



ASX Release

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COMMENCEMENT OF DRILLING AT THE UNST KHUDAG COAL MINE

The Company is very pleased to announce that it has commenced an exploration and development drilling programme at the 60% owned Unst Khudag Coal Mine and surrounding exploration licenses. The Unst Khudag Coal Mine is located in Dundgobi Province of Mongolia and is being developed by Hunnu Coal to deliver high quality premium thermal coal to both domestic and Chinese off-take customers.

- **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 of area.**
- **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 negotiated with Mongolian and Chinese thermal 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 to local customers**
- **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 mine start up at less than 1:1.**
- **Coal analysis reveals a high quality thermal coal with quality parameters in average $Q^{daf} = 6,460$ kCal/kg, Ash = 13.9% and Moisture content = 23.9%.**
- **Three drilling rigs currently operating on site.**

The Unst Khudag Coal Mine is located 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 area covers approximately 1,600 hectares of area, on which the relevant



**Drilling at Unst Khudag
Coal Mine**



**Unst Khudag
Coal Deposit**



**Unst Khudag Mine
Coal Test Pit**

government authority has approved the mining of 98.7Mt of coal.

Previous 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. 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 current exploration drilling programme is intended to confirm the current Exploration Target* within the mining license area and also identify the extent of the coal seam into the adjacent licensed exploration area. A total of 33 drill holes are expected to be completed for approximately 5,000 metres. The drilling programme will also include further coal quality test work. Three drilling rigs are currently on site and are drilling a combination of both open hole and diamond core to an average depth of 150m.

The Company is finalising 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.**

The Company expects to be able to release additional information on this exploration programme and the development of the Unst Khudag Coal Mine in the coming months.

