



ASX / MEDIA RELEASE

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- **ACQUISITION OF A 100% INTEREST IN THE KHAVTSGAIT COAL PROJECT IN NORTHERN MONGOLIA.**
- **KHAVTSGAIT IS LOCATED WITHIN A HIGHLY PROSPECTIVE COAL BEARING SEDIMENTARY BASIN, KNOWN TO HOST PREMIUM HARD COKING COAL.**

Xanadu Mines Ltd (Xanadu) (ASX: XAM) is pleased to announce the acquisition of the Khavtsgait coal project ("the Project"). The project is located in the Khuvsgul province of northern Mongolia, approximately 60 kilometres east of the Province centre of Murun and 230 kilometres west of the established rail spur at Erdenet (Figure 1).

The acquisition will be undertaken via Ekhgoviin Chuluu LLC ("EC"), a vehicle established by Xanadu and Noble to seek out and develop premium metallurgical coal opportunities as part of their strategic alliance.

Under the terms of the agreement EC will acquire 100% of the Khavtsgait exploration licence (15142X), which covers approximately 2,869 hectares. The highly prospective exploration licence overlies an early to middle Mesozoic aged coal bearing sedimentary basin. Similarly aged basins in northern Mongolia, such as the Ovoot Coking Coal Project (owned by ASX listed Aspire Mining Limited), are known to host premium hard coking coal deposits.

The Khavtsgait opportunity was recognised as part of a thorough regional reconnaissance exploration program conducted by EC's experienced geologists. Initial exploration, which included trenching, indicates the early to middle Mesozoic stratigraphic sequence at Khavtsgait is consistent with EC's newly discovered Nuurstei coking coal project (see Figure 1) located approximately 60 kilometres to the west. The deal represents the third major metallurgical coal acquisition in Mongolia for EC which was created in March 2011.

Commenting on the transaction, Xanadu's Chairman Brian Thornton said, "the Khavtsgait acquisition further underpins the core strategy of EC – to identify and develop significant metallurgical coal opportunities, close to existing infrastructure, that will meet anticipated current and future demands from China and North Asian markets.

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With the acquisition of a second metallurgical coal project in Khuvsgul by EC, our exploration focus on the newly emerging metallurgical coal basins of northern Mongolia is coming to fruition.”

The Khavtsgait acquisition follows EC’s recently announced Javkhlant coking coal joint venture located on the Chinese border in south west Mongolia.

A comprehensive exploration program is planned to commence at the Khavtsgait metallurgical coal project immediately.

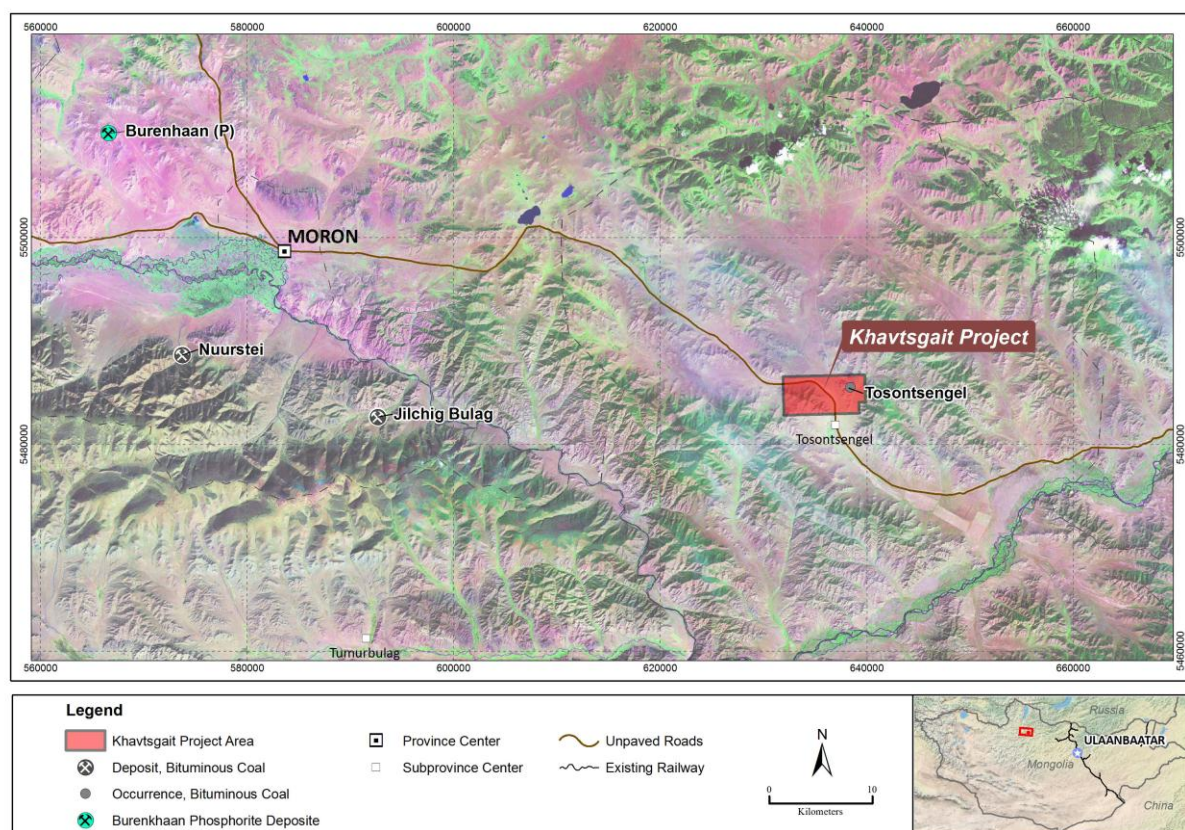


Figure 1: Location map showing the location of the Khavtsgait Exploration Project.

ABOUT XANADU MINES

Xanadu Mines Ltd (ASX: XAM) is a Mongolian exploration company which listed on the ASX on 21 December 2010, following a raising of A\$24m. It currently has two thermal coal assets, Galshar and Khar Tarvaga and is progressing exploration of its highly prospective suite of licences for coal (coking and thermal), copper and gold in the south east Gobi, and copper at Sharchuluut. Its strategy is to target energy and metals opportunities in the Trans Mongolian rail corridor or within close proximity to the Chinese and Russian borders. With a 6 year track record and an experienced world-class exploration team, Xanadu is ideally placed to identify and capitalise on opportunities to meet the burgeoning energy and metals demand from China and nearby Asian markets.

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