



Manager Company Announcements
Company Announcements Office
Australian Securities Exchange
4th Floor, 20 Bridge Street
SYDNEY NSW 2001

By Electronic Lodgement – 3 pages (incl. attachment)
24 December 2013

CHAIRMAN'S YEAR-END REVIEW

Dear Shareholders,

With my recent appointment as Xanadu Mines Ltd's (Xanadu) Non-executive Chairman and with the end of the year quickly approaching, it is an appropriate time to affirm the company's strategy and summarise our achievements this year.

In 2013, under the leadership of Mr George Lloyd, we have effectively positioned the company with a porphyry copper focus. We remain committed to Mongolia and are now focusing on fewer and more advanced projects. We expect to complete an exit from our coal assets early in the New Year and believe Xanadu is in a strong position to create shareholder value.

The year has been one of many achievements including:

- appointment of a new Managing Director with a compensation package aligned to company and share price performance;
- reduction in the size of the Board and strengthened its industry experience;
- renegotiation of senior management contracts with stronger performance incentives;
- reduction in licensing and administrative costs, including relocation of the head office;
- completion of a comprehensive license and project review leading to the impairment of deferred exploration expenditure and the decision to exit coal;
- restructured the acquisition of the Oyut Ulaan project and obtained shareholder approval to complete the transaction allowing the company to move to a 90% ownership position;
- completed new drilling and trenching at Oyut Ulaan which intersected rich copper, gold mineralisation;
- completed mapping and rock chip sampling at the Sharchuluut project revealing Erdenet-style copper-molybdenum porphyry mineralised outcrop; and
- established the Mongol Metals joint venture with our Mongolian partner, Mr Ganbayar Lkhagvasuren, as a platform for growth (refer to the attached announcement of 13 December 2013).

We believe that Mongolia is re-emerging as an investment destination with recent changes in investment laws offering a more stable business environment. Mongolia is richly-endowed with mineral resources and its copper potential, in particular, is vastly under-explored. We have also observed an

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increase in interest from mid and large-scale mining companies in Mongolia and look at this as further confirmation of the country's potential.

There is strong alignment between the Board and senior management. Mr Lloyd and the Board recognise the importance of this alignment and look forward to advancing the company's strategy in 2014.

Yours faithfully,

A handwritten signature in black ink that reads "Mark Wheatley". The signature is fluid and cursive, with a long horizontal stroke extending to the right from the end of the name.

Mark K. Wheatley
Chairman
Xanadu Mines Ltd

For further information:

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By Electronic Lodgement – 1 page
13 December 2013

MONGOL METALS LLC FORMATION OF JOINT VENTURE COMPANY

Xanadu Mines Ltd (**ASX: XAM – Xanadu**) advises that it has established a joint venture company, Mongol Metals LLC, through a wholly-owned subsidiary. The joint venture partner is Mr Ganbayar Lkhagvasuren, Director and substantial shareholder of Xanadu. The joint venture has been formed to execute Xanadu's business strategy and recognises the importance of Mongolian partners whose interests are aligned with those of the company.

Xanadu's Managing Director, George Lloyd, said: "The relationship between Xanadu and Mr Ganbayar is as strong as ever despite the challenges of the last 18 months. Mongol Metals represents our commitment to each other and conviction that Mongolia is one of the last great copper exploration frontiers."

Ratification concerning the joint venture for the purposes of satisfying the related party provisions of both the Corporations Act and ASX Listing Rules will be sought from shareholders in due course.

For further information:

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