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OYUT ULAAN COPPER GOLD PROJECT AMENDED ACQUISITION TERMS

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- **Xanadu enters amended definitive documents to acquire Oyut Ulaan**
 - **Contingent consideration based on recognition of a JORC resource**
 - **Mining license granted for the highly prospective copper-gold porphyry project**
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Xanadu Mines Ltd (**ASX: XAM – “Xanadu”**) is pleased to announce that it has entered into definitive documents to complete the acquisition of the Oyut Ulaan copper-gold porphyry project from Temujin Mining Corp (“**Temujin**”).

Xanadu and Temujin have agreed to amend the original acquisition terms such that Xanadu will acquire a 90% interest in the project for the following consideration:

- work in kind to complete the Oyut Ulaan mining license application (completed);
- payment of US\$600,000 plus the issue of 5,000,000 Xanadu shares; and
- the issue of Series A & B performance share options contingent on the recognition of a JORC resource of up to 900,000 tonnes contained copper equivalent.

The acquisition was first announced on 10 May 2012 and its initial implementation delayed by changes in Mongolia’s foreign investment law. The Mongolian Parliament recently approved amendments to the law allowing the acquisition to proceed.

The new terms substantially de-risk the acquisition for Xanadu by materially reducing the upfront share consideration in exchange for a modest cash payment and the issuance of performance share options contingent on JORC resource targets. Temujin’s acceptance of performance-based consideration is a strong sign of confidence in both the project’s potential and improving business conditions in Mongolia.

Xanadu’s CEO, George Lloyd, said “Xanadu and Temujin have worked closely together to reach a sustainable agreement that will allow both parties the opportunity to unlock value at the highly prospective Oyut Ulaan copper-gold porphyry project.”

The Oyut Ulaan mining license has been granted and accordingly Xanadu earned a circa 25% interest. The completion of the transaction is conditional upon approval by Xanadu’s shareholders and the Government of Mongolia.

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Xanadu will distribute a Notice of Meeting shortly in which shareholders will be asked to consider the issue of the shares and performance share options to Temujin. Summary transaction terms are appended to this announcement and will be set out in detail in an Explanatory Memorandum to be circulated with the Notice of Meeting.

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ABOUT XANADU MINES

Xanadu Mines Ltd is a Mongolian exploration company focused on advancing its portfolio of highly prospective copper-gold projects. The company has also partnered with the Noble Group of Hong Kong in a coking coal joint venture and holds two thermal coal assets.

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APPENDIX: OYUT ULAAN ACQUISITION TERMS

Xanadu to earn 90% of the share capital of Vantage LLC (“Vantage”) from Temujin Mining Corp (“Temujin”) upon and subject to Xanadu:

- (a) taking over all exploration, engineering, administrative and other activities and the costs in connection with developing the project (completed);
- (b) advancing MNT 680,000,000 for the mining licence; application (completed);
- (c) paying of six hundred thousand United States Dollars (US\$600,000) at completion; and
- (d) issuing five million (5,000,000) Xanadu shares at completion;
- (e) issuing 15 million Series A and 20 million Series B Performance Share Options; and
- (f) completion of the acquisition being approved by Xanadu shareholders and the Foreign Investment Regulation and Registration Division of the Mongolian Ministry of Economic Development.

The terms of the Performance Share Options include:

- (a) Series A: the definition of a JORC Code compliant resource of at least three hundred thousand (300,000) tonnes of contained copper equivalent; and
- (b) Series B: the definition of a JORC Code compliant resource of at least nine hundred thousand (900,000) tonnes of contained copper equivalent.

Xanadu also agrees to incur minimum expenditure on the project of:

- (a) one million United States Dollars (US\$1,000,000) before the date which is 18 months after approval by the Government of Mongolia; and
- (b) three million United States Dollars (US\$3,000,000) (inclusive of the US\$1,000,000 initial commitment) before the date which is 30 months after approval by the Government of Mongolia.

Xanadu will circulate a Notice of Meeting to call a General Meeting at which Xanadu shareholders will consider and vote on the issuance of the Performance Share Options (and issuance of the Performance Shares upon exercise of the Performance Share Options if necessary) to Temujin or to any shareholder of Temujin as directed.