



23/1/2012

- **HIGHLY PROSPECTIVE SOUTH GOBI PORPHYRY COPPER-GOLD EXPLORATION LICENSES ACQUIRED BY XANADU MINES.**
- **DETAILED GROUND EXPLORATION TO COMMENCE SHORTLY.**

Xanadu Mines Ltd (Xanadu) (ASX:XAM) is pleased to announce the finalisation of a farm-in agreement on the extensive Amgalant and Argalant Uul porphyry copper-gold exploration licenses ("the Project"). Under the terms of the agreement, Xanadu Mines can earn up to 80% of the Amgalant and Argalant Uul exploration licences by meeting various spending commitments over 2 years. Initially Xanadu will issue shares as consideration for the purchase of the licenses, the equivalent of US\$500,000.

The two exploration licenses, which present a rare opportunity in the current market for porphyry copper targets, are located in the south Gobi region of southern Mongolia, approximately 460 kilometres southeast of the capital of Ulaanbaatar (Figure 1), in the central part of the highly prospective south Gobi porphyry belt. They are approximately 110 kilometres northeast of the world-class Oyu Tolgoi Cu-Au Project & proximal to the large undeveloped Tsagaan Suvarga copper-molybdenum deposit (Figure 2). The southern Mongolian Palaeozoic magmatic belt hosts most of the known porphyry and intrusion-related mineralisation in the south Gobi.

Both exploration licenses Amgalant (15157X) & Argalant (15259X) were granted in 2008 for 9 years, therefore allowing Xanadu sufficient time to carry out an extensive exploration and resource drilling program.

NEW COPPER LICENCES COVER MORE THAN 1,000 SQ KMS

Both exploration licenses are large (Amgalant – approximately 109 square kilometres and Argalant Uul – approximately 895 square kilometres), remain relatively under explored and occur in a shallowly eroded porphyry-type environment. Initial exploration has identified numerous, large geophysical anomalies similar to the footprints recognised at Oyu Tolgoi and could indicate the presence of porphyry mineralisation at depth.

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The Amgalant and Argalant Uul porphyry copper-gold exploration licenses were identified as the result of the systematic evaluation of prospective mineral belts in Mongolia by Xanadu's geological team. A substantial exploration effort will be undertaken on both exploration licenses given the potential for the discovery of large concealed porphyry deposits.

