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- **EXPLORATION DRILLING COMMENCES AT THE HIGHLY PROSPECTIVE SOLENKER EPITHERMAL GOLD-SILVER PROSPECTS.**
- **A COMPREHENSIVE GEOPHYSICS PROGRAM IDENTIFIED NUMEROUS HIGH PRIORITY DRILL TARGETS.**

Xanadu Mines Ltd (Xanadu) (ASX:XAM) is pleased to announce that exploration drilling has commenced at the highly prospective Elgen-Zost-Suug epithermal gold and silver exploration Joint Venture, known as the Solenker Epithermal Gold Project ("the Project"). A multi-purpose drill has been contracted and is currently onsite.

The Elgen-Zost-Suug licences are located in the Dornogovi Province of southern Mongolia, approximately 750 kilometres south-southeast of Ulaanbaatar and less than 50 kilometres from the Chinese border (Figure 1).

Under the terms of the agreement, Xanadu, which has a 51% interest, can earn up to 80% of the Elgen-Zost-Suug exploration licences by meeting various spending commitments. Xanadu has retained a 100% interest in any other commodities that may be found on the licences.

The five large exploration licenses which make up the Solenker Gold Project, covering more than 400 square kilometres, lie along the southern border with China and host the three low sulphidation epithermal precious metal targets at Suug, Zost Uul and Elgen Uul. All prospects are interpreted to represent the upper levels of a low sulphidation epithermal system enriched in gold. With moderate reliefs of about 50m at Suug, Zost Uul and Elgen Uul the epithermal alteration systems are reasonably well exposed. Structural interpretations based on detailed mapping of the distribution of auriferous quartz-adularia veins and enclosing breccia zones, indicate inflexions and dilational zones, which will be drill tested in this current exploration drill program.

A comprehensive geophysics program of ground magnetics and dipole-dipole induced polarisation has been recently completed at Suug and Zost and numerous additional drill targets have been generated.

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Commenting on the Solenker exploration program, Xanadu’s Chairman Brian Thornton said “it represents one of the standout advanced gold exploration opportunities in southern Mongolia where previous explorers had encountered extensive anomalism in shallow drilling but had been discouraged by the windfall profits tax on gold at the time. Xanadu was fortunate to acquire this highly prospective ground and has subsequently defined 3 potentially high grade low sulphidation epithermal targets. The 2,000 metre diamond drilling program planned will run until the onset of winter with results released progressively over the next 3 months.”

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 two thermal coal assets, Galshar and Khar Tarvaga, and is progressing exploration of its highly prospective suite of licences for coal (coking at Nuurstei and Javkhalant), copper and gold in the south east Gobi. Xanadu recently acquired the highly prospective Sharchuluut Uul porphyry copper project 40km from the Erdenet copper mine in north-west Mongolia, which is the largest copper producer in the region.

Xanadu’s strategy is to target energy and metals opportunities in the Trans-Mongolian rail corridor, near rail infrastructure or within close proximity to the Chinese border. With a 6 year track record in Mongolia and an experienced world-class exploration team, Xanadu is ideally placed to identify and capitalise on opportunities to meet the burgeoning energy and metals needs of China and nearby Asian markets.

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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.