



ASX Release

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Issued Capital:
242.1 million shares

ASX Symbol: HUN

JUNE QUARTERLY REPORT 2011

HIGHLIGHTS

- **Mining licence granted for the Tsant Uul Project with an 85% increase to the JORC Resources:**
 - Total resource of 167.1Mt with 93.8Mt classified as Measured (40.9Mt) and Indicated (52.9Mt) with further upgrades expected this year.
 - Mining expected to commence in the last quarter of 2011 with an initial production target of 1.5Mt of coal in 2012 and 3Mt in 2013.
 - Owner operator mining fleet purchased including six CAT 773 Dump Trucks and a Hitachi 1200 excavator. Additional purchases underway.
 - Final test work and off-take agreements nearing completion.
 - New Coal discovery 7km north of the Tsant Uul Deposit, with drilling currently underway.
 - 39km road construction FS from Tsant Uul project to the existing coal haulage road has been approved by the Ministry of Road and Transportation of Mongolia.

- **Acquisition of 70% interest in the Altai Nuurs Project:**
 - Preliminary test work indicates a premium hard coking coal fraction with an average CSN of 8.5.
 - Exploration Target* based on drilling, coal test work and wire frame modelling of 250-500Mt.
 - 19,437 metres for 107 RC and core drill holes completed and there are 3 rigs mobilized at site.
 - Granted Mining Licences with a Fast Track development scenario.
 - Preliminary open cut modelling indicates a low strip ratio of 3.5:1.
 - Increased interest to 80% across eight of the ten licenses (including all of the mining licenses).

- **100% increase to the Unst Khudag JORC Resources:**
 - Total resource of 676Mt to a depth of 150m with 601Mt classified as Measured (541Mt) and Indicated (60Mt) with further upgrades expected.
 - Advanced negotiations with off-take partners.
 - Rail loading spur at Choir railway completed.
 - 3Mt per annum of capacity secured on the existing Trans-Mongolian Railway.
 - Feasibility study of a railway from the mine gate to Choir nearing completion.
 - New development concept being scoped: +20 year mine life, delivering a product at +5,000Kcal to the Chinese border at 10-20Mt per annum.

Tsant Uul Project

In the middle of July, the Mineral Authority of Mongolia granted mining licence MV - 016872 for the Tsant Uul Project which covers a total area of 69,233ha. The mining licence has an initial term of 30 years with an option for two twenty year extensions, providing for a potential of 70 years of mining operations.

The Company has also upgraded the Tsant Uul JORC Resource by 85% giving it a total resource of 167.1Mt with 93.8Mt classified as Measured (40.9Mt) and Indicated (52.9Mt) with further upgrades expected this year. In addition to this, there has been a new coal discovery 7km north of the Tsant Uul Deposit and drilling is currently underway with a total of 7 rigs currently operating on site.

The Company is targeting commencement of mining in the last quarter of 2011 and is anticipating initial production of 1.5Mt of coal in 2012 and 3Mt in 2013. In anticipation of this, the Company has acquired six CAT 773 Dump Trucks and a Hitachi 1200 excavator and is expecting delivery in October. Additional purchases will be made as the project is ramped up to full production.

The Company has submitted samples for final test work and has signed a number of MOU's with off-take partners. The average coal quality analyses of five coal seam groups from drill core samples showed:

- Total Moisture = 3.99% to 6.51%
- Ash = 17.54% to 39.01%
- Volatile Matters = 22.02% to 42.44%
- Fixed Carbon = 35.85% to 42.31%
- Sulfur = 0.28% to 0.65%
- Gross Qdaf = 7,008 kCal/kg to 7,455 kCal/kg
- FSI (Raw Coal, including ash) = 1.54 to 1.69

Table 1: Tsant Uul Deposit JORC Resource Summary

Resource Category	Tonnes Mt
Measured	40.9
Indicated	52.9
Inferred	73.3
TOTAL	167.1

Altai Nuurs Project

The Company has acquired a controlling interest in the Altai Nuurs Premium Hard Coking Coal Project.

- 80% of 8 licences (including four mining licences) in the Gobi Altai.
- 70% of 2 licences in the Gobi Altai.

The Project comprises six exploration licenses totalling 46,212ha and four mining licenses totalling 202ha. Based on Rio Tinto's drilling (19,437 metres for 107 RC and core drill holes), coal test work and wire frame modeling, an Exploration Target* of between 250Mt and 500Mt of coal has been identified.

