HUNNU COAL

ABN 83 138 962 124

Financial Report for the Half Year Ended 26 February 2010

CORPORATE DIRECTORY

Directors
Mr Matthew Wood (Executive Chairman)
Mr George Tumur (Managing Director)
Mr Timothy Flavel (Executive Director)
Mr Daniel Crennan (Non-Executive Director)

Company Secretary
Mr Timothy Flavel

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Auditors
Auditors
Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia

Stock Exchange
Australian Stock Exchange
(Home Exchange: Perth, Western Australia)
ASX Code: HUN

Contents | **Page**

DIRECTORS' REPORT

The directors of Hunnu Coal Limited submit the financial report of the consolidated entity for the half-year ended 26 February 2010. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of directors who held office during or since the end of the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Mr Matthew Wood	Executive Chairman (Appointed 19 August 2009)
Mr George Tumur	Managing Director (Appointed 19 August 2009)
Mr Timothy Flavel	Executive Director (Appointed 23 December 2009)
Mr Daniel Crennan	Non-Executive Director (Appointed 31 December 2009)

Results

The loss after tax for the half-year ended 26 February 2010 was $2,799,138.

Review of Operations

The Company was incorporated on 19 August 2009 and was formed with the aim of acquiring and exploring coal projects in Mongolia. The company listed on the Australian Stock Exchange on 12 February 2010.

The Company operates in Mongolia through its subsidiary company Hunnu Resources LLC, a Mongolian incorporated company.

The Company intends to commence coal exploration on selected tenements within Mongolia in 2010. Through a series of acquisition and joint venture agreements, the Company has established interests or rights to earn interests in a diverse portfolio of coal exploration interests spread throughout the various coal basins and three coal areas within two main coal provinces.

The Company's exploration projects are:

(a) Tenuun-2 and Khuree-2 Projects (ELs 15147X and 14049X) in the Omnogovi Province of southern Mongolia. The Company has acquired a 60% interest in the coal rights on the Tenuun-2 & Khuree-2 Projects and has a commitment of staged payments and expenditure;

(b) Zuun Gol and Ar Zuun Gol Projects (ELs 7854X and 10306X) in the Govi-Altay Province of western Mongolia. The Company has the right to earn a 70% interest in the coal rights on the Ar Zuun Gol & Zuun Gol Projects through staged payments and expenditure;

(c) Nariin & Khavtsal Projects (ELs 14490X and 14289X) in the Suhbaatar Province of eastern Monglia. Hunnu has acquired a 60% interest in the coal rights on the Nariin & Khavtsal Projects and has a commitment of staged payments and expenditure;

(d) Tsagaan Delger Project (EL 13710X) in the Dundgovi Province of central Mongolia. The Company has the right to earn an 85% interest in the tenement comprising the Tsagaan Delger Project through expenditure and staged payments;

(e) Delgereh Project (EL 14419X) in the Dornogovi Province of southeastern Mongolia. The Company has the right to earn an 85% interest in the tenement comprising the Delgereh Project through expenditure and staged payments; and

(f) Munh Haan Project (EL 13329X) in the Suhbaatar Province of eastern Monglia. The Company has the right to earn an 85% interest in the tenement comprising the Mung Haan Project through expenditure and staged payments.

The Company's strategy is to discover and develop high quality thermal and coking coal deposits located in proximity to established mining operations or defined deposits and supported by existing or developing infrastructure. This strategy has been designed to ensure that the Company maintains a pipeline of projects at varying stages of development.

The Company's management team has more than 50 years of combined experience. This includes a Mongolian national, Mr Tumur, who is fluent in Mongolian, Russian and English. It is anticipated that the Company's Mongolian local network will generate further coal project opportunities within Mongolia.

Subsequent Events

On 10 March 2010 the Company announced that it has been granted an option to acquire an 80% interest in the Erdenes Thermal Coal Project in the Dornogobi Province of south eastern Mongolia. The Project is located in Dornogovi province, 380 km from the capital city of Ulaanbaatar and 56 km from a bulk commodity loading rail facility at Bor Undur, which is connected to the Mongolian railway grid.

On 12 April 2010 the Company announced to the market that it will be 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 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.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, Ernst & Young, to provide the directors of the company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 3 and forms part of this directors' report for the half-year ended 26 February 2010.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.295A of the Corporations Act 2001.

