



## ASX Release

Friday 30 July 2010

**HUNNU COAL LIMITED**  
ABN 83 138 962 124  
Level 1 / 33 Richardson Street  
WEST PERTH  
Australia

Tel: +61 8 9200 4267  
Fax: +61 8 9200 4469

### Contact:

Matthew Wood  
Executive Chairman

E-mail: [info@hunnucoal.com](mailto:info@hunnucoal.com)

### Directors / Officers:

Matthew Wood  
George Tumur  
Timothy Flavel  
Daniel Crennan

### Issued Capital:

161.1 million shares

ASX Symbol: HUN

### Media:

Fortbridge +61 2 9331 0655  
Bill Kemmery +61 400 122 449

# JUNE QUARTERLY REPORT 2010

## HIGHLIGHTS

- 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. The Company has set a timetable of developing three coal mines in Mongolia within the next four years.
- The Company acquired a 60% interest in the Unst Khudag Coal Mine which is strategically located 180km 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 of area with an approved Mining Plan and Feasibility Study for the mining of 98.7Mt of coal by the Mongolian Government.
  - Off-take agreements are currently being negotiated with Mongolian and Chinese coal users. A trial open cut mine will commence in the coming weeks to supply bulk samples to potential customers for advanced testing analyses.
  - Exploration Target\* of 250Mt to 500Mt. The Company is currently calculating an initial JORC resource estimate.
  - The Company recently completed a 3,000m drilling programme at Unst Khudag. Initial assessment of this data indicates that Unst Khudag may be significantly larger than originally anticipated. Coal quality results and drilling data will be available in the coming weeks.
  - An additional drilling programme consisting of 10,000 to 20,000 metres is planned to commence over the coming months.
- The Company acquired a 60% interest in the Buyan Coking Coal Project which is located within the Giant Tavan Tolgoi Coking Coal Field. Buyan is 5 km from operating coal mines that currently export coking coal to China.
- The Company acquired a 90% interest in the Tsant Uul Coking Coal Project which is located within 50 km of operating coal mines that currently export coking coal to China.
  - Granted Exploration License 69,000Ha in area.
  - The Company has completed seven diamond core drill holes that intersected multiple coal seams with thicknesses up to 25.2 metres from as shallow as 7.8 metres from surface.



- **Exploration Target\* of 50Mt to 100Mt with an extensive drilling programme planned to commence in the coming weeks.**
  - **Existing haulage road to China peripheral to project.**
  - **Proposed rail line to China peripheral to project.**
- **The Company acquired 60% of the Tsohio Coal Project, located between the Giant Tavan Tolgoi Coking Coal Field and South Gobi Energy Resources Coal Field.**
- **Granted Exploration License with an area of 38,600Ha.**
  - **The Tsohio Coal Project has an Exploration Target\* of 50Mt to 75Mt.**
- **An independent geologist has commenced the process of calculating JORC compliant resource statement for both the Tenuun 2 Coal Project and the Unst Khudag Coal Mine. Results should be available in the coming months.**
- **Geological mapping and geophysical studies have been completed on the Tenuun-2, Khuree-2, Nariin, Khavtsal and Delgerekh Coal Projects. Further exploration programmes are being prepared based on evaluation of these results.**

## **THE UNST KHUDAG COAL MINE**

The Company acquired 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, 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 mining license area covers approximately 1,600 hectares of area, on which the relevant government authority have approved the mining of 98.7Mt of coal. The Exploration Target\* is 250Mt to 500Mt. The Company is currently calculating an initial JORC resource estimate.

Coal seam thicknesses vary 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. Coal analyses reveals a high quality thermal coal with quality parameters in average  $Q = 6460 \text{ kCal/kg}$ , Ash = 13.9% and Moisture content = 23.9%.

The Company recently completed a 3,000m drilling programme at Unst Khudag. Initial assessment of this data indicates that Unst Khudag may be significantly larger than originally anticipated. Coal quality results and drilling data will be available in the coming weeks. An additional drilling programme consisting of 10,000 to 20,000 metres is planned to commence over the coming months.