The Company is in the process of modelling Rio Tinto's data for JORC purposes and so far this modeling suggests a low strip ratio of 3.5:1 for an open cut mine. The Company has also just commenced its own extensive drill programme with 3 rigs being mobilised to site.

Preliminary test work indicates the coking coal parameters compare favourably with similar coking coal projects elsewhere in the world.

Parameter	Altai Nuurs (Hunnu)	Tavan Tolgoi	Moatize (BHPB)	Peak Downs (BHPB)
Moisture (% ad)	1.6	n/a	n/a	1.0
Ash (% ad)	10.7	7.8	10.5	9.7
Volatile Matter (% ad)	18.0	26.5	22-25	20.5
Cal. Val. (kcal/kg, ad)	7,460	7,770	~7,400	n/a
Crucible Swelling No.	8.5	8	8	8.5
Total Sulphur (% ad)	0.48	0.39	0.8-0.9	0.6
Phosphorous (% ad)	0.017	0.06	0.08-0.10	0.04
Alkalinity Index	0.56	0.65	n/a	0.66
Coke Strength Ratio	>70 (est)	65 (est)	> 65	74

Table 2: Comparison of key parameters of coal from RC drilling at Altai Nuurs to other coal deposits.

As the Mining Licences have already been granted and given the close proximity to sale points being either the mine gate or the Chinese border point at Burgastai which is only 250km by road, the Company is looking to Fast Track the development of this Project.

Unst Khudag Project

In early July the Company upgraded its resource estimate for the Unst Khudag Project by 100% giving the Project a total JORC Resource of 676Mt with 600.8Mt classified as Measured (540.9Mt) and Indicated (59.9Mt).

There are currently 3 drilling rigs operating on site and a total of 32,777 drill holes for 334 metres have been drilled. Of this, 325 drill holes for 28,245 metres were utilised in the JORC Resource estimate and as such the Company expects further upgrades this year.

The Company is in advanced discussions with potential off-take partners having signed a number of MOU's as well as providing trial shipments.

The 100% owned rail loading spur at the Choir railway station has also been completed and the Company has secured 3Mt per annum of capacity on the existing Trans-Mongolian Railway. A feasibility study on building a railway from the mine site to the Trans-Mongolian Railway at Choir is currently being finalised and it is envisaged that this would enable 10-20Mt of +5,000Kcal coal to be transported to the Chinese border per annum.

Table 3: Unst Khudag Deposit JORC Resource Summary

Resource Category	Tonnes Mt
Measured	540.9
Indicated	59.9
Inferred	75.6
TOTAL	676.4

Other Projects

Drilling has commenced at the Khuree-2, Munkhhaan and Tsagaandelger projects. Once completed, drilling will commence at the Tsokhio, Ar Zuun Gol and Zuun Gol projects.

A total of 7,714 metres of drilling for 40 RC holes has been completed at Khuree-2. On completion of this drilling campaign the drill rigs and geological crew will be mobilised to the Tsokhio site.

Drilling commenced at Munkhhaan in June 2011 and the Project currently has a diamond drill rig operating at site. A total of 9 holes for 919 metres have been completed.

A rotary compressor drill is currently at Tsagaandelger and has drilled 3 holes for 358 meters.

The drilling at Ar Zuun Gol and Zuun Gol projects has been delayed to enable the programme to be integrated with the Altai Nuurs campaign which is currently underway. Post drilling Altai Nuurs, the rigs will be mobilised the 70km's to these projects.

Infrastructure Projects

Approximately 1km of railway spur construction at the Choir railway station on the Trans-Mongolian railway has been completed. The railway spur will be used for future development of the Unst Khudag thermal coal project in the Middle Gobi for loading and shipping for domestic and export markets.

A feasibility study report for a 39km road construction from the Tsant Uul project to the existing coal haulage road has been approved by the Ministry of Road and Transportation of Mongolia.

Hunnu Coal has over 843Mt of JORC reported Coal Resource across its Projects and has become one of the major explorers for coking and thermal coal deposits in the World Class South Gobi and Middle Gobi Coal Provinces. The Company intends to continue its aggressive exploration and acquisition efforts and with the support and expertise of its strategic partner Banpu PCL, move from exploration to mine development and then into production all within this year.

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 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.

Exploration Target*

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. Hunnu Coal is currently reviewing previous exploration and test 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.