



ASX Release

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UNST KHUDAG COAL MINE EXPLORATION UPDATE

The Company is very pleased to announce the results of the recently completed exploration drilling programme at the Unst Khudag Coal Mine and surrounding licenses. The Company is extremely encouraged with these results and is pleased to announce the immediate commencement of an extensive drilling programme to further expand the Unst Khudag Coal Mine.

- **A total of 34 drill holes have been completed, 28 of which are located on the existing mining license and six are located on the adjoining exploration license.**
- **All but three drill holes intersected coal seams, with single seams thicknesses up to 25.6 metres less than six metres from surface. Combined seam thicknesses are up to 43.7 metres.**
- **A total of three diamond core drill holes were completed for coal quality parameters at an internationally certified coal laboratory.**
- **The coal analyses revealed a high quality thermal coal with Qdb = 5,289 kCal/kg to 5,941 kCal/kg, Qdaf = 6,311 kCal/kg to 6,572 kCal/kg, Ash = 9.6% to 27.5%, and Analytical moisture = 6.71% to 9.34%.**
- **Unst Khudag has a Exploration Target* of 250Mt to 500Mt.**
- **Off-take agreements are currently being negotiated with Mongolian and Chinese thermal coal users.**

The Unst Khudag Coal Mine is located in Dundgobi province, 290km from Ulaanbaatar, and approximately 180km from the Mongolian railway grid. The project consists of two exploration licenses and one mining license covering over 59,000 hectares of area.

The completed exploration drilling programme was intended to confirm the current Exploration Target* within the mining license area and also identify the extent of the coal seam into the adjacent exploration licenses. This programme has been highly successful and the Company has immediately commenced an extensive drilling programme to further outline coal seams.

A total of 34 drill holes have been completed in the initial programme, 31 of which intersected multiple coal seams. Coal seams have now been intersected as far as ten kilometres from the mining license area.

Coal core samples from three diamond core drill holes have been tested for quality parameters in a internationally certified coal laboratory. The coal analyses revealed a high quality thermal coal parameters in average:

Q(dry basis) = 5,289 kCal/kg to 5,941 kCal/kg

Q(dried, ash free) = 6311 kCal/kg to 6572 kCal/kg

Ash(dry basis) = 9.6% to 27.5%

Analytical moisture = 6.71% to 9.34%

The Company is extremely encouraged by these initial exploration drilling results and has immediately commenced a follow-up drilling programme to fully define the full extent of coal seams on the project area. Two drilling rigs are now working on the project, with further drilling rigs being sourced to fast track the exploration programme.

The Unst Khudag Coal Mine is being developed by Hunnu Coal to deliver high quality premium thermal coal to both domestic and Chinese off-take customers.

**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 if further exploration will result in the determination of a Mineral Resource. Further Hunnu cautions that in order to achieve this target, substantial exploration is 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 'Australasian 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.

