ASX Announcement
5 March 2012

ASX Code: MOU

Modun Resources to Acquire Large Pre-Production Coal Project South Gobi Coking Coal District, Mongolia and Undertakes Capital Raising

Highlights:

- **Acquisition of 100% of 10,500 Ha mining licence (Tsagaan Tolgoi) with an Exploration Target[1] of 150 million to 250 million tonne *(grading Q^{adb} 5300 kcal/kg to Q^{adb} 6500 kcal/kg) of high quality thermal coal and potential coking coal* in the South Gobi Coking Coal District (subject to shareholder and regulatory approvals)**
- **Acquisition of 100% of 26,700 Ha exploration licence (Ajlyn Talbai) in South Gobi Coking Coal District (subject to shareholder and regulatory approvals)**
- **45.4 million tonne Coal Resource JORC-Compliant) already defined over less than 5% of Tsaagan Tolgoi mining licence area. Significant resource extension work is planned for 2012 drilling season**
- **Planned Open Pit Coal Production on Tsaagan Tolgoi mining licence from December 2012**
- **High Quality Thermal and Potential Coking Coal Resource in Upper Permian Tavan Tolgoi sedimentary unit**
- **Close to existing and planned infrastructure and near Chinese border**
- **The vendor, SouthGobi Resources Ltd. (TSX: SGQ, HK: 1878) (SouthGobi) to join the Modun register as major shareholder and take a board seat (subject to minimum 14.9% shareholding)**
- **Modun to raise $7.5 million through a placement to institutional and sophisticated investors**

Coal explorer Modun Resources Ltd **(ASX: MOU) (Modun)** is pleased to announce the acquisition (subject to shareholder and regulatory approval) of 100% of the Tsagaan Tolgoi coal deposit (10,500 Ha mining licence MV-015041) and 100% of exploration licence Ajlyn Talbai (26,700 Ha, XV-00762) from SouthGobi (the Acquisition). These projects add to Modun's 489 million tonne Nuurst (417 million tonnes indicated, 72 million tonne inferred) thermal coal project in central Mongolia and provide a significant platform to build and develop a portfolio of licences in the South Gobi coking coal district of Mongolia.

[1] *It must be noted that this range is an Exploration Target only, the potential quantity and grade is conceptual in nature and it is not to be misconstrued as an estimate of Mineral Resources and that there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.*

Modun is also pleased to advise that it has resolved to raise $7.5 million through a placement of up to 187.5 million shares at an issue price of 4 cents per share to institutional and sophisticated investors ("the Placement"). Hartleys Limited is Lead Broker to the Offer. DJ Carmichael Pty Ltd also assisted with the Placement.

Following completion of the Acquisition, SouthGobi will become a major shareholder in Modun and will be entitled to appoint a person nominated by SouthGobi as a director of Modun. SouthGobi pioneered development of projects in the South Gobi district and Modun welcomes the opportunity to draw on SouthGobi's significant in-country experience and build a robust relationship into the future.

The Tsagaan Tolgoi Project is located on an existing mining licence (expiring 2038) 95 kilometres north of the Chinese border, approximately 80 km south of Mongolia's renowned 6 billion tonne coking coal project, Tavan Tolgoi, and 100 km west of the existing paved road and planned rail link into China. Hunnu Coal's flagship project Tsant Uul Project sits in the same geological unit 30 km to the north of Tsagaan Tolgoi.

Mr Mardon said; "the acquisition of two large project areas in the world class South Gobi region is an exciting development for the future of Modun Resources. Modun now has a clear near term growth and development path and looks forward to becoming a coal producer."

"The combination of a pre-production asset with a defined resource, high quality thermal coal with potential for a coking coal product and clear resource extension potential so close to the Chinese market is a fantastic outcome for the shareholders of Modun. We look forward to growing Modun into the premier Australian coal producer in Mongolia. "

Alexander Molyneux, President and CEO of SouthGobi stated; "SouthGobi is pleased to take a major role in the development of Modun. This transaction allows SouthGobi to focus on further developing our Ovoot Khural basin holdings, including our flagship Ovoot Tolgoi Complex and the nearby Soumber Deposit, while retaining a continuing exposure to Tsagaan Tolgoi through our shareholding in Modun. We believe that Modun is well placed to be able to bring Tsagaan Tolgoi into production in a timely manner."

