



ASX Release

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HUNNU COAL TO ACQUIRE 60% OF THE UNST KHUDAG COAL MINE

The Company is very pleased to announce that it is acquiring a 60% interest in the Unst Khudag Coal Mine and surrounding licenses, which are located in the Dundgobi Province of Mongolia.

- **The Unst Khudag Coal Mine is strategically located 200km from an operational multi party coal loading facility on a major rail line.**
- **Consists of two Exploration Licenses and one Mining License covering over 59,000 hectares.**
- **Approved Mining Plan and Feasibility Study for the mining of 98.7Mt of coal.**
- **Hunnu is targeting first production from the Unst Khudag Coal Mine in the latter half of 2010.**
- **Off-take agreements are currently being discussed with Mongolian and Chinese coal users.**
- **Exploration Target of 250Mt to 500Mt.***
- **Past trial production of approximately 30,000t for bulk test work with potential off-take partners and local utilities.**
- **Single coal seam with average thickness of 20 metres dipping at 0 to 5 degrees.**
- **Coal at less than 4 metres from the surface.**
- **Low strip ratio at less than 1:1 from startup.**
- **Coal analysis reveals high quality thermal coal with quality parameters on average $Q^{daf} = 6460$ kCal/kg, Ash = 13.9% and Moisture content = 23.9%.**

The Unst Khudag Coal Mine is located in Dundgobi province, 290km from Ulaanbaatar, and approximately 200km from the Mongolian railway grid. The project consists of two exploration licenses and one mining license covering over 59,000 hectares of area. The mining license covers approximately 1,600 hectares, on which the relevant government authority have approved the mining of 98.7Mt of coal.

Exploration programmes undertaken at Unst Khudag have included mapping at various scales, trenching, geophysical surveys and drilling. A total of 39 drill holes have been completed to depths less than 100 metres deep. Drilling has intersected a single coal seam with thicknesses varying from 5 to 31 metres. The coal seam has approximately four metres of unconsolidated overburden and dips under cover gently at zero to five degrees.

The Company is currently undertaking a detailed operational review of the Unst Khudag Coal Mine with particular attention to:

- **Quantifying coal tonnages and coal quality on the Mining License and surrounding Exploration Licenses.**
- **Reviewing existing coal test work and bulk sampling results.**
- **Reviewing the current mine plan and feasibility study.**
- **Establishing off-take contracts.**
- **Examining near term staffing requirements.**
- **Verifying near term capital requirements.**
- **Examining logistical requirements.**
- **Determination of further exploration programmes**

The Company expects to be able to release additional information on the Unst Khudag Coal Mine acquisition in the coming months as this review process nears completion.

This is a major transaction for Hunnu Coal that will quickly move the Company from explorer to near term producer. The Company is continuing to assess a number of additional acquisition opportunities and news on these should be available in the coming months.

George Tumur
Managing Director

**This work has not resulted in the definition of any resource which is compliant with the JORC Code but has identified an Exploration Target. With further exploration, this target has potential for between 250Mt to 500Mt of coal. Mongolian authorities have approved a mining plan and feasibility study for the mining of 98.7Mt of coal. Hunnu Coal is currently reviewing this work. The potential quantity and grade is conceptual in nature and there has been insufficient exploration to define a Mineral Resource in accordance to the JORC Code. As such it is uncertain the review of existing data or further exploration will result in the determination of a Mineral Resource. Further Hunnu cautions that in order to achieve this target, substantial exploration may be required to further geologically map, detect, trench and drill test the defined conceptual target. On this basis, Hunnu considers that further work is warranted beyond that previously conducted.*

The information in this report that relates to Exploration Results and Exploration Targets are based on information compiled by Mr George Tumur who is a Member of the Australian Institute of Mining and Metallurgy. Mr Tumur is the Managing Director of Hunnu Coal Limited. Mr Tumur has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Tumur consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Unst Khudag Coal Mine



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