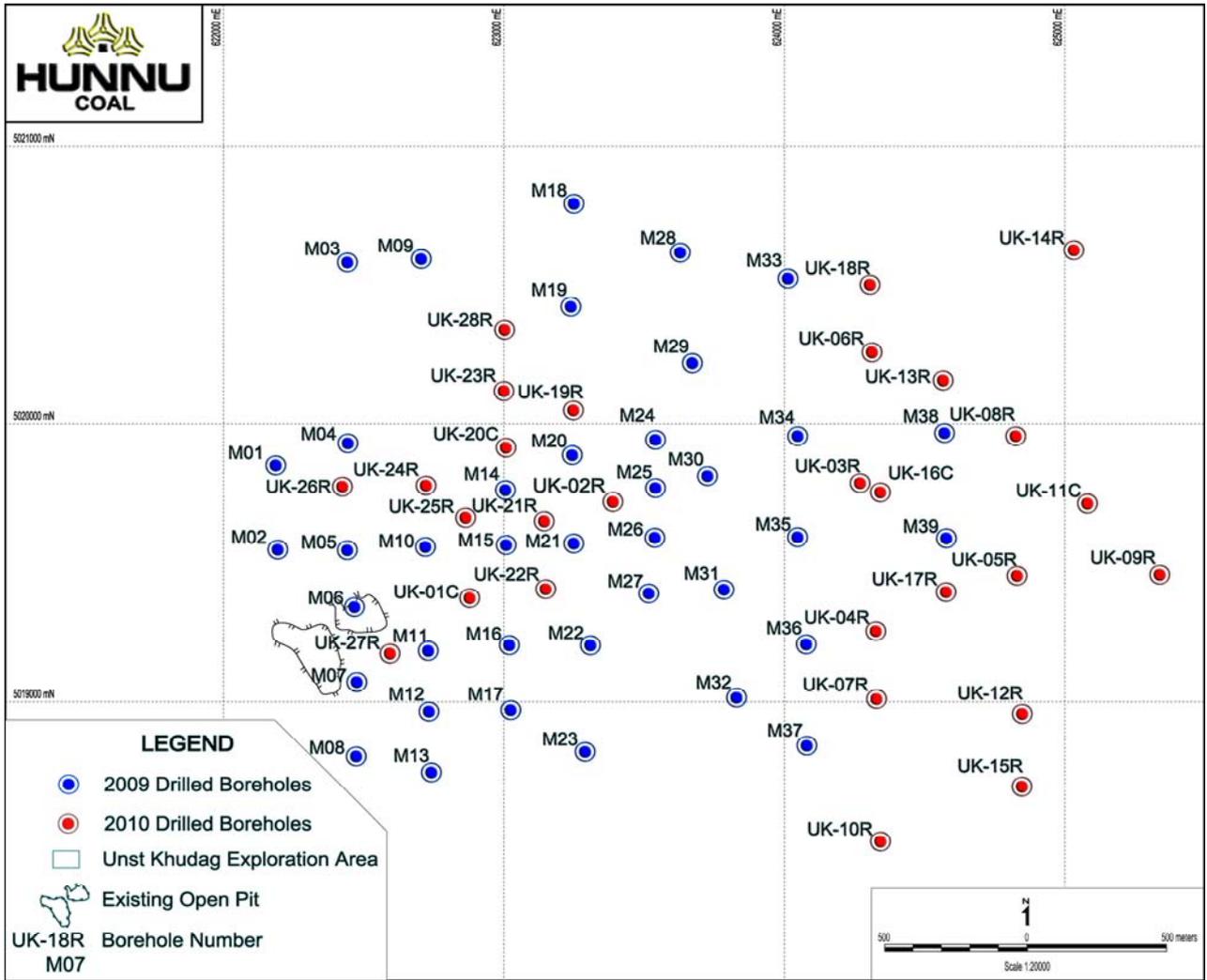


Figure 1. Drilling location map, Unst Khudag Coal Mine.