Matthew Wood
Chairman

Perth, Western Australia
4 May 2010

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Auditor's Independence Declaration to the Directors of Hunnu Coal Limited

In relation to our review of the financial report of Hunnu Coal Limited for the half-year ended 26 February 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

F Drummond
Partner
4 May 2010

Statement of Financial Position
for the half-year ended 26 February 2010

	Note	Consolidated 26 February 2010 $
Assets		
Current Assets		
Cash and cash equivalents	4	18,457,096
Trade and other receivables		268,611
Total Current Assets		**18,725,707**
Non-Current Assets		
Property, plant and equipment	5	23,998
Deferred exploration and evaluation expenditure	6	1,465,871
Total Non-Current Assets		**1,489,869**
Total Assets		**20,215,576**
Current Liabilities		
Trade and other payables		292,962
Total Current Liabilities		**292,962**
Total Liabilities		**292,962**
Net Assets		**19,922,614**
Equity		
Issued Capital	7	20,510,485
Reserves		2,198,779
Accumulated losses		(2,796,772)
Capital and reserves attributable to owners of Hunnu Coal Limited		19,912,492
Non-controlling interest		10,122
Total Equity		**19,922,614**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Statement of Comprehensive Income
for the half-year ended 26 February 2010

	Note	Consolidated 26 February 2010 $
Other revenue		63,764
Other income		9,600
Listing and share registry expenses		(13,144)
Consultants and Directors fees		(219,858)
Professional fees		(31,556)
Employee benefits expense		(16,378)
Occupancy expense		(29,404)
Other expenses	3	(358,652)
Share based payments expense		(2,203,510)
Loss before income tax		**(2,799,138)**
Income tax expense		-
Loss after income tax		**(2,799,138)**
Net loss for the half-year		**(2,799,138)**
Other comprehensive income		
Foreign currency translation		(4,731)
Other comprehensive income for the half-year, net of tax		**(4,731)**
Total comprehensive income for the half-year		**(2,803,869)**
Loss for the half-year is attributable to:		
Owners of Hunnu Coal Limited		(2,796,772)
Non-controlling interest		(2,366)
		(2,799,138)
Total comprehensive income for the half-year is attributable to:		
Owners of Hunnu Coal Limited		(2,801,503)
Non-controlling interest		(2,366)
		(2,803,869)
Loss per share attributable to owners of Hunnu Coal Limited		
Basic loss per share (cents)		(6.58)
Basic loss per share from continuing operations (cents)		(6.58)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Changes in Equity
for the half-year ended 26 February 2010

	Issued capital $	Accumulated losses $	Foreign currency translation reserve $	Share based payment reserve $	Non-controlling Interest $	Total $
Balance at 19 August 2009	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the half-year						
Loss for the half-year	-	(2,796,772)	-	-	(2,366)	(2,799,138)
Other comprehensive income	-	-	(4,731)	-	-	(4,731)
Total comprehensive income for the half-year	-	(2,796,772)	(4,731)	-	(2,366)	(2,803,869)
Transactions with owners in their capacity as owners						
Equity issued by initial public offering	22,050,352	-	-	-	-	22,050,352
Non-controlling interest in subsidiary equity	-	-	-	-	12,488	12,488
Share based payment	-	-	-	2,203,510	-	2,203,510
Costs of issue	(1,539,867)	-	-	-	-	(1,539,867)
Balance at 26 February 2010	**20,510,485**	**(2,796,772)**	**(4,731)**	**2,203,510**	**10,122**	**19,922,614**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

for the half-year ended 26 February 2010

	Note	Consolidated 26 February 2010 $
Cash flows from operating activities		
Payments to suppliers and employees		(641,707)
Interest received		63,764
Net cash flows used in operating activities	4	**(577,943)**
Cash flows from investing activities		
Purchase of plant and equipment		(24,564)
Payments for exploration expenditure and project acquisition		(1,460,480)
Net cash used in investing activities		**(1,485,044)**
Cash flows from financing activities		
Proceeds from issue of shares		22,050,352
Payments for share issue costs		(1,539,867)
Net cash provided by financing activities		**20,510,485**
Net increase in cash and cash equivalents		18,447,498
Net foreign exchange differences		9,598
Cash and cash equivalents at the end of the period	4	**18,457,096**

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

for the half-year ended 26 February 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated half-year financial report of Hunnu Coal Limited (the Company) for the half-year ended 26 February 2010 was authorised for issue in accordance with a resolution of the directors on 4 May 2010.

Hunnu Coal Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in the Directors Report.

Basis of Preparation

These general purpose condensed financial statements for the half-year reporting period ended 26 February 2010 have been prepared in accordance with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Act 2001.