**George Tumur
Managing Director**



**Unst Khudag Coal Mine
Development Camp**

**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 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.

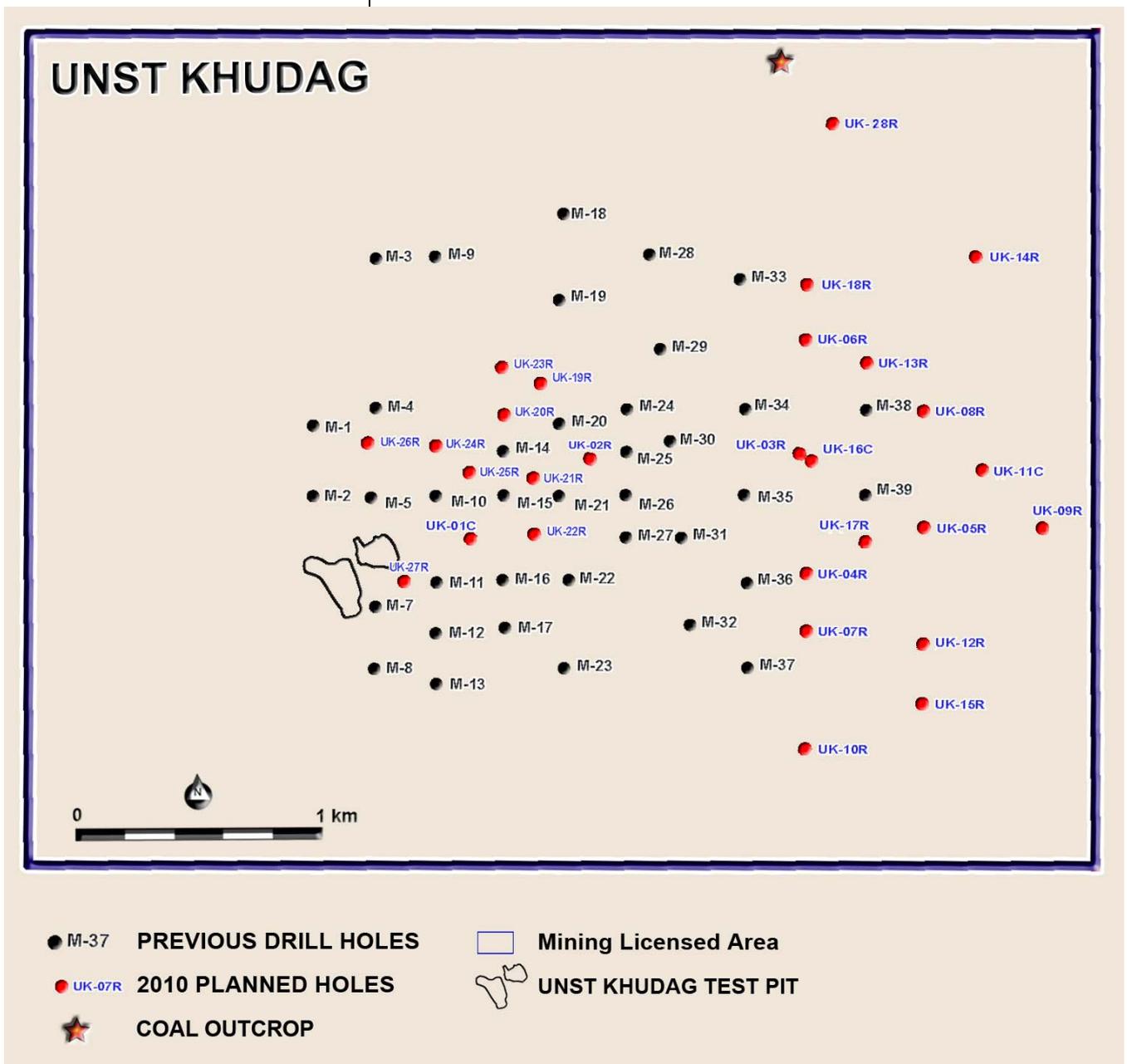


Figure 1. Drilling Location Map of the Unst Khudag Coal Mine.

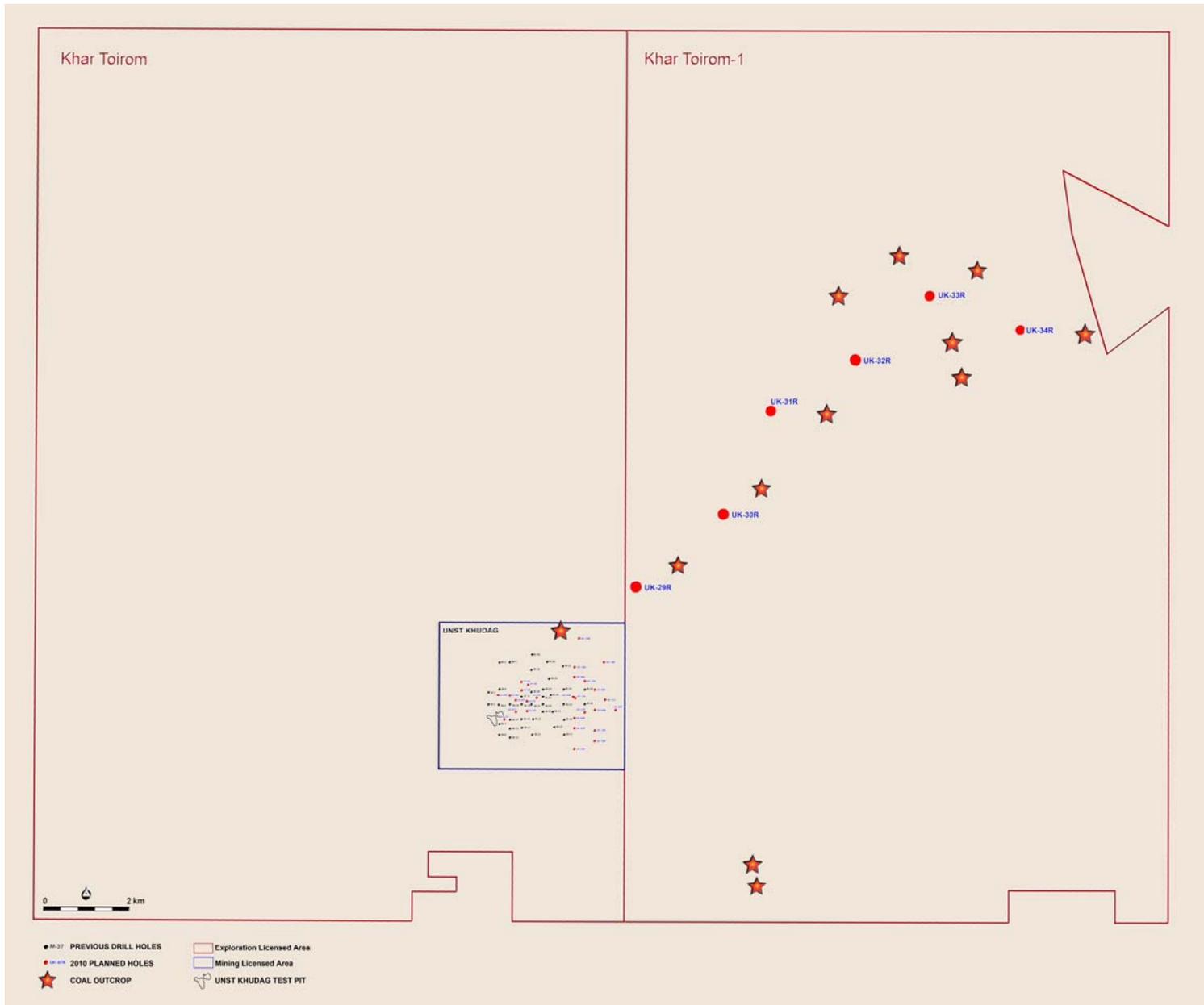


Figure 2. Map of Unst Khudag Licensed Area Showing Coal Outcrop and Exploration Drill Targets.