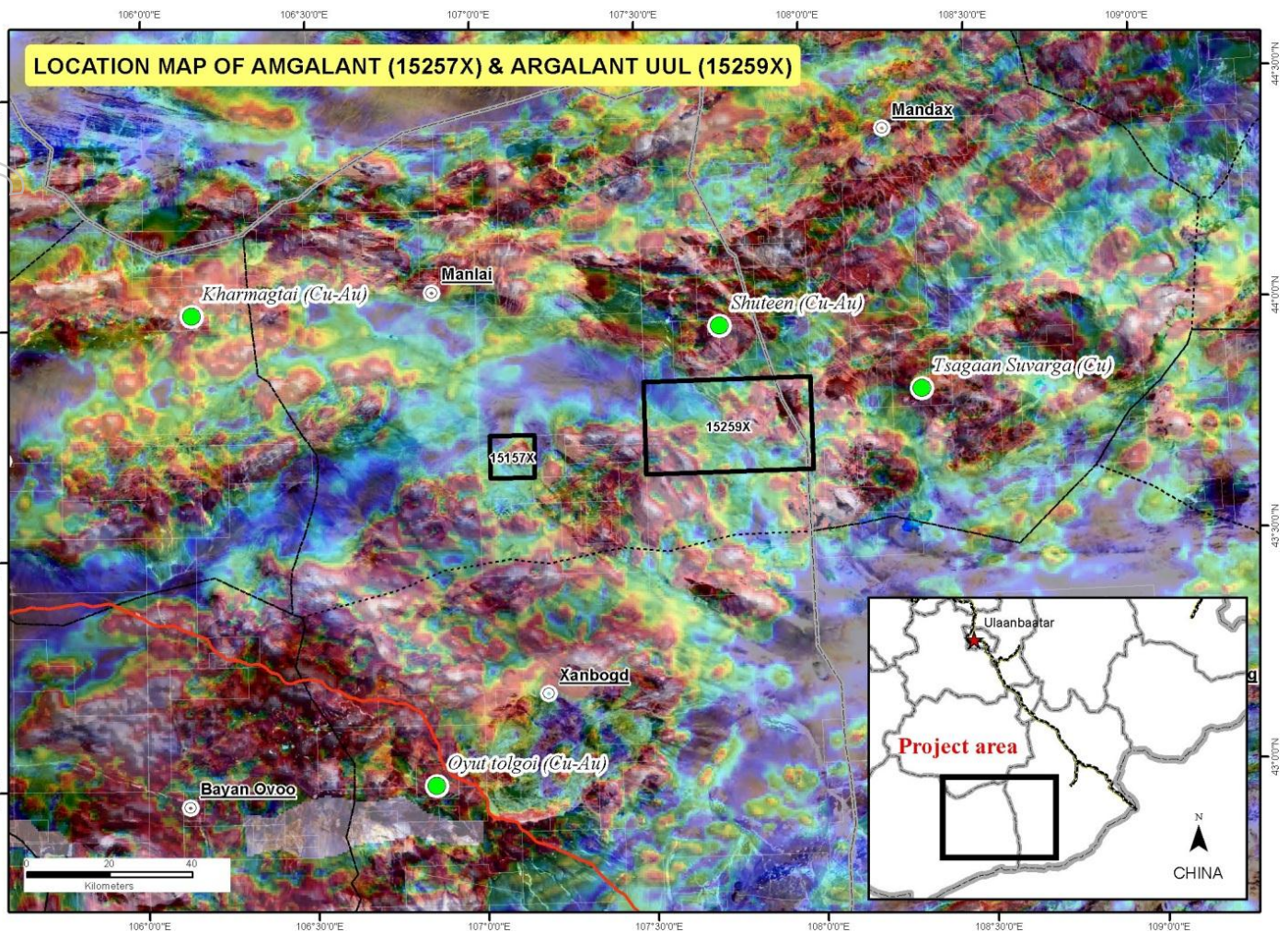
Both Amgalant and Argalant Uul projects underpin the core strategy of Xanadu Mines which aims to identify and develop significant porphyry copper-gold deposit opportunities, close to existing infrastructure which will meet anticipated current and future demand for metal from China and North Asian markets.

Commenting on the transaction, Xanadu's Chairman Brian Thornton said "at a time when prospective ground is increasingly difficult to acquire, both Amgalant and Argalant, promise a significant new metals opportunity for Xanadu's shareholders in the proven world class south Gobi porphyry copper belt. Our strategy is to focus on 2 key minerals – copper-gold and coking coal in 2012, next to the world's largest consumer of both, which is China."

Figure 1: Location map showing the location of the Amgalant and Argalant Exploration Projects.



Figure 2: Location of the Amgalant and Argalant Uul porphyry copper-gold exploration licenses. Both licenses are located approximately 110 kilometres northeast of the world-class Oyu Tolgoi Cu-Au Project & proximal to the large undeveloped Tsagaan Suvarga copper-molybdenum deposit



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 three coking coal projects Nuurtsei, Javkhalant and Khavtsgait, all in joint venture with the Noble Group and has two 100% owned JORC compliant thermal coal assets, Galshar and Khar Tarvaga. In addition, Xanadu is progressing exploration of its highly prospective suite of licences for gold in the south east Gobi, and copper at its 100% owned Sharchuluut project, near Erdenet. Its strategy is to target energy and metals 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 energy and metals demand from China and nearby Asian markets.

For further information:

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Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003.

