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LABORATORY RESULTS CONFIRM HIGH QUALITY COAL AT NUURSTEI

- **MULTIPLE COAL SEAMS CONFIRMED IN FIRST 4 DRILL HOLES.**
- **A COMPREHENSIVE RECONNAISSANCE DRILL PROGRAM IS CURRENTLY UNDERWAY.**

Mongolian explorer and developer, Xanadu Mines Ltd ("Xanadu") (ASX:XAM) is pleased to announce that it has now received all of the raw coal sample analyses from its first diamond drill hole at the recently acquired Nuurstei Coal Joint Venture, in northern Mongolia.

The first diamond drill hole at Nuurstei intersected a thick package of coal bearing sediments (greater than 290 metres thick) containing a number of coal seams (up to 6 metres apparent thickness). Initial raw coal quality analyses on the first hole carried out by SGS in Mongolia, indicate the potential for low to medium volatile coking coal seams with minor intervals of thermal coal.

Initial raw coal quality analyses indicate the following characteristics:

- Low to medium volatile coal – 13 to 20 % air dried (ad)
- Low total moisture - < 9.91 % as received (ar)
- Low sulphur - < 0.4 % (ad)
- Ash variable – 19.03 % to 39.38% (ad)
- Calorific values ranging – from 5000 to 6800 Kcal/kg (ad)
- Coal Swell numbers (CSN) between 4 and 8.5

All results have been provided by SGS Laboratories in Ulaanbaatar, Mongolia.

Washability, coking and plastometric tests have commenced on the coal samples and results will be available shortly. Coal quality analysis of the latest holes will take place progressively over the next few months as part of the US\$1.5m drilling program.

To date Xanadu and Noble's Joint Venture Company, Ekhgoviin Chuluu LLC, has completed 4 diamond holes for a total of 1,393 metres, with all holes intersecting significant coal intervals across multiple seams.

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Commenting on the results, Xanadu's Chairman Brian Thornton said "the initial coal quality results from the first hole at Nuurstei are very encouraging, with subsequent drilling confirming the discovery of a potentially significant new coking coal province in Northern Mongolia within reasonable distance of the Erdenet rail network."

Grab sample taken from nearby Nuurstei test pit



About the Nuurstei Coking Coal Project

The Nuurstei Project is the first project of the recently formed Xanadu - Noble Strategic Alliance in Mongolia targeting coking coal and iron ore opportunities.

The Nuurstei project covers an area of more than 3,000ha and is located in a newly identified coking coal province in northern Mongolia. The Strategic Alliance has committed to spend US\$1.5m on exploration as part of its commitment to earn 60% of the project and could move to 80% following completion of resource estimation in compliance with the JORC code.

A comprehensive reconnaissance drill program is currently underway and is expected to take at least 3 months to complete. One multi-purpose rig is now operating on a double shift basis on the first phase of 3,500 metres of diamond and mud rotary drilling.

ABOUT XANADU MINES

Xanadu Mines Ltd (ASX: XAM) is a Mongolian exploration company which listed on the ASX on 21 December 2010. It currently has two thermal coal assets, Galshar and Khar Tarvaga, and is progressing exploration of its highly prospective suite of licences for coal, copper and gold in the south east Gobi. Xanadu recently acquired the highly prospective Sharchuluut Uul porphyry copper project 40km from the Erdenet copper mine in north west Mongolia, which is the largest copper producer in the region.

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Xanadu's strategy is to target energy and metals opportunities in the Trans-Mongolian rail corridor, near rail infrastructure or within close proximity to the Chinese border. With a 6 year track record in Mongolia and an experienced world-class exploration team, Xanadu is ideally placed to identify and capitalise on opportunities to meet the burgeoning energy and metals needs of China and nearby Asian markets.



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Competent Person Statement

Information on the Company's exploration results is sourced from information compiled by Mr. Rod Williams. Mr. Williams is an employee of Xanadu Mines and is a Member of the Australasian Institute of Mining and Metallurgy and has sufficient experience in the areas being reported on to qualify as the "Competent Person" as defined in the 2004 Edition of the "Australasian Code for the Reporting of Mineral Resources and Reserves". Mr. Williams consents to the information in the form and context in which it appears.

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