

4 June 2014

DRILLING COMMENCES AT KHARMAGTAI

HIGHLIGHTS

- **Diamond drilling has commenced at the Kharmagtai copper-gold project.**
- **The drilling will test high-grade extensions of the mineralisation delineated by previous exploration and new areas of mineralisation adjacent to these prospects.**
- **Over 10,000m of drilling to a depth of around 300m from surface so as to target shallow, high-grade mineralisation that is amenable to open pit mining.**

INTRODUCTION

Xanadu Mines Ltd (ASX: XAM – “**Xanadu**”) is pleased to announce that it has commenced drilling at the Kharmagtai copper-gold porphyry project. Kharmagtai is located approximately 120km north of the world-class Oyu Tolgoi copper project and 420km south-southeast of Ulaanbaatar in Mongolia’s south Gobi region. Kharmagtai is a gold-rich porphyry system with excellent potential to extend the known mineralisation in addition to making new discoveries.

DRILL PROGRAM

The Kharmagtai district consists of a cluster of porphyry prospects associated with late-stage quartz monzodiorite porphyry stocks emplaced on the flanks of the Kharmagtai Intrusive Complex. Previous exploration at Kharmagtai has delineated three shallow, gold-rich porphyry copper prospects at Altan Tolgoi, Tsagaan Sudal and Zesen Uul, and tested a number of other targets. The mineralisation remains open at Altan Tolgoi and Tsagaan Sudal while Zesen Uul may represent an off-faulted block from a larger system.

The drill program has been designed to test potential extensions to high-grade mineralisation at the three prospects and identify new areas of adjacent mineralisation under shallow cover. An initial 45 drill holes have been planned, comprising over 10,000m of drilling typically to a true depth of around 300m from surface. The initial exploration target covering the three prospects was set out in the March 2014 Quarterly Activities Report and accompanying revised JORC Table 1 as released on 29 April 2014 and which continues today.

The drill program has been developed around a realistic geological model and is expected to contribute to defining shallow, high-grade (greater than 0.6-0.8% copper equivalent) mineralisation at Kharmagtai that is amenable to open pit mining.

 **CONTACT**
George A. Lloyd
Managing Director
T: +852 6397 3308
george.lloyd@xanadumines.com

www.xanadumines.com

 **AUSTRALIA**
c/o Company Matters Pty Limited
Level 12, 680 George Street
Sydney NSW 2000
T: +612 8280 7497

 **MONGOLIA**
2nd Khoroo, Military Town
AOS Street, Bayanzurkh District
Ulaanbaatar, Mongolia
T: +967 5011 0211

 **ASX**
XAM



COMPETENT PERSONS STATEMENT

The information in this announcement relating to Exploration Results and Exploration Targets is based on information compiled or reviewed by Dr. Andrew Stewart, who is an employee of Xanadu and is a Member of the Australasian Institute of Geoscientists. Dr. Andrew Stewart has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as the “Competent Person” as defined in the 2012 Edition of the “Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves”. Dr. Andrew Stewart consents to the inclusion in the announcement of the matters based on his information in the form and context in which it appears.

For further information, please contact:

George A. Lloyd
Managing Director
T: +852 6397 3308
george.lloyd@xanadumines.com

www.xanadumines.com

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