Name of entity

Xanadu Mines Ltd

ABN

92 114 249 026

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|--|-----------------------------|
| 1 | +Class of +securities issued or to be issued | Ordinary Shares. |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 1,396,990 |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | Fully Paid Ordinary Shares. |

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Appendix 3B
New issue announcement

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<p>4 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>Yes</p>				
<p>5 Issue price or consideration</p>	<p>Nil cash consideration but deemed issue price of \$0.355 per share.</p>				
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>Consideration for the acquisition of exploration licenses in Mongolia.</p>				
<p>7 Dates of entering +securities into uncertificated holdings or despatch of certificates</p>	<p>23 January 2012</p>				
<p>8 Number and +class of all +securities quoted on ASX (including the securities in clause 2 if applicable)</p>	<table border="1"> <thead> <tr> <th data-bbox="686 1433 989 1489">Number</th> <th data-bbox="989 1433 1283 1489">+Class</th> </tr> </thead> <tbody> <tr> <td data-bbox="686 1489 989 1715">136,947,069</td> <td data-bbox="989 1489 1283 1715">Ordinary Shares</td> </tr> </tbody> </table>	Number	+Class	136,947,069	Ordinary Shares
Number	+Class				
136,947,069	Ordinary Shares				

+ See chapter 19 for defined terms.

	Number	+Class
9 Number and +class of all +securities not quoted on ASX (including the securities in clause 2 if applicable)	51,439,756	Ordinary shares (escrowed)
	14,000,000	Options (\$0.50, 31/12/14)
	5,240,000	Options (\$0.50, 19/12/14)
	1,000,000	Options (\$0.60, 31/12/16)
	1,000,000	Options (\$1.20, 31/12/16)
	1,000,000	Options (\$1.80, 31/12/16)
	1,000,000	Options (\$0.70, 31/12/14)
	1,000,000	Options (\$1.00, 31/12/14)
10 Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	Rank Pari Passu	

Part 2 - Bonus issue or pro rata issue

11 Is security holder approval required?	N/A
12 Is the issue renounceable or non-renounceable?	N/A
13 Ratio in which the +securities will be offered	N/A
14 +Class of +securities to which the offer relates	N/A
15 +Record date to determine entitlements	N/A
16 Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	N/A
17 Policy for deciding entitlements in relation to fractions	N/A
18 Names of countries in which the entity has +security holders who will not be sent new issue documents Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.	N/A

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Appendix 3B
New issue announcement

19	Closing date for receipt of acceptances or renunciations	N/A
20	Names of any underwriters	N/A
21	Amount of any underwriting fee or commission	N/A
22	Names of any brokers to the issue	N/A
23	Fee or commission payable to the broker to the issue	N/A
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of +security holders	N/A
25	If the issue is contingent on +security holders' approval, the date of the meeting	N/A
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	N/A
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	N/A
28	Date rights trading will begin (if applicable)	N/A
29	Date rights trading will end (if applicable)	N/A
30	How do +security holders sell their entitlements <i>in full</i> through a broker?	N/A
31	How do +security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	N/A

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- 32 How do ⁺security holders dispose of their entitlements (except by sale through a broker)?
- 33 ⁺Despatch date

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

- 34 Type of securities
(tick one)
- (a) Securities described in Part 1
- (b) All other securities
- Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

- 35 If the ⁺securities are ⁺equity securities, the names of the 20 largest holders of the additional ⁺securities, and the number and percentage of additional ⁺securities held by those holders
- 36 If the ⁺securities are ⁺equity securities, a distribution schedule of the additional ⁺securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over
- 37 A copy of any trust deed for the additional ⁺securities

⁺ See chapter 19 for defined terms.

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Appendix 3B
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Entities that have ticked box 34(b)

38 Number of securities for which
 +quotation is sought

39 Class of +securities for which
 quotation is sought

40 Do the +securities rank equally in all
 respects from the date of allotment
 with an existing +class of quoted
 +securities?

If the additional securities do not
 rank equally, please state:

- the date from which they do
- the extent to which they
 participate for the next dividend,
 (in the case of a trust,
 distribution) or interest payment
- the extent to which they do not
 rank equally, other than in
 relation to the next dividend,
 distribution or interest payment

41 Reason for request for quotation
 now

Example: In the case of restricted securities, end of
 restriction period

(if issued upon conversion of
 another security, clearly identify that
 other security)

	Number	+Class
42 Number and +class of all +securities quoted on ASX (including the securities in clause 38)		

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Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- We warrant that if confirmation is required under section 1017F of the Corporations Act in relation to the +securities to be quoted, it has been provided at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

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Appendix 3B
New issue announcement

- 3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.
- 4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here:



Company Secretary

Date:

23 January 2012

Print name:

Brendan Evans

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