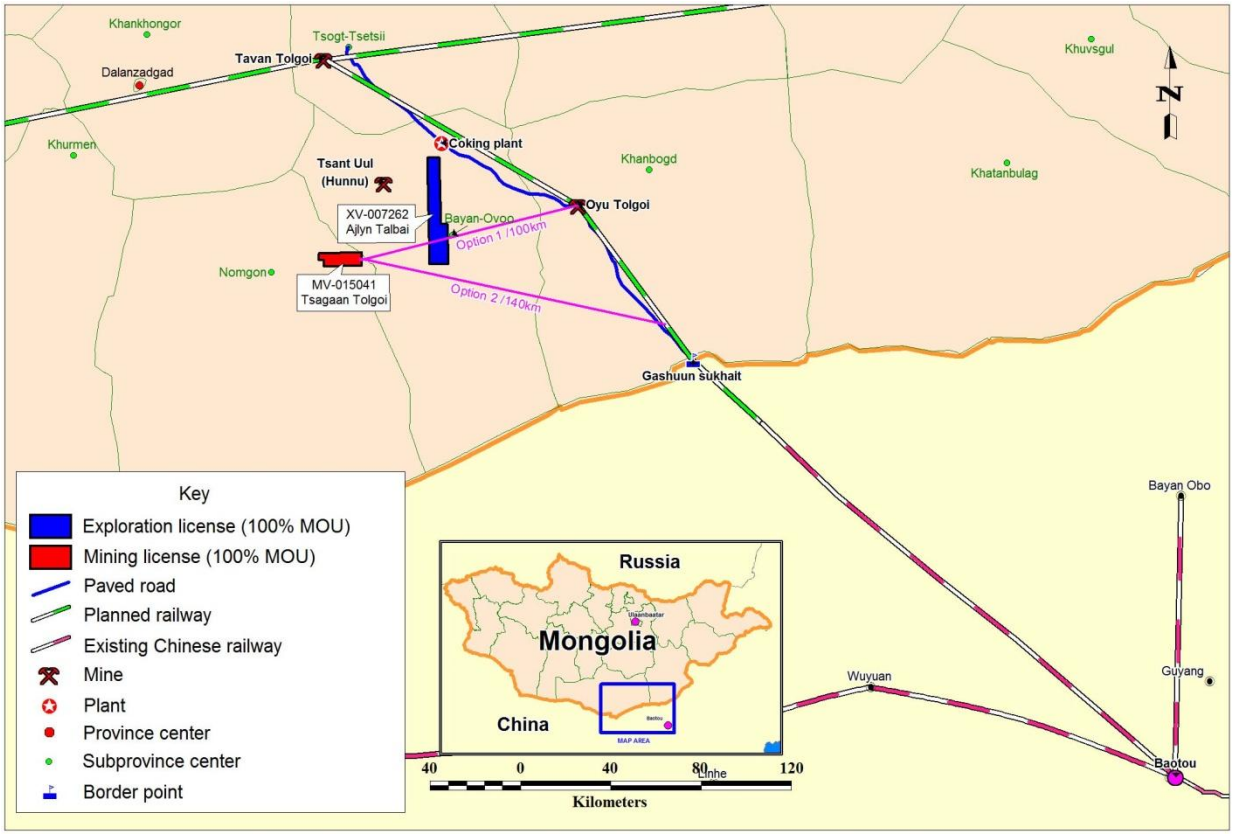

Figure 1; Location map of Tsagaan Tolgoi Project and Ajlyn Tolgoi Exploration Licence

Tsagaan Tolgoi Resource

A JORC Reported Coal Resource of 45.4 million tonnes is defined based on drilling conducted in 2004 and 2006. These programmes comprised a total 114 drill holes for a total of 14,408 metres. No significant drilling has been undertaken subsequently.

A JORC Reported Coal Resource is defined as follows:

Resource Area	ASTM Coal Rank	Resources at Tsagaan Tolgoi (150m Depth)		
		Measured (million tonnes)	Indicated (million tonnes)	Inferred (million tonnes)
Tsagaan Tolgoi	hvBb and hvCb	23.4	13.0	9.0
Total		**36.4**		**9.0**

The project was historically drilled with the specific aim of providing coal to the Oyu Tolgoi power station. No significant drilling has been undertaken in the past six years. Modun believe there is an opportunity to extend the high quality seams identified in the original studies, to both increase the resource size and importantly the coal quality. Extensive work will be carried out to test the coking potential of both raw coal samples and washed products from these seams in parallel with studies of thermal coals from the same sequences.

