



ASX Release

Friday 3 December 2010

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INITIAL JORC CODE RESOURCE FOR THE UNST KHUDAG COAL PROJECT

The Company is very pleased to announce the initial JORC Code compliant reported resource estimate for the Unst Khudag Coal Project. The initial resource has been estimated for the new Har Toirom coal discovery which is located adjacent to the Unst Khudag Coal Deposit. The independent report has been prepared by Mr David Green of Green Exploration & Mining Services Pty Ltd ("GEMS") and reviewed by Xstract Group. Mr Green is a Member of the Australasian Institute of Mining and Metallurgy and a Competent Person in accordance with the December 2004 edition of the Australian Code for Reporting of Mineral Resources and Ore Reserves (The JORC Code).

- **The Har Toirom Deposit has an initial JORC Measured, Indicated and Inferred Resource of:**

324Mt to a depth of 140m

- **226Mt classified as Measured and Indicated.**
- **The estimate is based on approximately 30% of Har Toirom available data.**
- **Further upgrades to the Har Toirom JORC resource model expected in early 2011.**
- **Resource modelling is now progressing on the Unst Khudag Coal Deposit, which will be released in the coming weeks.**
- **A total of 209 drill holes have now been completed on the Unst Khudag Coal Project. This has resulted in a total of 17,435m of drilling, including 8,877m of drill core.**
- **The Company is negotiating off-take agreements with potential buyers for Unst Khudag Project coal.**
- **The discussions on construction of a power plant on site are progressing positively, with identification of a suitable consultant to undertake a feasibility study**
- **Transportation and logistics studies for delivering Unst Khudag coal to the Mongolian Chinese border are at an advanced level.**



Trial Mining at Unst Khudag Deposit



Drilling at the Har Toirom Discovery



Har Toirom Deposit drill core

INITIAL JORC CODE RESOURCES FOR HAR TOIROM DEPOSIT

The Company's independent consultant has confirmed the initial resources at the Har Toirom Deposit. Exploration and modelling of coal deposits in the Unst Khudag Project area has principally focussed on the Har Toirom deposit and resulted in the definition of a Coal Resource of 324Mt to a depth of 140m. Within this deposit there is an estimated 226Mt which can be classified as Measured and Indicated in accordance to the JORC Code (refer Table 1).

Table 1: Har Toirom Deposit JORC Resource Summary

Resource Category	Tonnes Mt
Measured	18.85
Indicated	207.4
Inferred	98
TOTAL	324

Exploration has located a number of thick, shallow coal seams with an **average calorific value of 6,784 kcal/kg dry ash free (daf)**, which are available for potential economic open cut extraction and sale as a thermal coal product. Ongoing studies will be carried out to assess the mining, metallurgical, economic, environmental, and other aspects to enable the estimation of Coal Reserves in accordance with the JORC Code.

Work is progressing on the Unst Khudag Deposit which has been substantiated by recent drilling and preliminary modelling. Coal resources estimated in compliance with the JORC Code will be defined and reported in December 2010.

A total of 209 boreholes on the whole project have been drilled by various contractors including 105 cored boreholes in the period from June until November 2010. This has resulted in a total of 17,435m of drilling including 8,877m of core. Cored boreholes of 61mm or 51mm diameter were completed depending on equipment and conditions whilst open boreholes were a combination of rotary chip (RC) and partial core diamond (PCD) type. All boreholes are logged for lithology from chip cuttings or core onto coded recording sheets soon after drilling and later entered into spreadsheets. Chip boreholes are generally logged to 0.5m accuracy and core boreholes generally logged to 0.1m detail, which is sufficient for the current level of study and resource estimation.

A total of 10 seams have been identified and named based on seam splitting which occurs across the Har Toirom Deposit. All seams appear to be thicker and cleaner as they coalesce with a total combined thickness of 47.9m achieved in borehole HT1-



Har Toirom Deposit



**Trial Mining at Unst Khudag
Deposit**

66DD. Some parts of the seam splits have not been identified and further work is required to subdivide and correlate these seams further into their component plies.

The coal deposits contained in the Unst Khudag Project area are within a NE-SW trending fault bounded graben. A number of generally north west to south east complementary faults have been mapped across the project area. These faults are all considered to be normal in type and no evidence has been seen of any thrust structures.

The seams of the Har Toirom Deposit generally dip to the south at 1° to 2° , although localised higher dips may occur due to differential compaction over the variable interburden units.