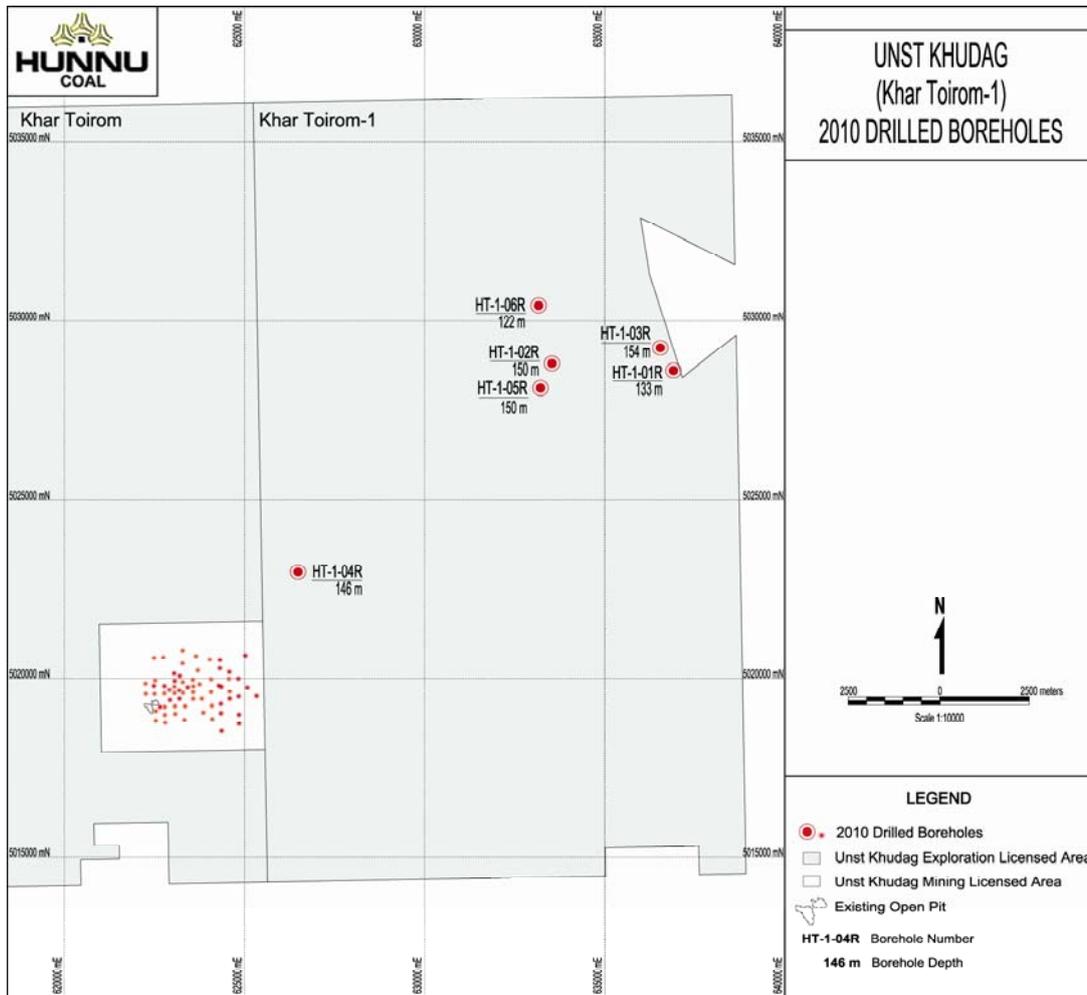


Figure 2. Drilling location map.

Table 1. Drill holes summary

Hole number	UTM_X	UTM_Y	Incl/Az	Final depth (m)	Coal intervals		Coal Ply thick	Coal seam thick	Combined thickness, m	Drilling Type
					From	To				
UK-01C	622879.057	5019363.279	90	150.0	5.6	31.2	25.6	25.6	43.7	DD
					57.5	60.4	2.9	2.9		
					71.6	80.9	9.3	9.3		
					104.9	106.4	1.5	1.5		
					108.3	111.6	3.3	3.3		
					138.3	139.4	1.1	1.1		
UK-02R	623382.586	5019715.732	90	18.0	No coal				PCD	
UK-03R	624300.685	5019747.723	90	148.0	18.3	20.4	2.1	2.1	29.9	PCD
					22.8	28.2	5.4	5.4		
					45.2	53.1	7.9	20.2		
					53.4	62.8	9.4			
					63.4	64.4	1.0			
					65.0	66.9	1.9			
					69.1	69.8	0.7	1.4		

					70.3	71.0	0.7				
					72.8	73.4	0.6				
					77.9	78.7	0.8	0.8			
UK-04R	624309.907	5019246.661	90	67.0	35.7	37.8	2.1	2.1	20.5	22.6	PCD
					38.8	39.6	0.8				
					40.3	55.4	15.1				
					55.8	60.4	4.6				
UK-05R	624808.706	5019451.042	90	95.0	60.2	74.2	14.0	14.0	14.0	14.0	PCD
					82.4	82.9	0.5				
					84.1	84.7	0.6				
UK-06R	624294.531	5020248.167	90	82.0	21.1	21.8	0.7		21.6	21.6	PCD
					25.1	25.8	0.7				
					31.8	33.0	1.2	1.2			
					52.7	68.7	16.0	16.0			
					70.3	73.9	3.6	4.4			
					74.7	75.5	0.8				
UK-07R	624312.95	5018999.273	90	63.0	22.8	23.7	0.9		25.8	25.8	PCD
					25.2	26.8	1.6	5.0			
					27.4	28.2	0.8				
					29.7	31.0	1.3				
					31.9	33.2	1.3	20.8			
					34.2	46.7	12.5				
					47.6	55.9	8.3				
UK-08R	624804.212	5019951.278	90	80.0	57.0	59.2	2.2	3.2	5.6	5.6	PCD
					59.8	60.8	1.0				
					62.0	62.9	0.9				
					69.5	70.9	1.4	1.4			
					78.9	79.9	1.0	1.0			
UK-09R	625306.039	5019458.298	90	110.0	54.8	55.6	0.8		1.6	1.6	PCD
					85.8	87.4	1.6	1.6			
					89.1	89.8	0.7				
					103.8	104.7	0.9				
UK-10R	624323.517	5018499.271	90	40.0	14.0	14.8	0.8	3.7	15.4	15.4	PCD
					15.5	18.4	2.9				
					19.5	20.4	0.9	5.3			
					21.3	25.7	4.4				
					26.8	33.2	6.4				
UK-11C	625052.229	5019703.48	90	100.0	38.2	39.3	1.1	1.1	4.8	4.8	DD
					50.2	53.9	3.7	3.7			
					69.0	69.9	0.9				
					82.0	82.7	0.7				
					83.5	84.3	0.8				
					87.4	88.0	0.6				
UK-12R	624824.445	5018954.453	90	70.0	45.3	46.2	0.9		7.0	7.0	PCD
					47.7	51.8	4.1	4.1			
					52.3	55.2	2.9	2.9			
					56.9	57.8	0.9				

