



6/12/2011

- **KEY MILESTONE FOR THE GALSHAR PROJECT WITH ESTABLISHMENT OF A COAL RESOURCE OF 170 MT.**
- **MINING LICENCE APPLICATION UNDERWAY.**

Xanadu Mines Ltd ("Xanadu") (ASX: XAM) is pleased to announce a coal resource for the Galshar Coal Project ("the Project"). Xanadu has a 100% interest in the Project located in the Dornogovi Province of Eastern Mongolia, 65 kilometres from rail infrastructure and 200 kilometres from the China border.

The Galshar Coal Project comprises three contiguous exploration licences (EL15292X, EL12553X and EL9383X) covering over 131 square kilometres (13,152 hectares) in the Choir-Nyalga Coal Basin (Figure 1). Galshar is strategically located within 65 kilometres of a rail spur at the Bor Undor fluorite mine, which connects to the Trans Mongolian Rail system to China.

Independent geological consultants – McElroy Bryan Geological Services ("MBGS") has prepared the coal resource on EL15292X, EL12553X, EL9383X in accordance with the Australian Guidelines for the Estimation and Reporting of Inventory Coal, Coal Resource and Coal Reserves (March 2003). Resources are reported in compliance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("The JORC Code") 2004 Edition.

MBGS has completed a compilation and assessment of exploration to date and have estimated an initial Indicated and Inferred Resource of 170Mt. The resources comprise 70Mt of Indicated and a further 100Mt of Inferred, all of which are at depths of less than 120 metres.

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**Coal Resources: GALSHAR, MONGOLIA**

Depth Interval <sup>1</sup> (m)	Seam	Area (Km <sup>2</sup> )	Thickness <sup>2</sup> (m)	In situ density <sup>3</sup> (g/cc)	Raw Ash (% arb)	Total Sulphur (% arb)	CV (Kcal/Kg arb) <sup>5</sup>	CV (Kcal/Kg adb) <sup>6</sup>	CV (Kcal/Kg daf) <sup>7</sup>	Resources (Mt)	
										Indicated	Inferred
<50m	G9	0.86	1.76	1.26	16.0	0.50	2,750	3,500	6,560	-	2.1
	G8	1.56	2.46	1.35	29.0	0.20	2,200	2,970	6,400	5.99	4.0
	G7	0.57	0.50	1.30	19.0	0.80	2,900	3,580	6,580	-	0.4
	G6	1.28	2.63	1.28	14.5	0.50	3,250	4,220	6,700	3.94	5.1
	G5	1.04	1.62	1.30	19.5	0.40	2,700	3,500	6,510	1.46	2.8
	G4	1.61	4.35	1.30	16.5	0.80	3,000	3,800	6,590	-	9.1
	G3	1.20	6.66	1.30	25.0	0.60	2,550	3,290	6,350	-	8.8
	G2	0.88	0.62	1.28	17.0	0.80	2,900	3,750	6,590	0.27	0.7
	G1	1.18	8.66	1.24	11.0	0.60	3,300	3,880	6,680	1.79	13.6
<b>Total Resources &lt;50m</b>										<b>13.45</b>	<b>46.6</b>
50 - 100m	G8	0.10	1.27	1.31	25.0	0.25	2,250	3,570	6,580	0.17	0.0
	G7	0.63	0.55	1.30	19.0	0.80	2,900	3,580	6,580	-	0.4
	G6	0.98	2.65	1.28	16.0	0.40	3,100	3,930	6,620	4.34	1.2
	G5	1.23	1.68	1.31	22.0	0.40	2,600	3,300	6,450	3.56	1.3
	G4	2.29	4.51	1.30	16.0	0.80	3,050	3,860	6,600	-	13.2
	G3	2.33	7.15	1.30	22.0	0.40	2,700	3,420	6,440	-	21.9
	G2	1.64	0.97	1.29	17.5	0.30	3,000	3,600	6,570	2.71	1.2
	G1	2.37	13.14	1.24	9.5	0.50	3,400	4,100	6,690	40.90	39.1
<b>Total Resources 50 - 100m</b>										<b>51.69</b>	<b>78.4</b>
100 - 150m <sup>4</sup>	G2	0.06	0.86	1.23	8.0	0.25	3,500	4,290	6,750	0.06	-
	G1	0.61	10.53	1.22	8.0	0.25	3,400	4,230	6,750	5.54	-
<b>Total Resources 100 - 150m</b>										<b>5.60</b>	
<b>Total Resources</b>										<b>70.73</b>	<b>125</b>
<b>Total Resources (Rounded)</b>										<b>70</b>	<b>100</b>

**Notes to Accompany Coal Resources Table**

*Resource totals have been rounded to appropriate levels of accuracy in accordance with the 2004 JORC Code.*

- 1) Depth from topography surface.
- 2) A minimum ply thickness of 0.3m was applied to the resource estimate.
- 3) Density values derived from gridded data and/or default density values where data was insufficient.
- 4) Resources reported in the range 100-150m all exist at depths <120m.
- 5) ARB = "as received basis"
- 6) ADB = "air dried basis"
- 7) DAF = "dry ash free basis"

Commenting on the Galshar Coal Project, Xanadu's Chairman Brian Thornton said "we are very pleased to have successfully defined a thermal coal resource to JORC classification code at Galshar, with easy road and rail access to the China market and which is suitable for power generation and proven coal to liquids (CTL) technologies. The company has now commenced the necessary permit process for a Mining Licence at the Galshar project.

In conjunction with our Khar Tarvaga thermal coal project, the addition of Galshar represents a 51% increase in the company's JORC compliant coal resource inventory to 497mt."

### 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 with a combined resource of 497Mt. 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.

Figure 1: Location of Xanadu Mines Projects in Mongolia.



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**Competent Person's Statement**

*The information in this announcement that relates to the mineral resources only at Galshar is based on information evaluated by Charles Parbury who is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Parbury is a fulltime employee of McElroy Bryan Geological Services Pty Ltd. Mr Parbury is a qualified geologist and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Report of Exploration Results, Mineral Resources and Ore Reserves' (The JORC Code). Mr Parbury consents to the inclusion in the report of the matters based on his information regarding only the Galshar resource in the form and context in which it appears.*

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