**Drilling at Unst Khudag**



**Unst Khudag Trial Mine 1**



**Coal mining at the UHG Coking Coal Mine located 5km to the south of Hunnu Coal's Buyan Coking Coal Project**



**Drill core from the Tsant Uul Coking Coal Project**

Off-take agreements are currently being negotiated with Mongolian and Chinese coal users. A trial open cut mine will commence in the coming weeks to supply bulk samples to potential customers for advanced test analyses.

## **Buyan Coal Project in the Tavan Tolgoi Coking Coal Field**

The Company acquired a 60% interest in the Buyan Coal Project, which is located within the giant Tavan Tolgoi Coking Coal Field in the Umnugobi Province of Mongolia.

The Tavan Tolgoi Coking Coal Field is estimated to contain over six billion tonnes of coking and thermal coal resources in the South Gobi region of Mongolia. Energy Resources LLC mines approximately two million tonnes of raw coking coal from its UHG Mine which is located five kilometres to the south of Hunnu Coal's Buyan Coal Project. Energy Resources has stated that it plans to increase the production at the UHG Mine to fifteen million tonnes in 2010, while building a ten million tonne coal washing plant and power plant on its mine site. Tavan Tolgoi Stock Holding Company, listed on Mongolian Stock Exchange, also mines raw coking coal and also exports to China. The Mongolian State owned Erdenes MGL LLC owns the surrounding five mining licenses with identified resources of approximately six billion tonnes of coking and thermal coal.

The Buyan Coal Project is a strategic acquisition for Hunnu Coal in one of the world's truly great coking coal fields. Existing infrastructure is in place and plans are advanced for the construction of a rail line.

The Company will be undertaking detailed exploration on the project in the coming months as part of its coking coal exploration strategy in the South Gobi Region.

## **Tsant Uul Coking Coal Project in the World Class South Gobi Coal Province**

The Company acquired a 90% interest in the Tsant Uul Coking Coal Project. The Project is located within 40km of the giant Tavan Tolgoi Coking Coal Field in Umnugobi Province of Mongolia.

The Tsant Uul Coal Project covers over 59,000Ha of area in the world class South Gobi Coking Coal Province of Mongolia. The project is located only forty kilometres to the south of the giant six billion tonne Tavan Tolgoi coking and thermal coal deposit and approximately 6km from the existing coal haulage road to China.

The Tsant Uul Coal Project will be greatly advantaged by the massive infrastructure projects currently being proposed and developed at the nearby Oyu Tolgoi Copper Gold Project, the Tavan Tolgoi Coking Coal Deposit and the expansion projects at the UHG Coking Coal Mine.



The Company's drilling programme included seven diamond core holes, five of which intersected multiple coal seams ranging from 0.5m to 25.22m in thickness starting from as shallow as 7.8m from the surface (See Table 1). Drilling core samples were analysed at Alex Stewart Laboratory in Mongolia for the coal parameters. The coal quality analyses showed Total Moisture = 5% to 6.9%, Ash = 15.2% to 36%, Volatile Matters = 26.1% to 29.6%, Fixed Carbon = 36.2% to 50.7%, Sulfur = 0.3% to 0.55%, Qdaf = 6,990 kCal/kg to 7,466 kCal/kg and CSN = 0 to 1.5. Initial test results demonstrate close similarities to coals at the giant Tavan Tolgoi Coking Coal Field. Summarized results of the analyses are shown in the Table 2 below.

The Company has estimated an **Exploration Target\* of 50Mt and 100Mt of coal** for the Tsant Uul Coking Coal Project.

The Company intends to commence an extensive drilling programme in the coming weeks with the aim of generating initial JORC resources and further coal test work.

## **Tsohio Coal Project in the South Gobi Coal Province**

The Company acquired a 60% interest in the Tsohio Coal Project, which is located approximately 40km south of the Company's Khuree-2 coal project in the Umnugobi Province of Mongolia.

