



ASX Release

26 October 2011

HUNNU COAL LIMITED
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Executive Chairman

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Directors / Officers:
Matthew Wood
George Tumur
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Issued Capital:
248.1 million shares

ASX Symbol: HUN

SEPTEMBER QUARTERLY REPORT 2011

HIGHLIGHTS

- Highly compelling all cash off-market takeover offer of \$1.80 per share for Hunnu Coal Limited.
- Offer represents a significant premium to Hunnu's trading prices prior to the offer:
 - 30% to Hunnu's last closing price prior to the offer of \$1.385 per share on 8 September 2011.
 - 53% to Hunnu's one month volume weighted average price ("VWAP") of \$1.18 per share prior to the offer.
 - 41% to Hunnu's three month VWAP prior to the offer of \$1.28 per share.
- Banpu currently has a relevant interest in 50.18% and has declared the offer free from conditions. The Board of Directors of Hunnu unanimously recommends that Hunnu shareholders accept Banpu's Offers in the absence of a superior proposal.
- Development work at the Tsant Uul Project progressing well.
- Commencement of drilling programmes at the Altai Nuurs Project, with 4,565 metres for 24 drill holes.
- Completion of the 2011 Unst Khudag Project drilling programme, with a total of 37,205 metres drilled for 364 drill holes.

Off Market Takeover Offer From Banpu

In mid September the Board entered into a Bid Implementation Deed with Banpu Minerals (Singapore) Pte Ltd (“Banpu”), a 100% owned subsidiary of Banpu Public Company Limited, pursuant to which Banpu agreed to make cash offers for:

- all of the shares in Hunnu that Banpu does not already own at \$1.80 cash per share; and
- all the options to subscribe for Hunnu shares that are currently on issue.

The Board of Directors of Hunnu carefully considered the offers and unanimously recommended that Hunnu shareholders and optionholders accept Banpu’s offer. Hunnu Directors have accepted Banpu’s offer in respect of any Hunnu shares and options held by them, or on their behalf, in the absence of a superior proposal.

Banpu announced on 26 October 2011 that the offers are free from conditions.

Hunnu’s Executive Chairman, Mr. Matthew Wood, said: “Banpu’s Share Offer is at a significant premium to recent trading levels and has regard to the strong prospects of Hunnu’s coking and thermal coal deposits. Furthermore, the cash nature of the Offers will enable Hunnu shareholders and option holders to realise a premium value for their shares and options in a volatile and uncertain market.”

“Banpu is strongly supportive of the Hunnu management team and its current strategy, and is excited to potentially increase its exposure to the Mongolian coal sector.”

Tsant Uul Project

The Minerals 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 a total JORC Resource of 167.1Mt with 93.8Mt classified as Measured (40.9Mt) and Indicated (52.9Mt). A new coal discovery has been made 7km north of the Tsant Uul Deposit and drilling is currently underway with 2 rigs currently operating on site.

The Company is targeting commencement of mining late in this coming quarter 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 an Hitachi 1200 excavator for which delivery is expected this month. Additional purchases will be made as the project is ramped up to full production.

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 Altai Nuurs Project comprises six exploration licenses totalling 46,212ha and four mining licenses totalling 202ha. The Company has established an Exploration Target* of between 250Mt and 500Mt based on previous exploration. Hunnu has commenced an initial drilling programme with a total of 24 drill holes completed for 4,565 metres.

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.

The Company is looking to fast track development options with Mining Licenses already granted and considerable demand for this high quality product either at the mine gate or at the Burgastai border crossing located 250km by road to the south.

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).

The drilling programme for 2011 has now been completed. A total of 37,205 metres for 364 drill holes have been drilled and the data is currently being analysed.

The 100% owned rail loading spur at the Choir railway station has 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

Field mapping on a 1:50,000 scale has been completed at the Tsokhio site and a total of 9,218 metres of drilling for 47 RC holes has been completed at Khuree-2.

Drilling commenced at Munkhhaan in June 2011 and there is currently a diamond drill rig on site. A total of 17 holes for 2,003 metres have been completed to date.

The drilling programme at Tsagaandelger has been completed for 2011 with a total of 358 metres for 3 holes being drilled.

Corporate

At the end of the quarter the Company had cash at bank of approximately \$16.015m.

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 Banpu PCL, move from exploration to mine development and then into production all within this year.

The Company wishes to express its sincere condolences to the family of Ulziikhutag Lhagva who tragically died in a road accident in Ulaanbaatar in October. Ulzii was one of the first geologists to join Hunnu Coal and was appointed the senior geologist for the Unst Khudag Coal project. He was nominated employee of the year in 2010 for his exceptional efforts in the field at Unst Khudag. During his time managing Unst Khudag he was directly responsible for an extremely successful exploration and test work programme that took total JORC Coal Resources from zero at the time of acquisition to 676Mt today. Ulzii will be greatly missed by all those at Hunnu Coal.

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.