High quality seams identified in previous exploration drilling data review:

The table below is indicative of the quality of the 4 series seams at Tsagaan Tolgoi:

Long Proximate Analysis, Weighted average Seam 4 Upper to Seam 4 Lower

Description	Av.Thickness, м downhole	Moisture as resieved, W_t^r	Moisture as analysed W^a	Ash, % A^d	VM, % V^{daf}	Total sulphur, % S_t^d	CV, ccal/кg air dry basis Q^{adb}	CV, ccal/кg daf Qa^{daf}	Density, gr/см^3
Weighted average IVU-IVL seam	11.16	11.69	4.12	16	30	0.67	6,195	7,372	1.44

Table 1: Weighted average of seam 4.(Full table in Appendix 1)

Some preliminary testwork in 2008 has indicated that further upgrading of the coal quality can be achieved through both dry screening and washing. In addition to marketing the Tsagaan Tolgoi raw product, Modun plans to investigate the opportunity to produce other high value products from this project, including coking coal.

Exploration Target

Historical drilling and trenching has identified seam sub-crop with a strike length in excess of 7km around the western flanks of the sub-basin only. The resource estimation above focused on 2.8 km of the identified strike length, however surface mapping indicates potential to extend the area of coal measures eastward and beyond that already identified.

Modun has set the Tsagaan Tolgoi Project with an:

Exploration Target[2] of 150 to 250 million tonnes (grading Q^{adb} 5300 kcal/kg to Q^{adb} 6500 kcal/kg) of high quality thermal coal and potential coking coal

In Figure 2 below, the Mining Lease is shown as straight red lines, the green dots identify drill holes that intersected coal, the red lines the coal sub-crop and the black stars are where coal has been identified in trenching. The overall sub-basin that may contain coal measures is approximately 11 km East-West x 3 km North – South. Within this sub-basin, only a 1.7 km x 2.3 km area has a defined resource on it (see Figure 2).

[2] *It must be noted that this range is an Exploration Target only, the potential quantity and grade is conceptual in nature and it is not to be misconstrued as an estimate of Mineral Resources and that there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.*

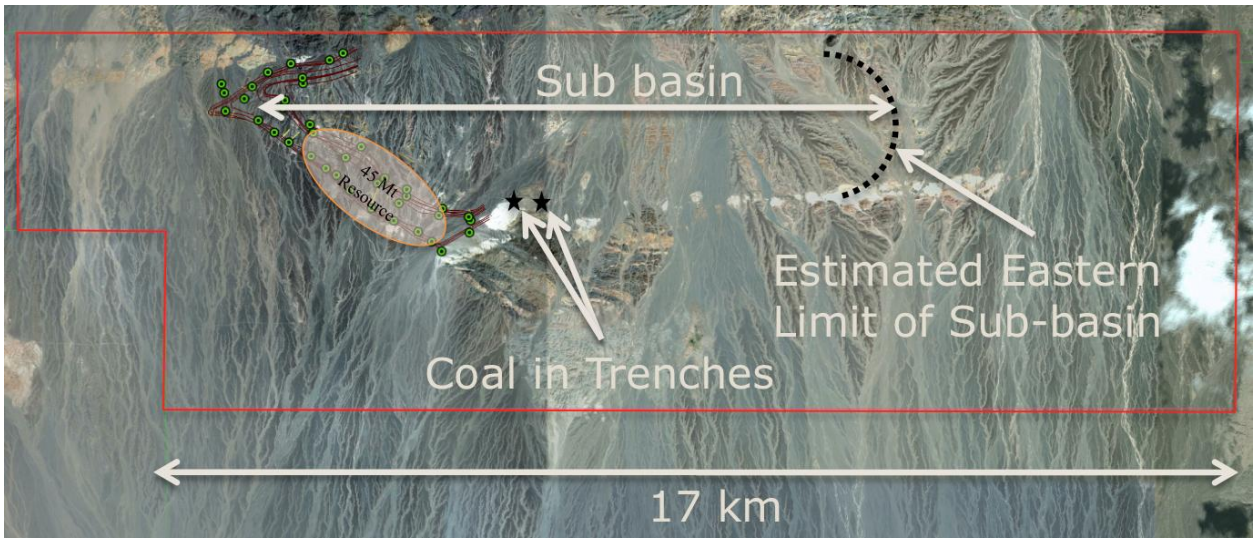

Figure 2: area of historical exploration focus. The bulk of sub-basin is largely underexplored

Further detail on coal seam geometry and resource area can be found in Appendix 2.

Direct Access to China

The project is ideally located 95 km north of the Chinese border and 100 km west of an existing paved road and planned railway infrastructure. The border crossing at Gashuun Sukhait is the primary coking coal portal into China with in excess of 15 million tonnes expected to be shipped across this border point this year.

The Railway line on the Chinese side of the border is being extended north to the border crossing and a significant upgrade of truck handling facilities has been implemented at Gashuun Sukhait over the past 12 months.

It is anticipated that the continued expansion of this transport corridor will provide Modun with the option of trucking directly to the border, trucking to the existing sealed road and ultimately accessing the new rail infrastructure as it advances north to Tavan Tolgoi.

