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HUNNU COAL

ASX Release

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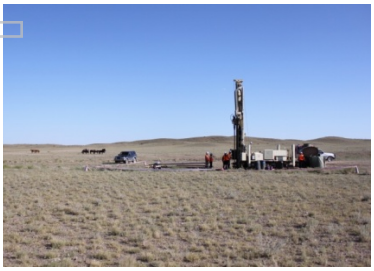

Drilling at Tsant Uul Project

INITIAL JORC REPORTED RESOURCE TSANT UUL COKING COAL PROJECT

The Company is extremely pleased to announce an initial Coal Resource to JORC Code reporting standards for the Tsant Uul Coking Coal Project. The Tsant Uul Project is in an ideal location for the development of a coal mine and is strategically located within 40 km of the giant Tavan Tolgoi Coking Coal Field in the South Gobi Province of southern Mongolia.

- **Initial Coal Resource of approximately 90Mt, with 61Mt in the Measured and Indicated JORC categories (34Mt Measured, 27Mt Indicated).**
- **Operating road coal haulage to China peripheral to project.**
- **Proposed rail line to China peripheral to project.**
- **Extensive drilling programme underway, with six drilling rigs operating on site. An additional two drilling rigs are being mobilized to site.**
- **With further drilling considerable potential exists to both expand and increase the Coal Resource at the Tsant Uul Project.**
- **The process for the application of a Mining Licence has commenced. Hunnu is completing a study with the aim of generating initial production in the latter half of 2011.**
- **The coal quality analyses of five 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% and the gross Qdaf = 7,008 kCal/kg to 7,455 kCal/kg, and FSI (Raw Coal, including ash) = 1.54 to 1.69.**
- **Hunnu Coal now has total Coal Resources to JORC Code reporting standards of over 400Mt across its Projects, with new Coal Resources currently being estimated for both the Unst Khudag and Tenuun-2 Projects.**

The Company has a 90% interest in the Tsant Uul Coking Coal Project, which covers over 59,000Ha in the World Class South Gobi Coal Province of southern Mongolia. The project is located forty kilometres to the south of the giant Tavan Tolgoi Coking Coal Deposit and approximately five kilometres from the existing coal haulage road to China.

The Company has now completed a total of 28,029 metres of drilling for 187 drill holes targeting coking coal.

Coal Haulage Trucks near Tsant Uul

Mongolian Mining Corp's UHG Coking Coal Mine 45km north of Tsant Uul

Tavan Tolgoi Company Mining Coking Coal 40 km north of Tsant Uul

TABLE 1. JORC COAL RESOURCES – TSANT UUL PROJECT

JORC CATEGORY	TOTAL (tonnes)
MEASURED	34,300,000
INDICATED	27,700,000
INFERRED	27,700,000
TOTAL	89,700,000

The Coal Resource estimate for the Tsant Uul Project completed by CSA Global Pty Ltd (CSA) is summarised as:

- Resources are based on data acquired up to 12 January 2011.
- Hunnu Coal supplied all geological and sampling data and provided technical and geological support to CSA during the resource modelling process.
- CSA imported the supplied drill holes data to Minescape 4.118 software and proceeded with the modeling in the extended precision environment.
- Coal Seams were generated based on the sectional interpretations provided by CSA to delineate the seams of coal mineralisation.
- The interpretation was generated based on a 75m × 150m and 100m × 1000m exploration drilling patterns.
- A total of 156 drill holes for 25,690m drilling were included in this model, including extensional and infill drilling.
- Minimum coal modeling width of 0.3 meter.
- Oxide material was estimated above the logged weathering horizon and under quaternary horizon.
- The resource category used to estimate the models are summarised in Table 1.
- The cut off parameter used to estimate coal resource are summarised in Table 2.
- The method of Inverse Power Distance (ID2) was used to estimate the coal seams.
- Search ellipses were orientated based on the overall geometry of sedimentation for the coal seams deposit.
- Specific Gravity values were assigned to the resource model based on the data provided by Hunnu Coal.

The Tsant Uul Coal Resource has been classified and reported in accordance with The 2004 Australasian Code for Reporting of Exploration results, Mineral Resources and Ore Reserves (JORC Code). Resource classification is based on confidence in the geological domaining, drill spacing and geostatistical measures.

