitment and responsibilities and their remuneration is not linked to the operating performance of the Company. From time to time and where appropriate, the Company may issue equity awards to Non-Executive Directors subject to shareholder approval. Currently, no equity-based incentives have been issued to any of the Non-Executive Directors

Pay and rewards for Executive Directors and Senior Executives consists of a base salary and performance incentives. Long term performance incentives are delivered via share rights granted at the discretion of the Board and subject to obtaining the relevant shareholder approvals. Currently, there are no long term performance incentives outstanding to Executive Directors and Senior Executives.

Senior Executives are offered a competitive level of total remuneration at market rates and these are reviewed annually to ensure market competitiveness.

Details of remuneration, including the Company's policy on remuneration, are contained in the Remuneration Report which forms part of the Directors' Report included in the Company's 2019 Annual Report. The Company's remuneration policies are reflected in the Company's Remuneration Philosophy (as set out at the start of the Remuneration Report).

The Company's Remuneration Philosophy is to establish competitive remuneration, including performance incentives, consistent with the Company's long term development and success, to ensure remuneration is fair and reasonable, taking into account all relevant factors, and within appropriate controls or limits, ensure performance and remuneration are appropriately linked, that all remuneration packages are reviewed annually or on an ongoing basis in accordance with Management's remuneration packages and that retirement benefits or termination payments (other than notice periods) will not be provided or agreed other than in exceptional circumstances.

During the year, a new Executive Contract was agreed with the CEO, the details of which were advised to the ASX and TSX in an announcement dated 18 October 2019.

Recommendation 8.3:

A listed entity which has an equity-based remuneration scheme should:

- (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and*
- (b) disclose that policy or a summary of it.*

Xanadu has followed this Recommendation during the reporting period. In accordance with the Company's *Securities Trading Policy*, Directors and Senior Executives are not permitted to enter into transactions with securities (or any derivative thereof) in associated products which limit the economic risk of any unvested entitlements awarded under any equity-based remuneration scheme currently in operation or which will be offered by the Company in the future.

The **Securities Trading Policy** is available on the Company's website www.xanadumines.com under the tab "About" then "Governance".