The Tsohio Coal Project is located forty kilometres to the south of Hunnu Coal's Khuree-2 Coal Project, where the Company is currently undertaking a mapping and geophysics exploration programme. The Tsohio Coal Project has had limited past exploration. Due diligence work by Hunnu Coal has discovered a coal seam outcrop that is approximately 3 km in strike length. This coal seam has also been intersected in a single trench with a thickness of approximately 5 metres. Based on this work the Company has an Exploration target for the Tsohio Coal Project of 50Mt to 75Mt.

## **Geological Mapping and Geophysical Survey Studies**

Geological mapping and geophysical survey studies have been undertaken on the **Tenuun-2, Khuree-2, Nariin, Khavtsal and Delgerekh Coal Projects** at 1:50,000, 1:25,000, 1:10,000 and 1:2,000 scales in order to assess the extent and potential of coal for further detailed exploration programmes in 2010. A total of 19,450 hectares of area have been mapped throughout the projects and 12,800 hectares of area have been surveyed for gravity and gradient array and 21,000 km of dipole-dipole and pole-dipole geophysical surveys. Initial results have been highly encouraging and highlight the significant potential of these projects. Further exploration programmes are being planned based on evaluation of these results.

A single vertical drill core hole has also been completed at the Tenuun-2 Coal Project. This drill hole intersected three coal seams with combined true thickness of approximately 12m. The average results of the core analysis showed Ash (dry basis) = 15.8%, Volatile matter = 27.81%, Sulfur = 0.49% and Q(dry, ash free) = 7,071 kCal/kg. The Company is very encouraged by these results and further drilling is planned at Tenuun-2 in August 2010.

## Corporate

The Company at the end of this quarter had cash reserves of approximately \$9.8M. Cash expenditure has been higher than originally anticipated but is reflected in the company's highly successful acquisition strategy over the last quarter. These acquisitions have resulted in Hunnu Coal establishing a strong and highly enviable position in the World Class South Gobi and Middle Gobi Coal Provinces.

The Company has now established offices in Perth and Ulaanbaatar with a strong operations team resident in Mongolia. Hunnu Coal's Mongolian management team have a proven track record of delivering successful coal projects in Mongolia.