The deposit contains a number of thick, shallow, low dip angle coal seams which are amenable to open cut mining. It is assumed that the seams will be mined by conventional truck / shovel methods. The low strip ratio ($<3:1 \text{ m}^3/\text{tonne}$), potential mining conditions and proximity to a potential market means this deposit has reasonable prospects for eventual economic extraction.

A minimum fresh coal thickness cutoff of 0.5m has been applied to each seam where it thins or subcrops. Interburden between seams has only been identified where it is greater than 0.3m and has been included with the seam below where it is less than 0.3m. Partings within seams have been identified and excluded from the coal seam thickness where they are greater than 0.3m but have not been independently modelled.

Only fresh (unweathered) coal has been modelled and included in the current resource estimate, although some weathered coal may prove mineable following further studies.

No sizing, washability, or float/sink testing has been completed at this stage.

The Har Toirom model has used a total of 80 boreholes of which 68 contained coal and 25 had useable coal quality data. Those which contained no seams were used to locate seam subcrops and faults and other seam limits.

A cutoff of 30% ash has been applied to the definition of coal seam units as this usually represents a rapid transition zone from a much lower ash coal to a carbonaceous mudstone which would not be mined. The coal units are then more easily defined from geophysical logs. However no quality cutoffs have been applied to the model.

The Company's independent consultants are now finalising an initial resource estimate for the Unst Khudag Deposit, which is targeted for release and reported in compliance with the 2004 JORC code in the coming weeks. Following compilation, processing and modelling of further existing exploration data, the Company expects to be able to release further resource updates for the Har Toirom Deposit in the new year.

The Company is advancing off-take negotiations with potential buyers for Unst Khudag Project coal and finalising the amount of coal for trial shipments. The discussions on construction of a power plant on site are progressing positively, with identification of a suitable consultant to undertake a feasibility study.

The study for transportation and logistics to deliver Unst Khudag coal to the Mongolian Chinese border is at an advanced level. Options for acquiring a spur rail line at the Choir railway station area or building a short spur rail line with a loading facility are being studied.

Hunnu Coal is aiming to become a major force in the exploration and development of coking and thermal coal deposits in the world class South Gobi and Middle Gobi Coal Provinces.

George Tumur
Managing Director

Competent Person Statement

The information in this report that relates to Exploration Results, Exploration Targets and Coal Resources are based on information compiled by Mr David Green. Mr Green is the Principal Geologist of Green Exploration & Mining Services Limited (BSc(Hons) Geol, University of Victoria, NZ, 1981) with over 27 years experience in coal geology and over 15 years experience in resource evaluation. Mr Green is a member of the Australasian Institute of Mining and Metallurgy. Mr Green 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 Green consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Table 2: Har Toirom Assay Parameters Modelled