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Tsant Uul Exploration and Development Camp

Exploration Drilling at Tsant Uul

TABLE 2. CUT OFF PARAMETERS

No.	Cut Off Parameter	Methods used
1	Geological Loss	5%
2	Minimum Coal thickness	0.3 Metre
3	Maximum thickness of parting include in Coal seam	0.4 Metre
4	Specific Gravity (SG)	Using laboratory analysis (Insitu density using Preston Sanders Formula)
5	Coal Seam cut off by base of quaternary horizon	Yes
6	Coal seam limited by base of Weathering horizon	Coal in this zone included in resource estimation as Inferred

A range of criteria has been considered in determining the classification including:

- Geological continuity
- Data quality
- Drill hole spacing
- Modelling technique
- Estimation parameters including search strategy, number of samples, average distance to samples to blocks

The Coal Resource categories are considered to be Measured, Indicated and Inferred. The classification process was based on an interpolation distance and minimum samples within the search ellipse as defined by the Mincom macro. The main components of the macro are summarised as follows:

- The resource was classed as Inferred if the average weighted sample distance was greater than 400m and less than 600m (Radius 600m).
- The resource was classed as Indicated if the average weighted sample distance was between 200m and 400m (Radius 400m).
- The resource was classed as Measured if the average weighted sample distance was less than 200m (Radius 200m).
- Numbers of drill holes minimum 2 holes intersection.

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

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- 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

The Company currently has a total of six drilling rigs operating, with two additional drilling rigs being mobilised. The Company is continuing an aggressive drilling programme through the winter months with the intention of fast tracking mining development studies.

A large diameter drilling programme will commence in February to obtain bulk coal samples for full washability, metallurgical characteristics test work and sample for off-take partners. A total of five to six holes will be completed and bulk samples will be dispatched to Chinese and Australian coal laboratories.

The permitting process for the granting of a Mining License at the Tsant Uul Project has commenced and initial coal production is anticipated to commence in the second half of 2011.

The Tavan Tolgoi Coking Coal Field is estimated to contain over six billion tonnes of coking and thermal coal. Energy Resources LLC mines approximately four million tonnes of raw coking coal from its UHG Mine which is located forty five kilometres to the north of Hunnu Coal's Tsant Uul Project. Energy Resources has stated that it plans to increase the production at the UHG Mine to fifteen million tonnes in 2013, while building a five 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 exports to China. The Mongolian State owned Erdenes MGL LLC owns the surrounding five mining licenses with approximately six billion tonnes of coking and thermal coal.

The Company has also recently acquired the Bulanbulag Coking Coal Project in the South Gobi Province and will undertake active drilling programmes at the Tsant Uul, Khuree-2 and Tsokhio Coking Coal Projects, all of which are located close to the Chinese border.

The estimation of an initial Coal Resource to JORC reporting standards at the Tsant Uul Project is a fantastic result for Hunnu Coal and a credit to its highly skilled Mongolian exploration team. The Tsant Uul Licence was only acquired in mid 2010, with the initial discovery of coal soon after that. Hunnu Coal now has over 400Mt 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 efforts as it moves steadily towards development scenarios.

George Tumur
Managing Director

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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.

The information in this report that relates to Mineral Resources is based on information compiled by Mr Dwiyoko TU.Taruno and Dr Bielin Shi, of CSA Global Pty Ltd, who are members of the Australasian Institute of Mining and Metallurgy. Mr Dwiyoko TU. Taruno and Dr Bielin Shi have sufficient experience 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 Mineral Resources and Ore Reserves". Mr Dwiyoko TU. Taruno and Dr Shi consent to the inclusion of such information in this report in the form and context in which it appears.