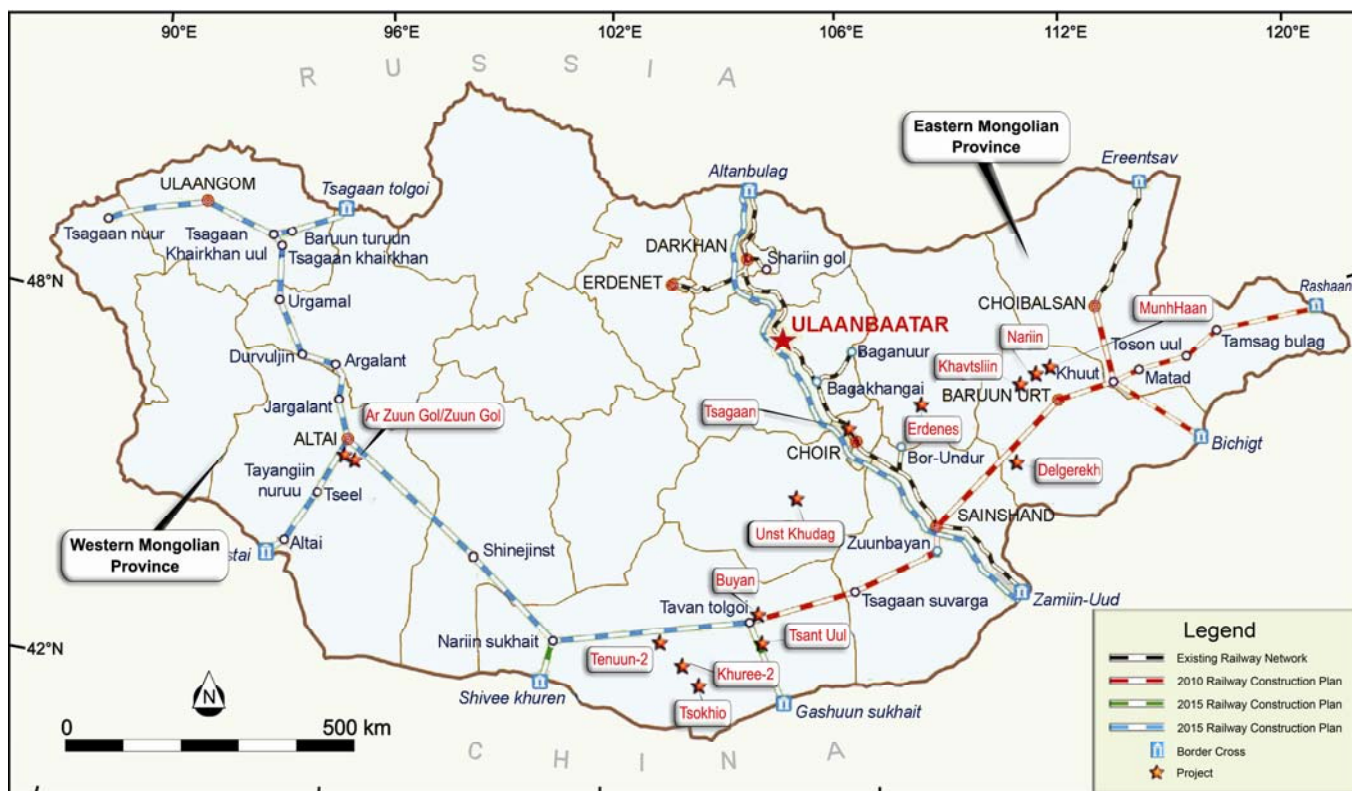
Hunnu Coal is aiming to become a major force in the exploration and development of coking and thermal coal deposits in the World Class South Gobi and Middle Gobi Coal Provinces. The Company has set a timetable of developing three coal mines in Mongolia within the next four years.

### **George Tumur Managing Director**

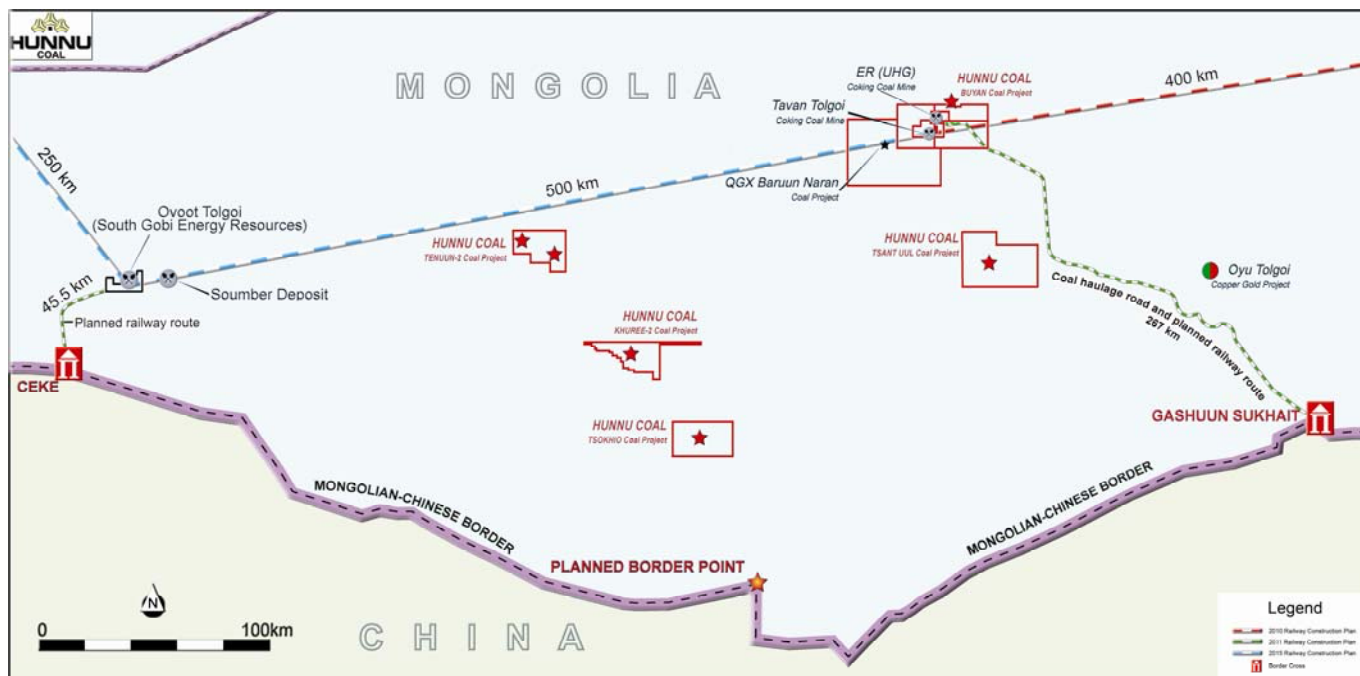
*\*This work has not resulted in the definition of any resource which is compliant with the JORC Code but has identified an Exploration Target. Hunnu Coal is currently reviewing this work. The potential quantity and grade is conceptual in nature and there has been insufficient exploration to define a 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 Australasian 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.*