These half-year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the Company's Prospectus (the "Prospectus") lodged on 13 January 2010 and any public announcements made by Hunnu Coal Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The half-year report has been prepared on an accruals basis and is based on historical costs.

Comparatives

The Company was incorporated on 19 August 2009 and this is the first half-year reporting period for the Company therefore there are no comparatives

The accounting policies adopted are consistent with those set out in the Prospectus. In addition the following policies have been adopted.

a) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional and presentation currency of Hunnu Coal Limited is Australian dollars. The functional currency of the overseas subsidiaries is Mongolian Tugrik.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

(iii) Group entities

The results and financial position of all the Company entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are taken to shareholders' equity.

When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the statement of comprehensive income, as part of the gain or loss on sale where applicable.

b) Plant and equipment

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance expenditure is charged to the statement of comprehensive income during the financial period in which it is incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the Company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	*Depreciation Rate*
Furniture, Fixtures and Fittings	10-20 %
Computer and software	15-25 %

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Derecognition

Additions of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in the statement of comprehensive income.

c) Leased assets

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

d) Share based payments

The group provides benefits to individuals acting as, and providing services similar to employees (including Directors) of the group in the form of share based payment transactions, whereby individuals render services in exchange for shares or rights over shares (‘equity settled transactions’).

There is currently an Employee Share Option Plan (ESOP) in place, which provides benefits to Directors and individuals providing services similar to those provided by an employee.

The cost of these equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the Black Scholes formula taking into account the terms and conditions upon which the instruments were granted, as discussed in note 12.

In valuing equity settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Hunnu Coal Limited (‘market conditions’).

The cost of the equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (‘vesting date’).

The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the group, will ultimately vest.

This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of the market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised at the beginning and end of the period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of the modification.

Where an equity settled award is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognised for the award is recognised immediately. However if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The cost of equity-settled transactions with non-employees is measured by reference to the fair value of goods and services received unless this cannot be measured reliably, in which case the cost is measured by reference to the fair value of the equity instruments granted. The dilutive effect, if any, of outstanding options is reflected in the computation of loss per share.

NOTE 2: SEGMENT REPORTING

For management purposes, the Company is organised into one main operating segment, which involves exploration for coal. All of the Company's activities are interrelated, and discrete financial information is reported to the Board (Chief Operating Decision Makers) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Company as a whole.

NOTE 3: EXPENSES	**Consolidated**
	26 February 2010
	$
Other expenses	
Conference and seminar expenses	16,703
Insurance expense	9,228
Serviced office and rent expense	122,850
Travel and accommodation expense	131,468
Other	78,403
	358,652

NOTE 4: CASH AND CASH EQUIVALENTS

Reconciliation of Cash

Cash comprises of:	
Cash at bank	18,457,096
Reconciliation of operating loss after tax to net the cash flows from operations	
Loss after tax	(2,796,772)
Non cash items	
Share based payments	2,203,510
Foreign exchange gain	(9,600)
Depreciation and impairment charges	568
Change in assets and liabilities	
Increase in trade and other receivables	(268,611)
Increase in trade and other payables	292,962
Net cash outflow from operating activities	(577,943)

NOTE 5: PLANT AND EQUIPMENT

Computer Equipment and Software	
Cost	9,203
Accumulated depreciation and impairment	(435)
Net carrying amount	8,768
Furniture, Fixtures and Fittings	
Cost	15,361
Accumulated depreciation and impairment	(131)
Net carrying amount	15,230
Total Plant and Equipment	**23,998**

NOTE 6: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE	**Consolidated 26 February 2010 $**
At beginning of the period	-
Exploration expenditure during the year	
Acquisition of exploration	1,461,140
Net exchange differences on translation	4,731
Total exploration and evaluation	1,465,871

The ultimate recoupment of costs carried forward for exploration expenditure is dependent on the successful development and commercial exploitation or sale of the respective mining areas.

NOTE 7: CONTRIBUTED EQUITY	**Consolidated 26 February 2010 $**
Ordinary shares	
Issued and fully paid	20,510,485

	No.	**$**
Movements in ordinary shares on issue		
At 18 August 2009	-	-
Shares issued for cash on incorporation	2	2
Issue of seed capital	35,000,000	350
Issue of seed capital	23,000,000	1,800,000
Issue of shares to acquire tenement rights[1]	2,500,000	250,000
Issue of shares pursuant to prospectus	100,000,000	20,000,000
Costs of issue	-	(1,539,867)
At 26 February 2010	160,500,002	20,510,485

[1] Narmandakh granted the Company sole and exclusive rights to earn up to a 60% beneficial Joint Venture interest in the coal rights on the Narmandakh Tenement in exchange for USD $500,000 and 2,500,000 shares at a fair value of $0.10.