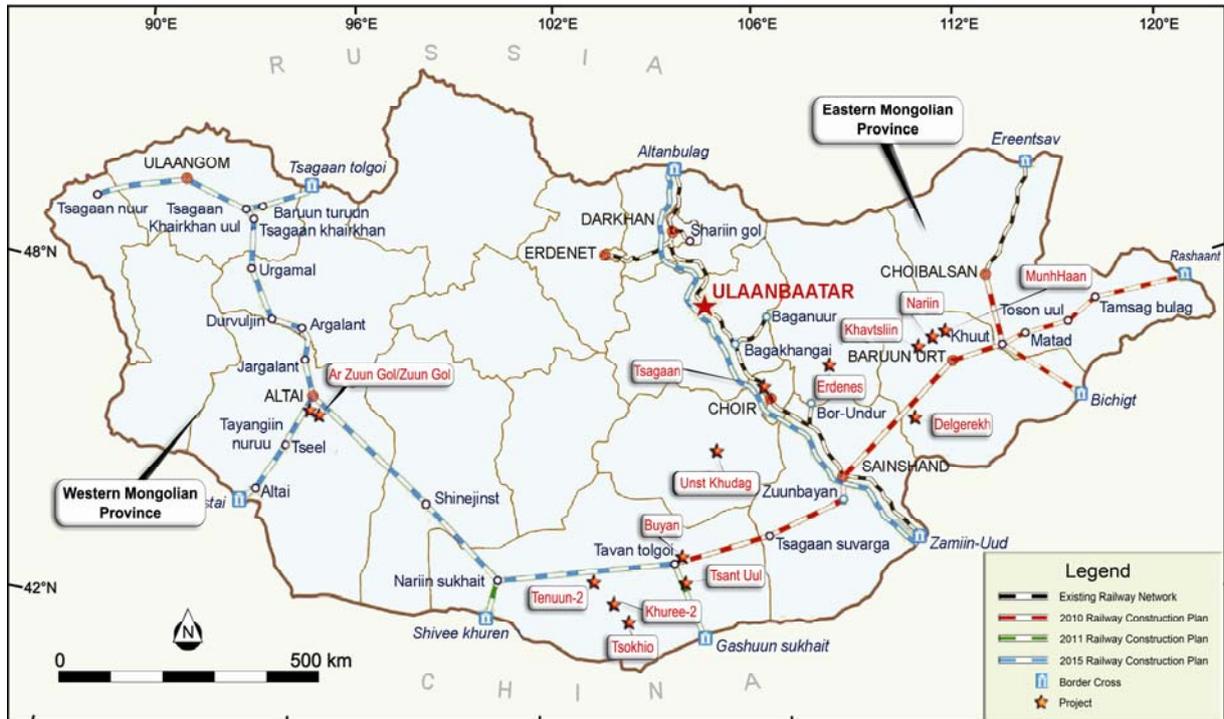
parameter	code	unit
insitu relative density	rd	gm/cc
total moisture	tm	%
raw ash (ad)	as	%
inherent moisture	im	%
volatile matter (ad)	vm	%
calorific value (ad)	cv	kCal
total sulphur (ad)	ts	%

The following Table presents the average quality in the Har Toirom Deposit by category.

