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- **XANADU MINES ACQUIRES NEW COKING COAL EXPLORATION PROJECT IN THE HIGHLY PROSPECTIVE SOUTH WEST GOBI AS PART OF ITS STRATEGIC ALLIANCE WITH THE NOBLE GROUP.**
- **THE JAVKHALANT PROJECT IS LOCATED 22 KILOMETRES FROM THE BURGASTAI BORDER CROSSING WITH CHINA.**

Xanadu Mines Ltd (“**Xanadu**”) (ASX:XAM) is pleased to announce the finalisation of a farm-in agreement on the Javkhant exploration project (the “**Project**”), as part of its strategic alliance with Noble Group Limited (“**Noble**”) (SGX:N21). The Project is located in the south western Gobi Altai Province of Mongolia (Figure 1), approximately 22 kilometres from the Burgastai border crossing point into China and only 200 kilometres from the Chinese rail network at Hami (Figure 1).

The earn-in agreement will be undertaken via Ekhgoviin Chuluu LLC (“**EC**”), the Joint Venture vehicle established to seek out and develop new coking coal opportunities as part of the strategic alliance between Xanadu and Noble.

Under the terms of the agreement, EC can earn up to 80% of the Javkhant coal exploration licence by meeting various spending commitments over 2 years. These include up to US\$230,000 on drilling to earn the first 60%, followed by a commitment to complete a JORC resource to earn a further 20%, taking EC’s interest to 80% of the Project.

The large (1,005.64 square kilometres) exploration license which lies along Mongolia’s southern border with China, is located in the south west Gobi basin known to host premium coking and thermal coal deposits of Permian and Carboniferous age. The highly prospective opportunity was recognised as part of a thorough regional reconnaissance program currently being conducted by EC’s geologists.

A comprehensive exploration program is planned to commence at the Javkhant Project immediately.

The deal represents the second major project acquisition for the newly formed Xanadu–Noble alliance, following finalisation of the Nuurstei coking coal joint venture in early June 2011.

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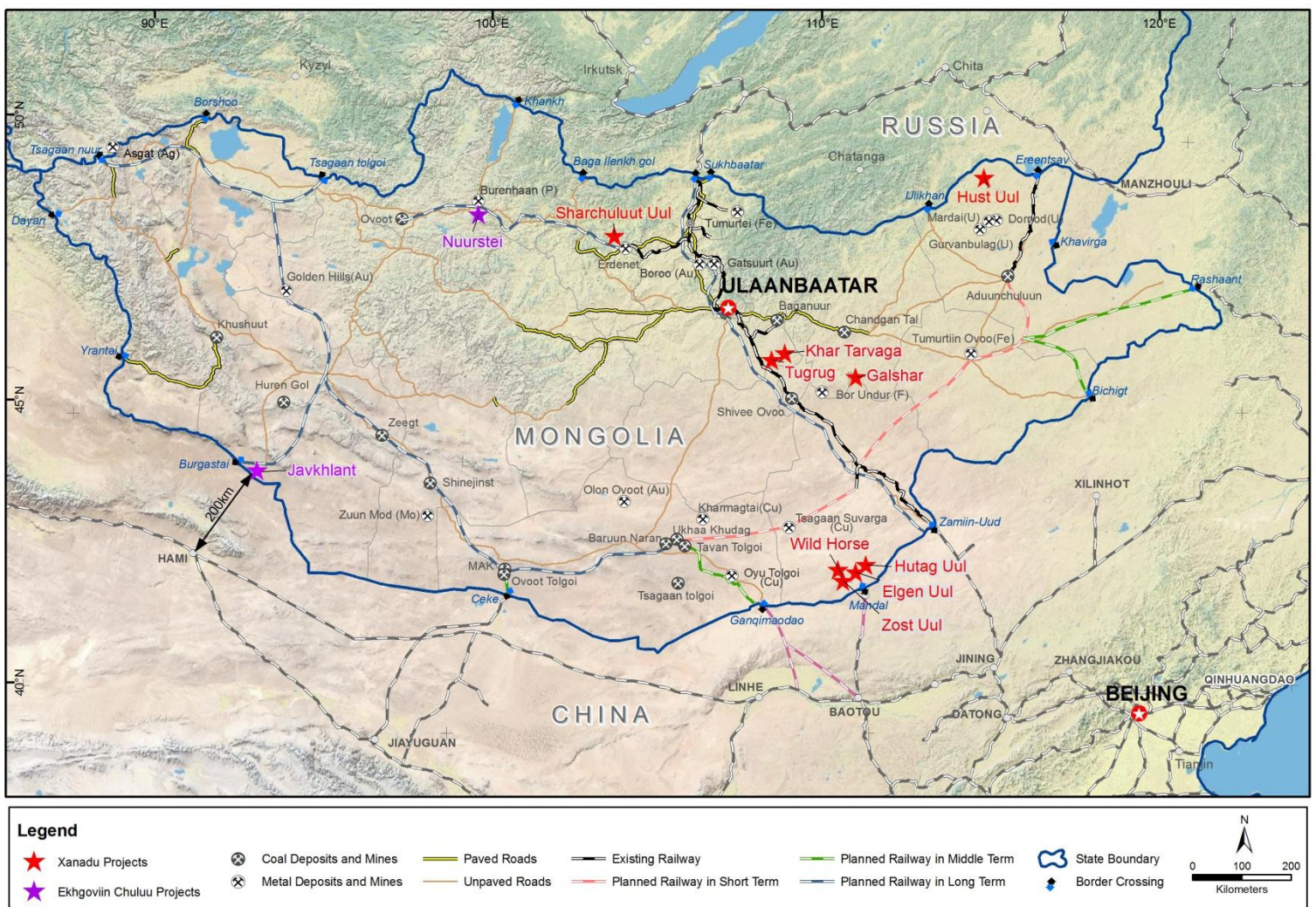
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The new Javkhlant joint venture reinforces the core strategy of EC which is to identify and develop significant coking coal opportunities, close to existing infrastructure, that will meet anticipated current and future demands from Chinese and North Asian markets.

Commenting on the transaction, Xanadu's Chairman Brian Thornton said "Javkhlant further demonstrates the intention of the alliance to become the principal mid-tier coking coal group operating in Mongolia through an aggressive exploration and acquisition strategy based on exploring newly recognised or emerging coal belts within Mongolia."

Currently Xanadu has an experienced team of 24 staff operating in Ulaanbaatar assessing a range of coking coal and copper/gold opportunities throughout Mongolia.

**Figure 1:** Xanadu Mines project location map



## ABOUT XANADU MINES

Xanadu Mines Ltd (ASX: XAM) is a Mongolian exploration company which listed on the ASX on 21 December 2010, following a raising of A\$24m. 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), copper and gold in the south east Gobi. Xanadu recently acquired the highly prospective Sharchuulut Uul porphyry copper project 40 km from the Erdenet copper mine in north west Mongolia.

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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