



15/3/2012

- **EXPLORATION DRILLING TO COMMENCE AT THE SHARCHULUUT UUL PORPHYRY COPPER PROJECT IN APRIL 2012**
- **XANADU APPOINTS MAJOR DRILLING MONGOLIA LLC**
- **XANADU TO DRILL A MINIMUM OF 6,000 METRES BASED ON PRELIMINARY GEOLOGICAL AND GEOPHYSICAL MODELLING**

Xanadu Mines Ltd (Xanadu) (ASX: XAM) is pleased to announce that exploration drilling will commence shortly at its highly prospective Sharchuluut Uul porphyry copper project (“the Project”). Major Drilling Mongolia LLC has been appointed drill contractor to undertake the first phase of exploration drilling at Sharchuluut Uul with a minimum of 6,000m of diamond and reverse circulation drilling.

The Sharchuluut Uul project is located in the Bulgan Province of Mongolia (Figure 1), approximately 230km northwest of Ulaanbaatar and only 30km northwest, and along strike, from Mongolia’s largest producing copper deposit at Erdenet (estimated mineral resource in 2004 of 2370Mt @ 0.38% Cu and 0.013% Mo). The Sharchuluut project consists of a cluster of five porphyry-related prospects: Sharchuluut Uul, Bukhin Gol, Salkhit Khushuu, Modon Khushuu and Khamartyn (Figure 2), which occur within the central part of Exploration Licence 13670x (Kholboo) held 100% by Xanadu Copper Mongolia LLC. The exploration license covers approximately 488km² and remains relatively unexplored.

The Sharchuluut Project was identified as an area of prospective porphyry-style alteration mineralisation as part of a regional exploration programme. Since acquiring the project in March 2011, Xanadu has conducted extensive geological/alteration mapping, rock-chip and stream sediment sampling and detailed ground geophysics (magnetics, gravity and IP) over the area. The project contains porphyry copper mineralisation and porphyry related lithocaps, often resembling the shallow parts of porphyry copper systems. By comparison with other belts worldwide, such characteristics are optimal for porphyry copper opportunities. Numerous drill targets have been generated and will be tested in this first phase of drilling.

XANADU MINES LTD
ACN 114 249 026

Sydney Office

Suite 4, Level 2, 66 Oxford Street
Darlinghurst NSW Australia 2010
T + 61 2 9332 4322
F + 61 2 9332 3269
E info@xanadumines.com

Mongolian Office

2nd Khoroo, AOSStreet
MilitaryTown, Bayanzurkh District
Ulaanbaatar, Mongolia
T +976 11 5011 0211

Commenting on Sharchuluut, Xanadu's Chairman Brian Thornton said, "the project represents a compelling copper exploration opportunity in a world class porphyry district which will be subjected to an intensive diamond drilling program in 2012. Sharchuluut is along strike from Mongolian's largest producing copper, molybdenum mine at Erdenet which currently produces approximately 354,000 metric tons of copper concentrate and 3,500 tons of molybdenum concentrate each year. Xanadu is fortunate to have exposure to this brown fields copper opportunity, close to rail and infrastructure at a time of robust copper prices. Drilling is expected to commence in early April following mobilisation."



Figure 1: Location map showing the location of the Sharchuluut Uul Exploration Project.

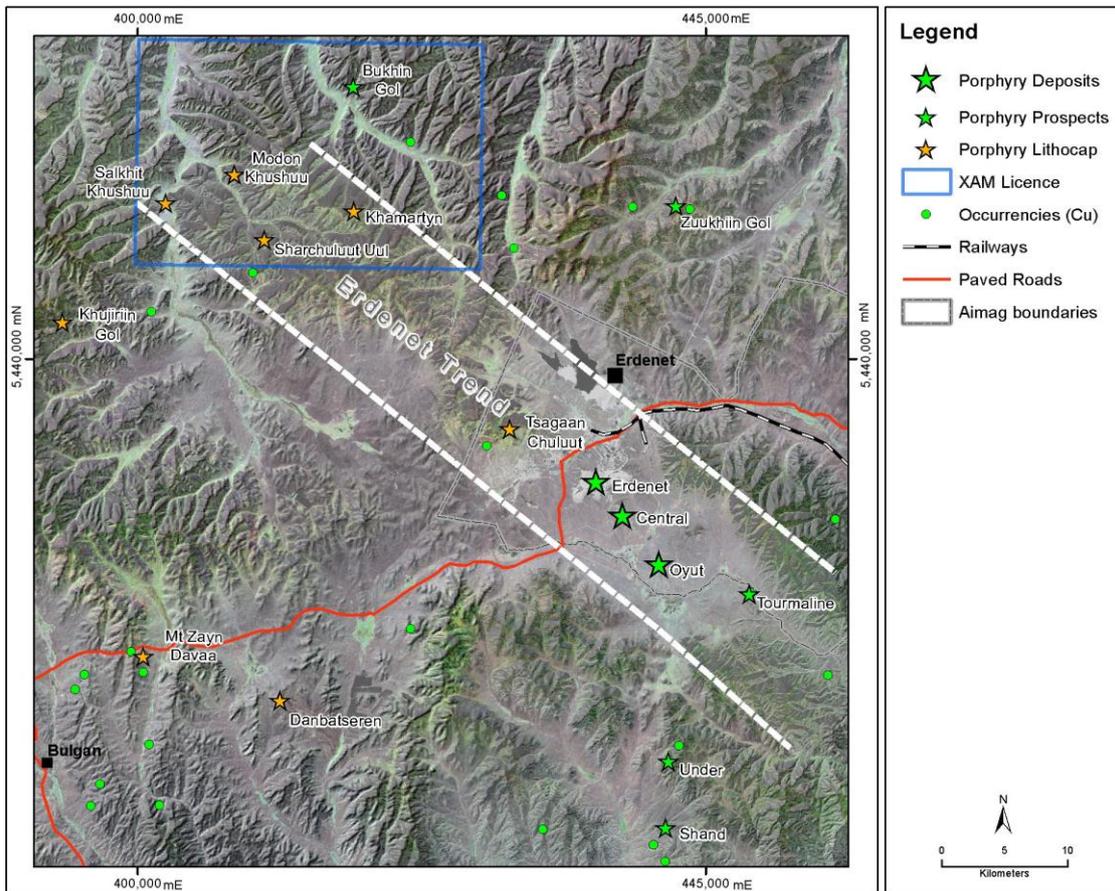


Figure 2: The Sharchuluut Uul project consists of a cluster of five porphyry-related prospects located at the north-western end of the well-defined Erdenet Trend, which occur within the central part of Exploration Licence 13670x.

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 is currently conducting exploration of its highly prospective suite of licences for copper and gold in the south east Gobi, porphyry copper at Sharchuluut and coking coal on its Ekhgoviin Chuluu (EC) joint venture projects with Noble Group. Its strategy is to target metals and coking coal opportunities in the Trans Mongolian rail corridor or within close proximity to the Chinese and Russian borders. With a 6 year track record and an experienced world-class exploration team, Xanadu is ideally placed to identify and capitalise on opportunities to meet the burgeoning metals and minerals demand from China and nearby Asian markets.

For further information:

Brian Thornton
Chairman
+61 411 366 668 or
Email: info@xanadumines.com

Andrew Stewart
Chief Geologist and Country Manager, Mongolia
+976 99999211

Competent Person Statement

Information on the Company's exploration results is sourced from information compiled by Dr. Andrew Stewart. Dr. Stewart is an employee of Xanadu Mines and is a Member of the Australasian Institute Geoscientists 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". Dr. Stewart consents to the information in the form and context in which it appears.