



8/3/2011

Xanadu Mines commences extensive drilling programme at its Galshar coal project in South East Mongolia

Xanadu Mines Ltd (ASX : XAM) is pleased to announce that exploration drilling has commenced at its 100% owned Galshar thermal coal Project, 250km South East of Ulaanbaatar. As announced previously, Galshar has a coal exploration target on the area and the aim of the current drilling programme is to enhance and extend that target into a JORC code compliant resource.

Drilling commenced at Galshar late last week with two diamond drill rigs operating on a double shift basis. The field camp has been set up to support the drilling, an excavator trenching programme and a detailed regional topographic survey of the Galshar basin. A ground magnetic survey of the coal basin will commence shortly.

It is anticipated that the first phase of the programme will take at least two months to complete, which may then be expanded to allow for more detailed JORC Reserve drilling in priority areas.

Drilling to date encouraging

The two holes drilled to date, which are part of a 36 hole programme, have confirmed seam thicknesses of approximately 20 metres in both holes; intersections are detailed below but assay results are not yet available. A map of the drilling locations is also attached.

Holes Completed

HOLE_ID	UTM_E	UTM_N	DEPTH	ANGLE	AZIMUTH
XMDH0018	442174	5150177	116.90	-90	000
XMDH0019	441174	5150186	105.20	-90	000

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Significant Coal Intercepts

HOLE_ID	From	To	Coal Interval
XMDH0018	14.32	14.9	0.58
	15.99	17.35	1.36
	18.38	19	0.58
	20.5	21.89	1.39
	22.3	22.63	0.33
	29.35	29.8	0.45
	30.1	31.6	0.5
	32	33	1
	35.95	36.25	0.3
	38.55	39	0.45
	43.6	43.92	0.32
	45.82	46.12	0.3
	47.64	48.1	0.46
	48.37	49.42	1.05
	50.5	51.05	0.55
	51.6	52.3	0.77
	52.65	53	0.35
	54.8	58.8	4
	59.35	75	15.65
XMDH0018	17.83	19.5	0.67
	20.65	20.95	0.3
	22.6	22.94	0.34
	45.7	46.07	0.37
	48.95	49.85	0.9
	50.22	54.25	3.93
	55.99	57.83	1.84
	58.2	70.2	12
	71.14	73.33	2.19

Xanadu's Chairman, Brian Thornton said. "In addition to its Galshar project, the company has embarked on an aggressive programme over the winter recess to evaluate a number of coal and potential porphyry copper opportunities across the south and the north of the country. Xanadu has previously announced it aims to spend about \$6m on exploration in 2011 on existing and new projects. This will be in addition to exploration spending on coking coal and iron ore as part of the proposed Noble Xanadu strategic alliance.

Xanadu's coal strategy is to focus on projects strategically located close to existing or planned infrastructure, or near the Chinese border, and with the potential to produce in excess of 2mtpa of coal for 10 -20 years.

With respect to the proposed Noble Xanadu strategic alliance, it is Xanadu's expectation that long form documentation of the transaction announced on 2 February to the ASX will be completed by 23 March 2011."