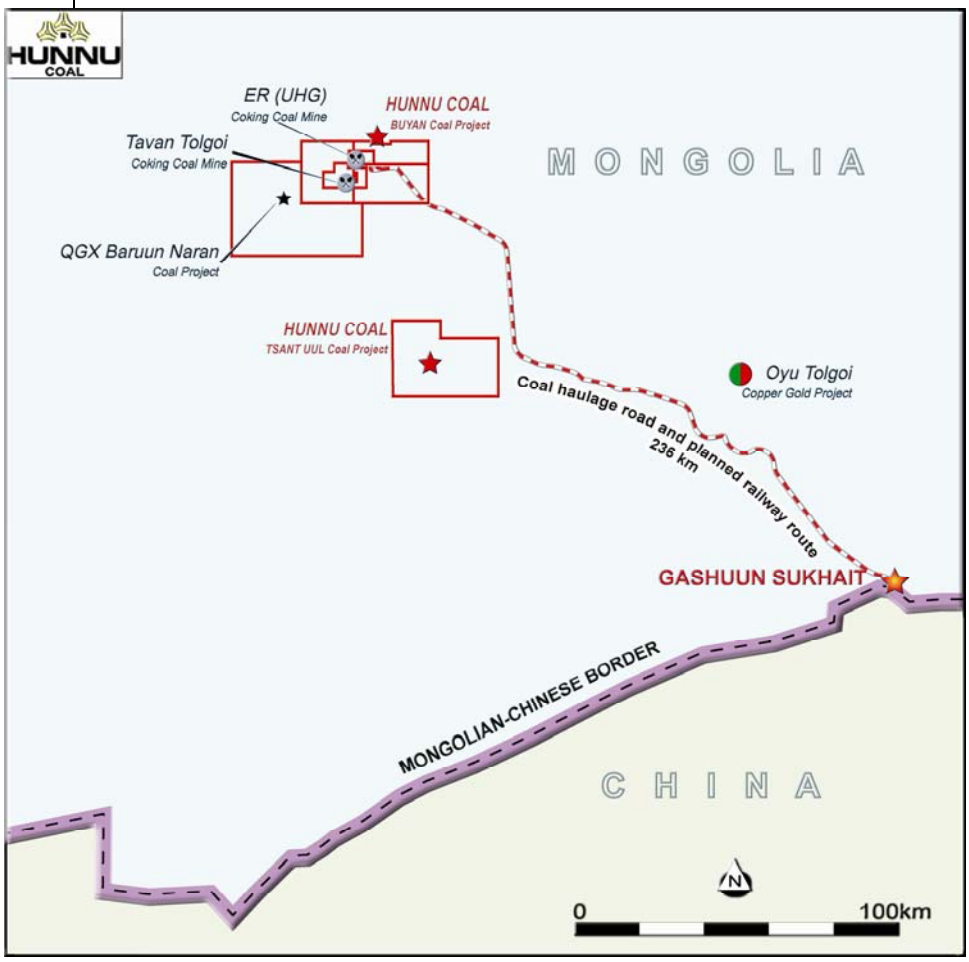
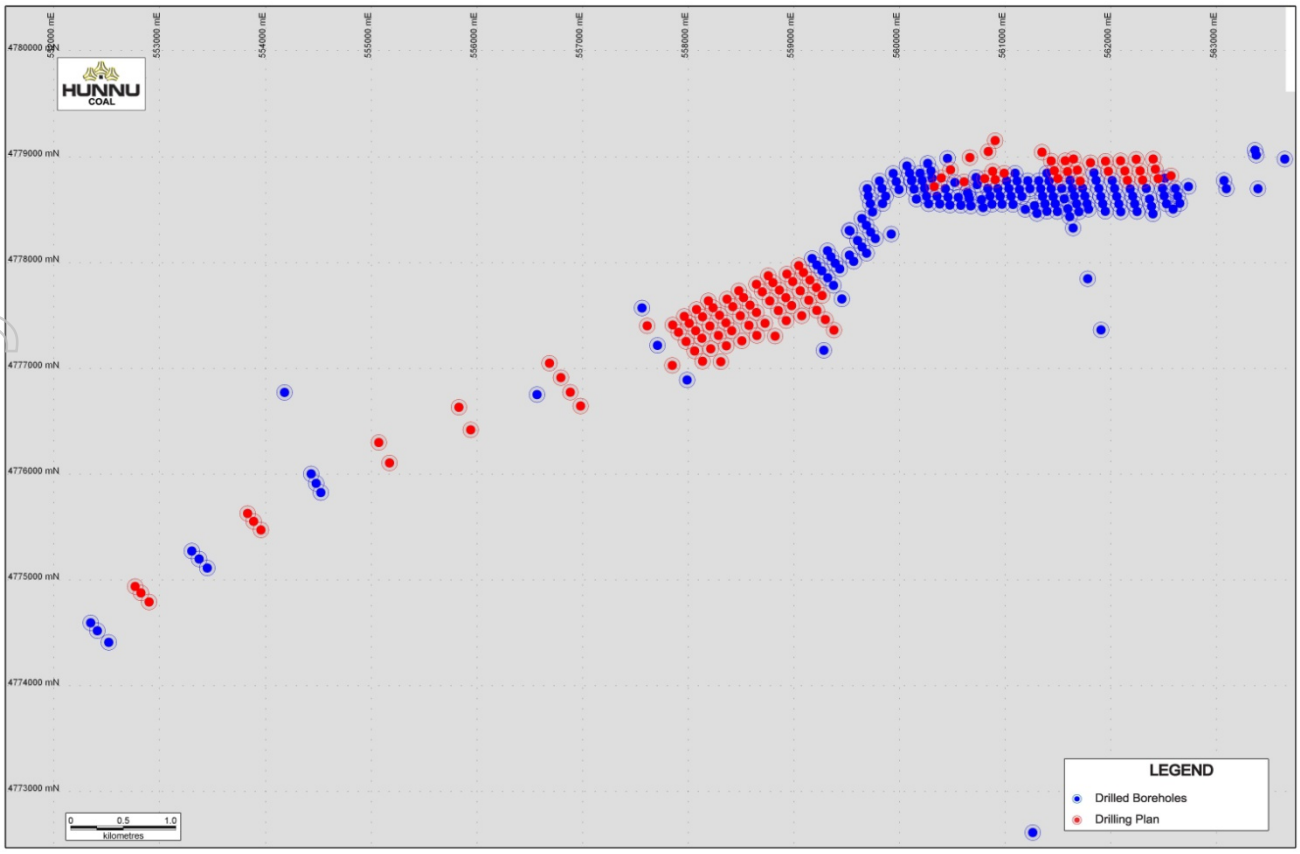


Figure 1. The Tsant Uul Project Location Map



Drill Hole Location Map at Tsant Uul Coking Coal Project

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