NOTE 8: DIVIDENDS

No dividends have been paid or provided for during the half-year.

NOTE 9: RELATED PARTIES

Transactions with Key Management Personnel

Garrison Capital Pty Ltd, a company of which Mr. Wood and Mr. Flavel are directors, provided the Company with a fully serviced office including administration and information technology support totalling $99,000 and reimbursement of payments for other expenses, at cost of $10,261. $105,612 was outstanding at period end.

NOTE 10: CONTINGENT ASSETS AND LIABILITIES

There are no known contingent assets or liabilities.

NOTE 11: CHANGES IN COMPOSITION OF THE ENTITY

During the half-year, the Company incorporated its 100% owned subsidiary Hunnu Resources LLC which purchased a 60% interest in Golden Gobi Mining LLC which at the date of acquisition had no significant assets.

NOTE 12: SHARE BASED PAYMENTS

(a) Recognised share based payment transactions

Share based payment transactions recognised either as operation expenses in the statement of comprehensive income were as follows:

	26 February 2010 $
Operating expenses	
Share based payment	2,203,510

(b) Share based payments

The Group has established an employee share option plan (ESOP). The objective of the ESOP is to assist in the recruitment, reward, retention and motivation of employees of Hunnu Coal Limited. Under the ESOP, the Directors may invite individuals acting in a manner similar to employees to participate in the ESOP and receive options. An individual may receive the options or nominate a relative or associate to receive the options. The plan is open to executive officers, nominated consultants and employees of Hunnu Coal Limited.

The fair value at grant date of options granted to Directors and external advisors during the reporting period was determined using the Black Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share and the risk free interest rate for the term of the option.

The table below summarises options granted under ESOP:

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the half-year Number	Exercised during the half-year Number	Expired during the half-year Number	Balance at end of the half-year Number	Exercisable at end of the half-year Number
31 December 2009	31 December 2014	$0.20	-	15,000,000	-	-	15,000,000	-
31 December 2009	31 December 2011	$0.20	-	1,000,000	-	-	1,000,000	-
31 December 2009	31 December 2011	$0.40	-	1,000,000	-	-	1,000,000	-
			-	17,000,000	-	-	17,000,000	-

The fair value of options granted during the half-year was $2,376,750.

The model inputs, not included in the table above, for options granted during the half-year ended 26 February 2010 included:

a) options are granted for no consideration;
b) Expected life of options had a range is five years;
c) share price at grant date of $0.20
d) expected volatility of 95%;
e) expected dividend yield of Nil; and
f) a risk free interest rate from 4.56% - 5.40%.

17,000,000 options were granted under the ESOP for the half-year ended 26 February 2010

NOTE 13: SUBSEQUENT EVENTS

On 10 March 2010 the Company announced that it has been granted an option to acquire an 80% interest in the Erdenes Thermal Coal Project in the Dornogobi Province of south eastern Mongolia. The Project is located in Dornogovi province, 380 km from the capital city of Ulaanbaatar and 56 km from a bulk commodity loading rail facility at Bor Undur, which is connected to the Mongolian railway grid.

On 12 April 2010 the Company announced to the market that it will be aquiring 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 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.

DIRECTORS' DECLARATION

In the opinion of the directors of Hunnu Coal Limited ('the company'):

1. The financial statements and notes thereto, as set out on pages 4 to 13, are in accordance with the Corporations Act 2001 including:

    a. complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and

    b. giving a true and fair view of the consolidated entity's financial position as at 26 February 2010 and of its performance for the half-year then ended.

2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.295A of the Corporations Act 2001.

Matthew Wood
Director

Perth, Western Australia
4 May 2010

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To the members of Hunnu Coal Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half year financial report of Hunnu Coal Limited which comprises the statement of financial position as at 26 February 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half year end or from time to time during the half year.

Directors' Responsibility for the Half Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 26 February 2010 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Hunnu Coal Limited and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Hunnu Coal Limited is not in accordance with the *Corporations Act 2001*, including:

i) giving a true and fair view of the consolidated entity's financial position as at 26 February 2010 and of its performance for the half year ended on that date; and

ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

F Drummond
Partner
Perth
4 May 2010