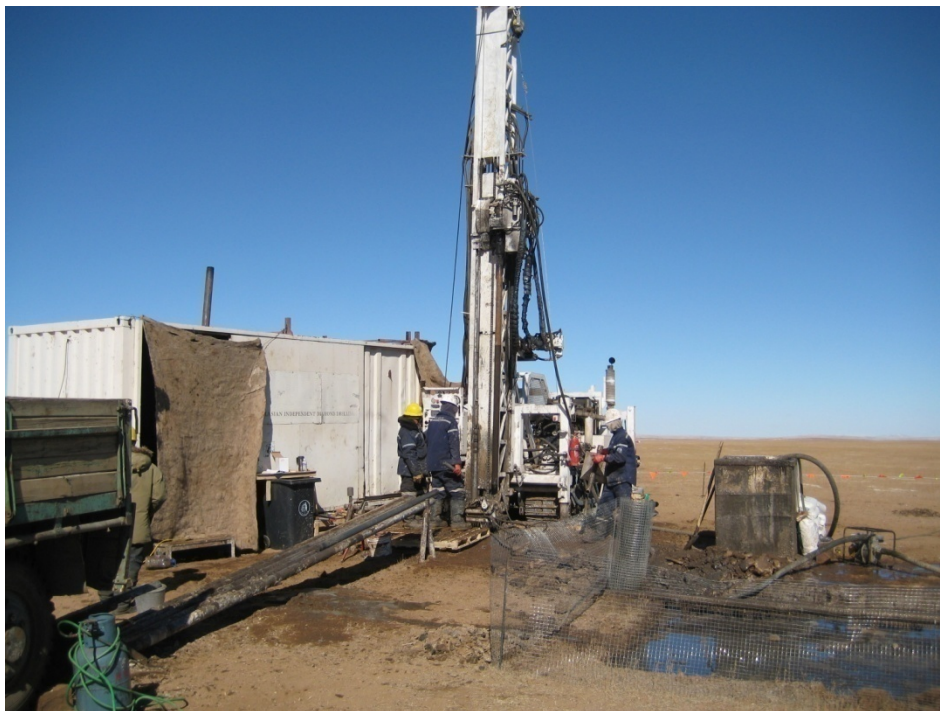
For further information

Contact : Brian Thornton, Chairman, on +61 411 366 668 or

Email : info@xanadumines.com

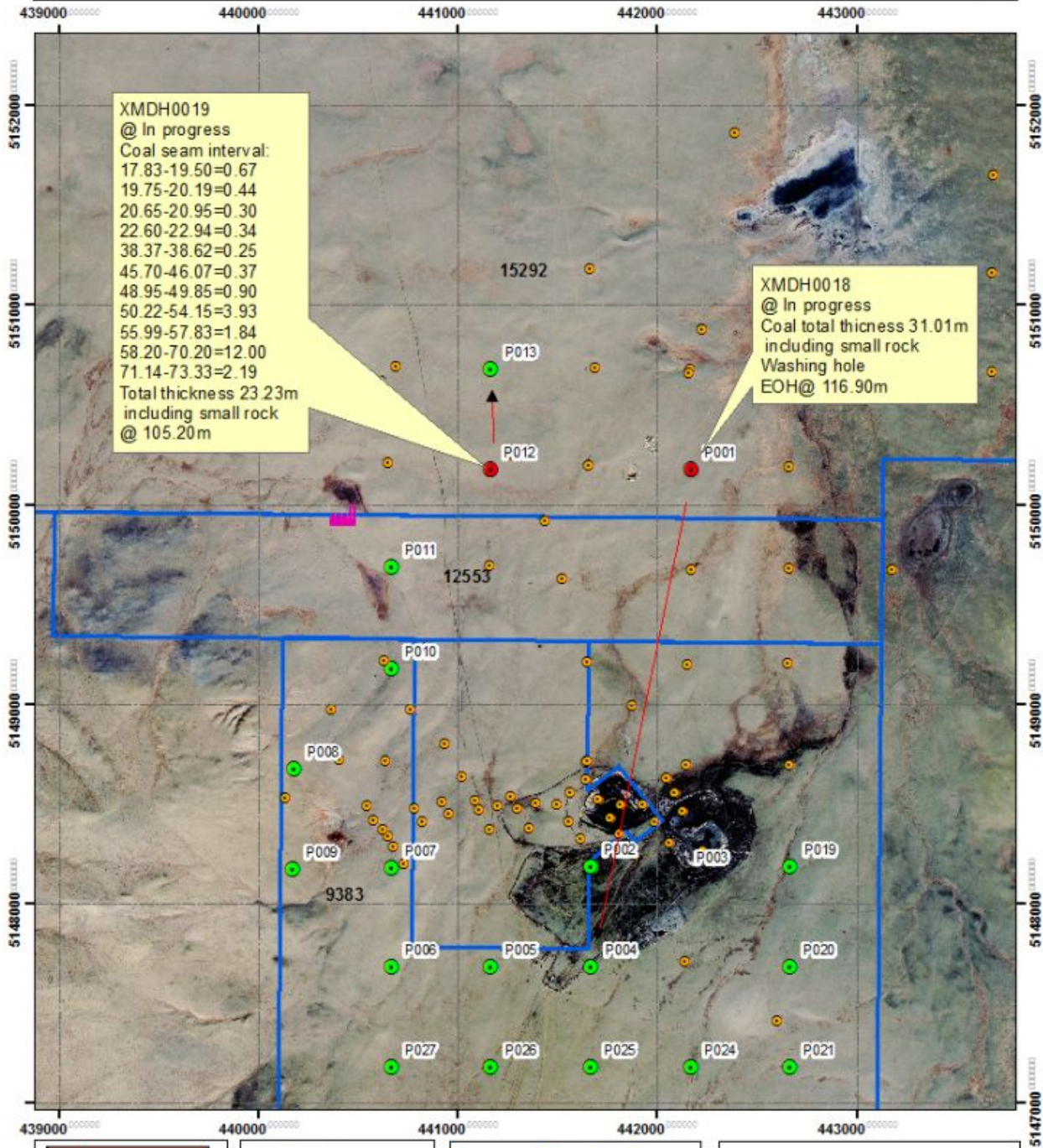
Competent Person Statement

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.



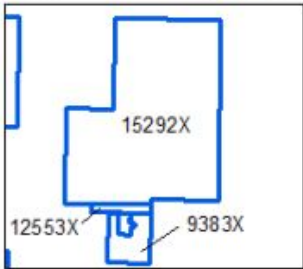
Diamond drilling the first hole at Galshar

Galshar Project, Drilling, Daily Map



Map set: Map-1
 Scale: 25 000

Xanadu Mines Ltd
 Office: Field (Galshar) Kehntii, Domogovi province
 Map: Daily map Galshar and Ikhkhiet subprovince



Legend
Proposal Drilling holes_2011

- Planned holes, No marked
- In progress
- Previous drilled holes
- Galshar camp 2011
- Galshar tenements