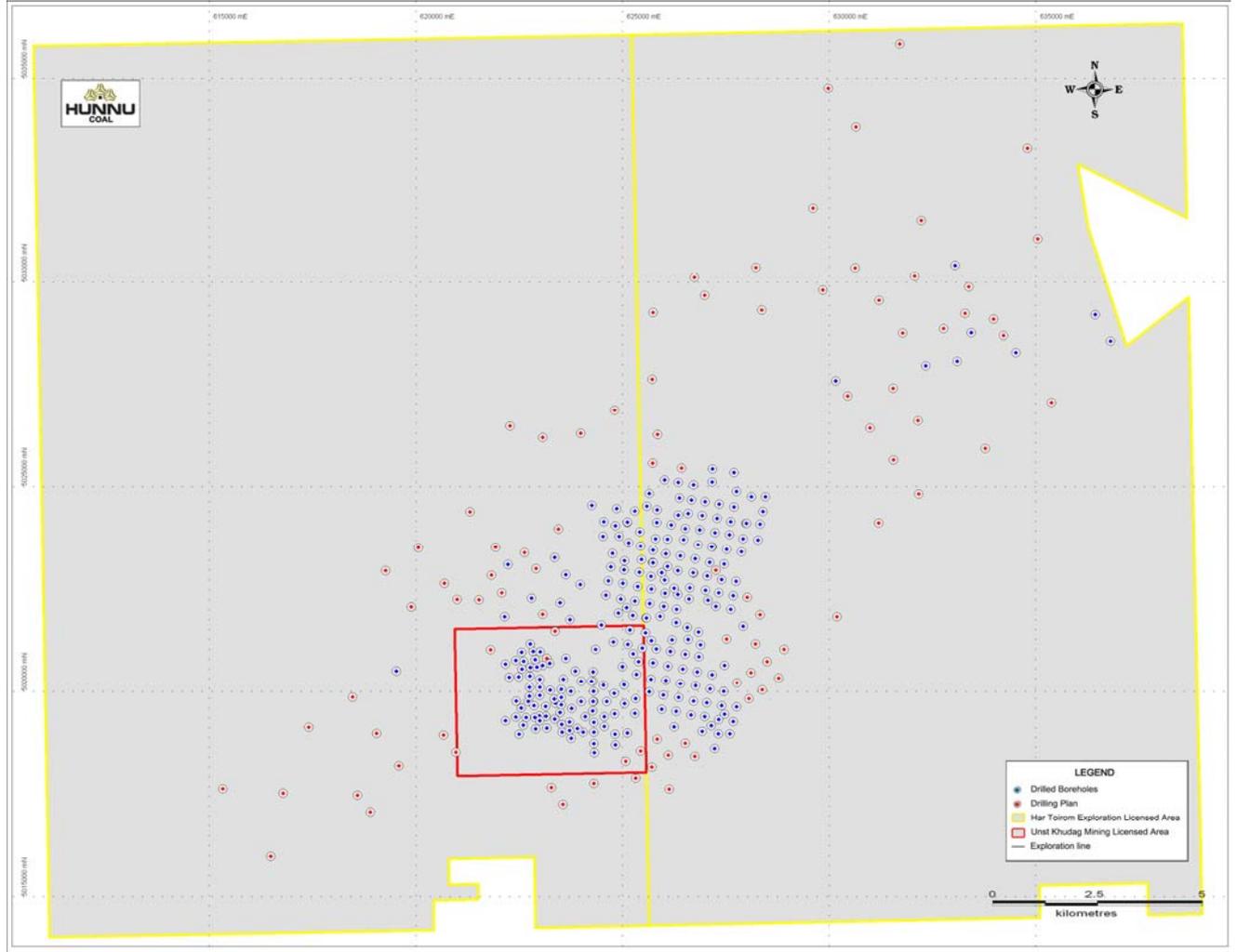
Table 3: JORC Coal Resource

Category	Tonnes Mt	air dried basis							CVdb kcal/kg	CVdaf kcal/kg
		RDis	TM%	IM%	Ash%	VM%	CV kcal/kg	TS%		
Measured	18.85	1.37	33.8	22.3	10.6	33.6	4578	1.04	5,893	6,821
Indicated	207.4	1.39	32.0	21.0	14.0	32.3	4416	1.06	5,590	6,791
Inferred	98	1.40	30.8	20.0	15.8	32.1	4346	1.22	5,430	6,763
TOTAL	324	1.39	31.8	20.8	14.3	32.3	4404	1.11	5,559	6,784