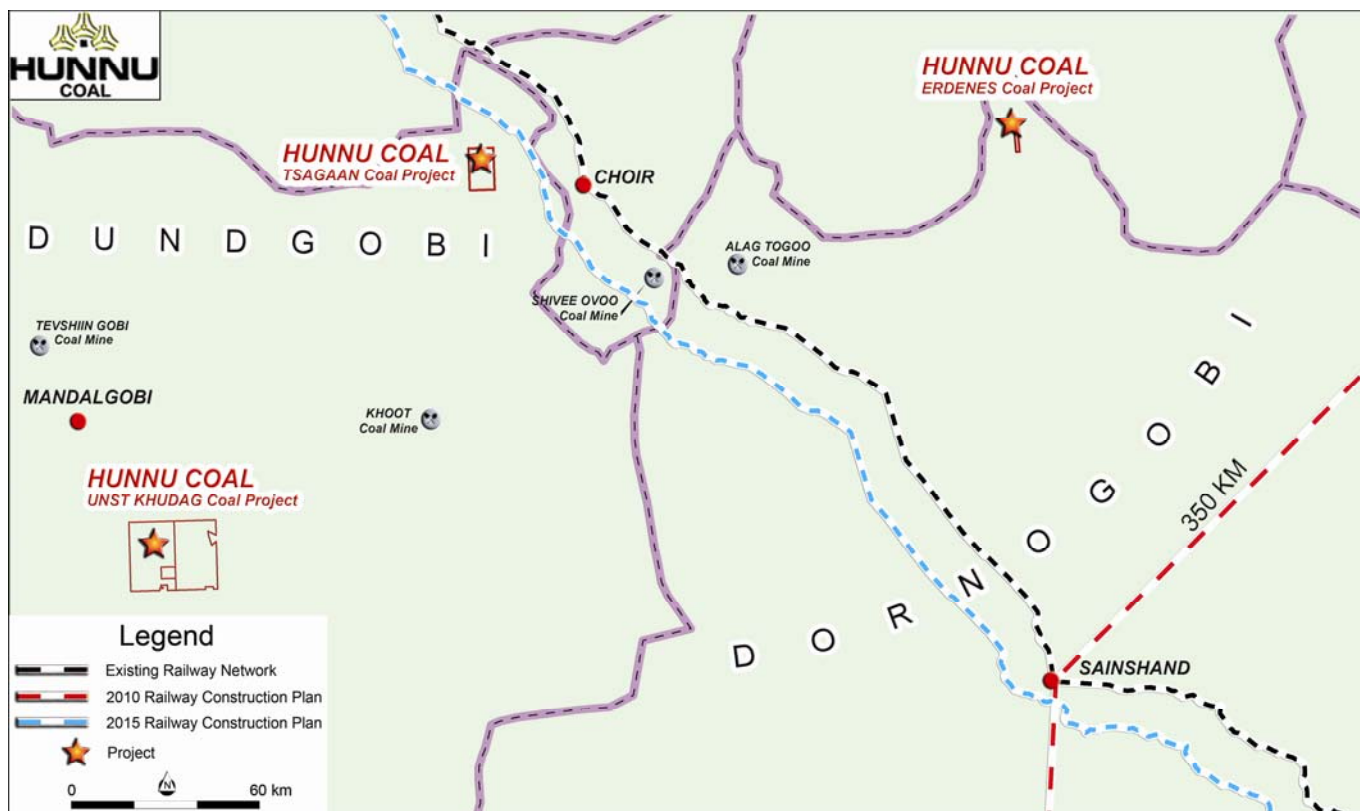




## HUNNU COAL'S PROJECTS



## HUNNU COAL - SOUTH GOBI COAL PROJECTS



## HUNNU COAL - MIDDLE GOBI COAL PROJECTS

**Table 1. Tsant Uul drill hole summary**

TsUD-001	Coordinates	Coal seam ID	Coal starts from (m)	Coal ends at (m)	Thickness (m)
	E 105°44'40.8" N 43°09'30.5" 161m Vertical	1	7.68	15.6	7.92
		2	19.12	20.32	1.20
		3	47.38	51.82	4.44
		4	66.10	67.43	1.33
		5	120.58	126.6	6.02
		7	127.95	132.9	4.95
		8	134.55	135.95	1.40
		9	138.03	144.4	6.37
		Cumulative thickness (m)			
TsUD-002	E 105°45'15.6" N 43°09'26.9" 145m Vertical	1	26.50	28.35	1.85
		2	31.40	36	4.60
		3	76.50	78	1.50
		4	88.50	89.5	1.00
		5	95.00	96	1.00
		Cumulative thickness (m)			
TsUD-003	E 105°43'45.3" N 43°08'51.3" 142m Vertical	1	64.90	66.9	2.00
		2	70.60	73.9	3.30
		3	79.60	80.8	1.20
		4	133.90	135.65	1.75
		Cumulative thickness (m)			
TsUD-004	E 105°44'49", N 43°08'40", 103m, Vertical, No coal intersected				
TsUD-005	E 105°44'48", N 43°08'44", 121m, Vertical, No coal intersected				
TsUD-006	E 105°44'40.7" N 43°09'30.5" 150m	1	19.55	25.1	5.55
		2	30.85	33	2.15
		3	38.00	38.5	0.50

	Vertical	4	59.15	63.45	4.30
		5	69.40	70.5	1.10
		6	80.80	81.9	1.10
		7	95.70	97.15	1.45
		8	120.30	145.55	25.22
		Cumulative thickness (m)			40.27
TsUD-007	E 105°44'40.9" N 43°09'30.4" 137m Vertical	1	10.10	17.8	7.70
		2	24.40	26.4	2.00
		3	59.80	63.35	3.55
		4	76.00	77	1.00
		5	84.00	85.2	1.20
		6	109.20	110	0.80
		Cumulative thickness (m)			16.25

**Table 2. Tsant Uul Project Drill core analyses summary**

Hole number	Total Moisture (%)	Proximate analysis (%)			Fixed Carbon (%)	FSI	CV, gross kCal/kg	Sulphur (%)
		Ash (%)	A/moisture (%)	Volatile matter (%)			mode-dynamic	
TsUD-01	5.34	15.24	2.92	26.10	43.38	1-1.5	6,990	0.38
TsUD-02	4.98	24.26	2.05	28.74	43.98	0	7,260	0.55
TsUD-03	6.45	36.06	1.84	25.86	36.24	0	7,211	0.48
TsUD-06	4.72	18.77	2.49	26.63	41.73	0	7,294	0.48
TsUD-07	6.92	16.78	2.95	29.57	50.71	1-1.5	7,466	0.29