



ASX / MEDIA RELEASE

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30 YEAR MINING LICENCE GRANTED FOR KHAR TARVAGA COAL PROJECT IN MONGOLIA.

DEVELOPMENT POTENTIAL OF COAL TO LIQUIDS (CTL) AND SYNTHETIC NATURAL GAS (SNG) TO BE FURTHER EVALUATED FOR KHAR TARVAGA.

Xanadu Mines Ltd (Xanadu) (ASX: XAM) is pleased to announce that the Mineral Authority of Mongolia has granted a mining licence (MV16871) for the Khar Tarvaga Coal Project, covering a total area of 83.50 square kilometres (8,350.76 ha). The Khar Tarvaga Project mining licence has been granted for an initial term of 30 years with an option for two twenty year extensions, providing for a total of 70 years of mining operations.

Xanadu has a 100% interest in the Khar Tarvaga Project which is located in the Tov Province in Eastern Mongolia, approximately 150 kilometres South East of Ulaanbaatar. The project is very well located being proximal to both rail, road and power infrastructure (approximately 36 kilometres from the trans-Mongolian railway).

Drilling by Xanadu at the Khar Tarvaga Project has identified a significant sub-bituminous coal resource in excess of 327 Mt of which more than half is indicated status and described as being amenable to mining by open cut methods.

The coal within the Khar Tarvaga mining licence is a sub-bituminous, high volatile coal suitable for power generation and potentially gasification as part of a coal to liquids (CTL) or synthetic natural gas (SNG) production facility. There are three principal coal seams at Khar Tarvaga which have defined continuity and significant resources. The seams dip gently (less than 5 degrees) to the south, and appear to be structurally continuous.

The deposit is well situated to supply a mine mouth power station and the domestic coal market.

Commenting on Khar Tarvaga, Xanadu's Chairman Brian Thornton said "we have completed an extensive technical scoping study as part of our development strategy and to assist in identifying potential developers and end users of this significant, well located coal resource. A study by Nexant Inc concluded that the KT coal deposit was ideally suited to the production of liquid hydrocarbon fuels, i.e. clean diesel, petrol and avgas via the proven indirect liquefaction

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route. Now with the certainty of a 30 year mining licence and Mongolia's growing annual fuel deficit of more than US\$800m, Xanadu will redouble its efforts to engage potential technical and equity partners to develop the project."

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 three coking coal projects Nuurtsei, Javkhalant and Khavtsgait, all in joint venture with the Noble Group and has two 100% owned JORC compliant thermal coal assets, Galshar and Khar Tarvaga. In addition, Xanadu is progressing exploration of its highly prospective suite of licences for gold in the south east Gobi, and copper at its 100% owned Sharchuluut project, near Erdenet. 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.

Table 1: JORC Coal resources – Khar Tarvaga Coal Project.

Seam	Resource Category	Seam Thickness (m)	Tonnage (Mt)	IM (ad %)	Ash (ad %)	VM (ad %)	FC (ad %)	Total Sulphur (ad %)	Specific Energy (MJ/Kg)
A	Indicated	3.70	23	16.1	42.2	24.2	17.4	0.60	10.18
	Inferred	1.79	5	16.1	42.2	24.2	17.5	0.62	10.15
	Total		28						
BU	Indicated	5.20	82	19.4	26.0	27.7	26.9	1.22	15.02
	Inferred	4.00	100	17.8	25.1	29.2	27.7	1.57	15.89
	Total		182						
BL	Indicated	4.12	67	21.9	20.5	29.3	28.4	1.14	16.01
	Inferred	2.90	50	20.4	21.4	29.8	28.5	0.89	15.84
	Total		117						
Grand Total			327						

Figure 1: Location of Xanadu Mines Projects in Mongolia.



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Competent Person Statement

Khar Tarvaga Coal Project

The estimates of Coal Resources for the Khar Tarvaga Coal Project presented in this company media release have been carried out in accordance with the JORC Code (2004). The information that relates to Khar Tarvaga Coal Resources, is based on information reviewed by Mr Tri Yoso in his report dated November 2007, who is a Member of The AusIMM and was previously an employee of SRK Consulting. Mr Yoso has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person. Mr Yoso consents to the inclusion in the media release of the matters based on his information in the form and context in which it appears.