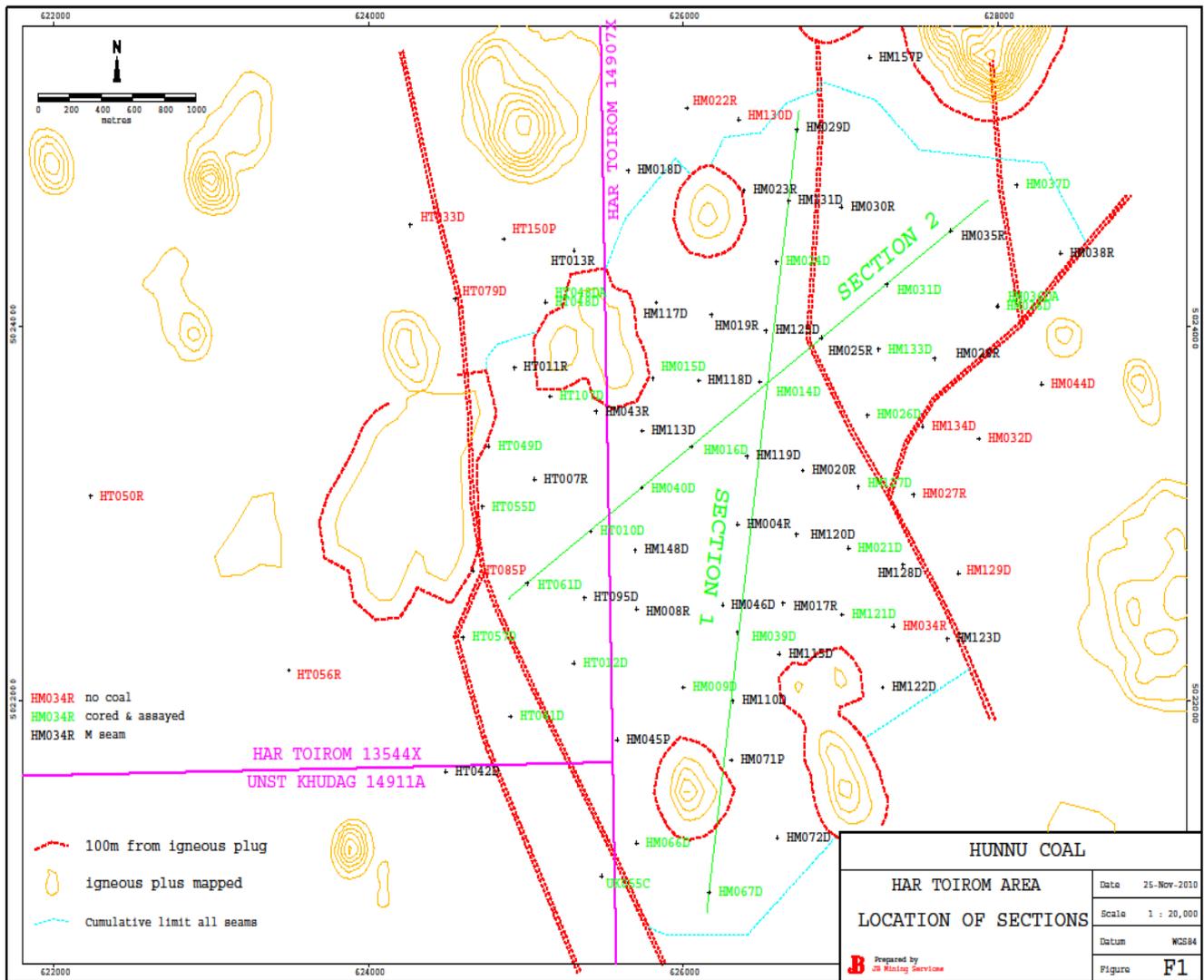
HUNNU COAL PROJECT LOCATIONS



UNST KHUDAG COAL MINE – DRILLING LOCATION MAP

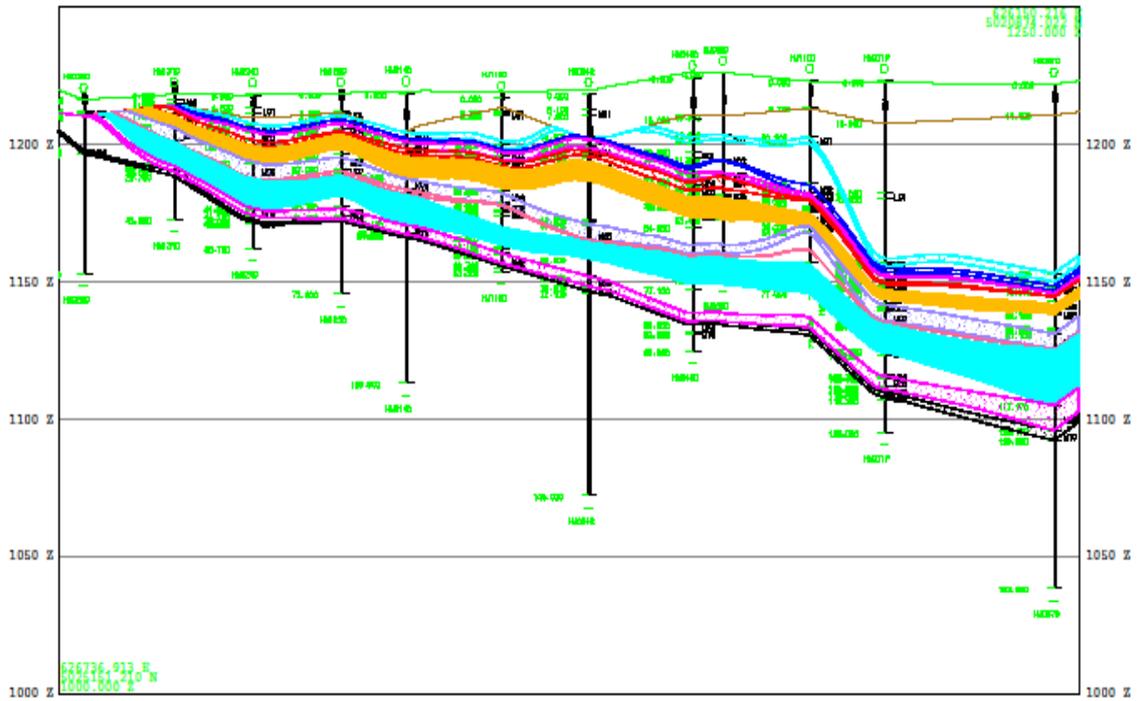


HAR TOIROM RESOURCE DEFINITION AREA WITH SECTIONS



HAR TOIROM CROSS SECTION 1

CROSS SECTION 1



HAR TOIROM CROSS SECTION 2

CROSS SECTION 2

