# Update to Executive Contract Arrangements

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TORONTO, Dec. 17, 2018 - Xanadu Mines Ltd. (ASX: XAM( (Xanadu or the Company) advises that it has today signed new Executive Contracts with the Managing Director and Chief Executive Officer (MD & CEO), Dr Andrew Stewart, and Executive Director, Mr Ganbayar Lkhagvasuren.

Updates to Dr Stewart’s contract were required to reflect that the MD & CEO would remain domiciled in Mongolia, in order to be closer to the Company’s projects, rather than relocating to Australia as previously planned and disclosed to the market on 24 October 2016. Dr Stewart’s salary and benefits will revert to the terms as were in place prior to October 2016 (and are summarised in Annexure A).

The material terms of the Mr Lkhagvasuren’s new contract are:

- Total Fixed Remuneration (TFR) including Base Salary and contributions, if any, required under applicable Superannuation Legislation of US$265,000;
- eligibility to participate in the Company’s discretionary short term incentive (STI) plan, currently up to 50% of TFR and the Board in its absolute unfettered discretion may decide to pay any or all of any STI payment to the Executive in either shares in the Company or as a cash award;
- The Executive may terminate the Contract for any reason by giving 6 months’ notice to the Company;
- The Company may terminate the Contract for any reason by giving a period of 9 months’ notice to the Executive;
- A post-employment restriction, with a Customer of the Company within the last 12 months, for a period of 9 months in Mongolia, Indonesia and Australia;
- The Executive remains entitled to the 4 million Share Rights (“Rights”) (Tranche 1: 2 million Rights; Tranche 2: 2 million Rights) approved by shareholders at the General Meeting held on 16 November 2017. The Vesting Condition which must be satisfied in respect of the Rights are as set out in Annexure A. The Tranche 1 Rights Vesting Condition was not satisfied on 26 July 2018 and so the Tranche 1 Rights did not lapse and will be subject to the Tranche 2 Rights Vesting Condition (defined below) and tested on the date that the Tranche 2 Rights are tested (26 July 2019).

For further information, please contact:

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ANNEXURE A: KEY ENGAGEMENT TERMS

The key terms of Mr Stewart’s Executive Contract are summarised in the following table for the purposes of ASX Listing Rule 3.16.4.

| Item | Description |
|---|---|
| Andrew Stewart - *Managing Director & Chief Executive Officer* (“Executive”) | |

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|---|---|
| Total Fixed Remuneration (TFR) | TFR comprises:<br>a) Base Salary and contributions, if any, required under applicable Superannuation L<br>b) the Base Salary is the TFR less the contributions, if any, required under applicable<br><br>The gross value of the Executive's TFR is US$290,173. This amount is fixed and is to |
| Short-Term Incentive (STI) | In addition to TFR, the Executive will also be eligible to participate in the Company&r<br><br>Currently, the STI is up to 50% of TFR and the Board in its absolute unfettered discre<br><br>The Executive acknowledges that he has no ongoing entitlement to receive the STI b |
| Long-Term Incentive (LTI) | The Executive remains entitled to the 7 million Share Rights (“Rights”) a<br><br>The Rights were issued in 2 tranches:<br><br>● Tranche 1: 3.5 million Rights<br>● Tranche 2: 3.5 million Rights<br><br>The Vesting Conditions which must be satisfied in respect of the Rights are as follows<br><br>● Tranche 1 Rights - the volume weighted average price of the Company's Share<br>● Tranche 2 Rights - the VWAP of the Company's Shares as traded on ASX is eq<br><br>The Tranche 1 Rights Vesting Condition were not satisfied on 29 May 2018 and so th |
| Termination | The Executive may terminate the Executive Contract for any reason by giving 6 mont<br><br>The Company may terminate the Executive Contract for any reason by giving a perio |
| Post-Employment Restriction | The Executive has a post-employment restriction, with a Customer of the Company w |