					59.7	60.4	0.7			
					62.0	62.6	0.6			
UK-13R	624547.846	5020150.222	90	140.0	35.4	36.4	1.0	1.0	15.6	PCD
					52.5	52.9	0.4			
					58.5	68.0	9.5	9.5		
					72.7	76.2	3.5	3.5		
					80.9	82.5	1.6	1.6		
UK-14R	625007.234	5020614.055	90	106.0	56.7	57.3	0.6		1.3	PCD
					65.7	67.0	1.3	1.3		
					69.0	69.8	0.8			
					100.8	101.3	0.5			
UK-15R	624829.193	5018696.701	90	145.0	28.0	29.2	1.2	1.2	8.0	PCD
					31.1	31.6	0.5			
					32.6	34.3	1.7	1.7		
					37.8	41.8	4.0	4.0		
					43.4	44.3	0.9			
					46.0	47.1	1.1	1.1		
					53.4	53.9	0.5			
54.8	55.6	0.8								
UK-16C	624297.255	5019748.23	90	78.0	45.2	52.9	7.7	20.6	20.6	DD
					53.4	64.5	11.1			
					65.2	67.0	1.8			
UK-17R	624560.147	5019385.25	90	99.0	53.8	61.2	7.4	9.4	11.5	PCD
					61.8	63.8	2.0			
					67.8	69.9	2.1			
UK-18R	624289.803	5020485.59	90	88.0	38.1	39.0	0.9	16.2	PCD	
					52.5	54.2	1.7			1.7
					56.0	63.6	7.6			7.6
					65.9	72.8	6.9			6.9
UK-19R	623249.899	5020037.051	90	30.0	7.7	8.3	0.6	7.6	PCD	
					10.4	16.8	6.4			6.4
					26.0	27.2	1.2			1.2
UK-20C	623006.586	5019904.232	90	47.0	14.6	16.7	2.1	2.1	2.1	DD
					17.2	18.0	0.8			
					18.4	19.0	0.6			
UK-21R	623138.976	5019634.132	90	121.0	9.2	21.7	12.5	12.5	12.5	PCD
					23.1	23.7	0.6			
					24.8	25.2	0.4			
					38.7	39.2	0.5			
					47.2	47.9	0.7			
UK-22R	623151.663	5019388.032	90	80.0	18.8	23.3	4.5	4.5	6.1	PCD
					25.3	26.9	1.6	1.6		
UK-23R	623000.454	5020103.942	90	73.0	10.0	16.3	6.3	6.3	6.3	PCD
					17.4	18.0	0.6			
UK-24R	622720.876	5019753.201	90	100.0	4.3	27.8	23.5	23.5	23.5	PCD
					49.9	50.1	0.2			
UK-25R	622867.915	5019647.79	90	85.0	2.9	4.2	1.3	1.3	18.1	PCD

					5.3	22.1	16.8	16.8		
UK-26R	622433.043	5019763.287	90	83.0	6.2	13.1	6.9	6.9	6.9	PCD
					36.6	37.2	0.6			
UK-27R	622598.958	5019171.678	90	76.0	1.0	21.6	20.6	20.6	20.6	PCD
					59.6	59.8	0.2			
UK-28R	623005.174	5020303.247	90	32.0	13.1	13.6	0.5		1.6	PCD
					16.8	18.4	1.6	1.6		

Table 2. Drill holes summary on the adjacent exploration license area

Hole number	UTM_X	UTM_Y	Incl/Az	Final depth (m)	Coal intervals		Coal Ply thick	Coal seam thick	Combined thickness, m	Dril Type
					From	To				
HT1-01RC	636809.186	5028565.59	-90	133.0	No coal				PCD	
HT1-02RC	633445.582	5028770.753	-90	150.0	1.60	2.80	1.20	1.20	1.20	PCD
HT1-03RC	636447.194	5029214.772	-90	154.0	No coal				PCD	
HT1-04RC	626346.036	5022941.259	-90	146.0	5.00	7.60	2.60	2.60	37.90	PCD
					15.00	30.30	15.30	15.30		
					45.40	59.90	14.50	14.50		
					66.50	72.00	5.50	5.50		
HT1-05RC	633100.667	5028072.105	-90	150.0	6.00	7.00	1.00	1.00	4.00	PCD
					12.00	13.00	1.00	1.00		
					36.00	38.00	2.00	2.00		
HT1-06RC	633056.764	5030420.143	-90	122.0	31.00	33.00	2.00	2.00	2.00	PCD