Development Timetable

Tsagaan Tolgoi is a mining licence with pre-mining approvals largely complete. The shallow nature of the resource will allow rapid development with minimal capital expenditure (less than 23 million dollars)

Modun plans to progress the Tsagan Tolgoi project in two stages:

Stage 1: April 2012 – September 2012

Expedite exploration drilling with the aim to expand the resource base to at least 100 million tonnes.

Commence trial mining to provide bulk samples for market analysis and confirmation of product pricing along with possible off take agreements.

Commence processing of all outstanding approvals for mining infrastructure development and haul road construction.

Stage 2: Project Development: First Coal Production December 2012

It is planned that the Tsagaan Tolgoi project will progress directly into production ramping up to an initial 2-3 million tonnes per annum. The development model will be based on the simple model employed by other South Gobi coal producers - hauling coal from the open pit mine to a surface stockpile and having the customer purchase coal at the mine gate.

During Stage 2, detailed analysis of transport options and potential beneficiation of product through washing will be optimised in anticipation of further expansion of the project(s) in the future.

Terms of the Acquisition

Subject to shareholder approval, Modun will acquire 100% of the Tsagaa Tolgoi project and the Ailyn Talbai exploration licence for the following consideration to South Gobi Resources:

- US$7.5 million in cash;
- US$12.5 million dollars worth of Modun shares calculated at the lesser of A$0.06 per share or the price of any capital raising of more than $2million prior to completion;
- Options to acquire US$5 million dollars worth of Modun shares to be issued to SouthGobi after the expiration of 12 months and prior to 60 months after completion at the 30 day VWAP to the time of exercise (subject to a minimum share price of $0.04);
- Options to acquire, within 12 months from commercial shipment of first coal sales, US$5 million dollars worth of Modun shares to be issued to SouthGobi (subject to a minimum share price of $0.04) at the 30 day VWAP
- Right to nominate a person to the board of Modun provided SouthGobi retains minimum 14.99% shareholding in Modun

The Acquisition is subject to certain conditions precedent including:

- Modun shareholder approval as required under ASX Listing Rules and the Corporations Act
- Any regulatory approvals under the laws of Hong Kong, Singapore and Mongolia
- FIRB approval for SouthGobi's investment in Modun
- Modun placing sufficient shares (unconditionally) so that it may settle the upfront cash payment of US$7.5million.
- The shares issued to SouthGobi being quoted on ASX and ASX does not imposes escrow restrictions of more than 12 months

Under certain circumstances, a reciprocal break fee of US$500,000 is payable by either party if their respective obligations under the conditions precedent are not satisfied. Completion of the Acquisition must occur prior to 1 June 2012.

Capital Raising

Concurrent with the Acquisition, Modun has resolved to raise $7.5 million through the issue of up to 187.5 million shares at a placement price of $0.04 to facilitate the acquisition and provide working capital to advance all projects within the Modun portfolio (Placement). The 187.5 million shares have been placed to institutional and sophisticated investor clients of Hartleys Limited (Lead Broker to the Offer) and DJ Carmichael Pty Ltd.

The Placement will be completed in two tranches with up to 105 million shares being issued in tranche one pursuant to the Company's 15% capacity under ASX Listing Rule 7.1 and the balance of up to 82.5 million shares being issued in tranche two, subject to shareholder approval and completion of the Acquisition on or before 1 June 2012.

In the event the Acquisition of Tsagaan Tolgoi is not completed, the 82.5 million shares in tranche 2 will not be issued and those funds will be returned to subscribers. Monies raised under tranche 1 will be utilised for working capital to advance all projects within the Modun portfolio.

Nuurst Project

Modun is continuing to develop its Nuurst project in Central Mongolia. Nuurst has a current JORC coal resource of 489 million tonnes. The focus at Nuurst in 2012 will be on completing scoping studies and the progression of the current exploration licence to a mining licence.

Project Assessment

Project review is continuing with the aim of expanding the portfolio of licences in the South Gobi region. Multiple new opportunities are currently being assessed. Whilst acquisition negotiations are continuing on a number of projects, such negotiations are incomplete and may not eventuate in agreed terms.

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About Modun Resources Limited

ASX-listed Modun Resources (ASX: MOU) is developing the 100%-owned Nuurst Project in central Mongolia. Nuurst is a thermal coal project, which encompasses a 34.5 square kilometre licence area. In late 2011, Modun announced a maiden 489 million tonne JORC resource at Nuurst (417 million tonnes indicated, 72 million tonnes inferred). The Nuurst Project is located 120 kilometres south of Mongolia's capital Ulaanbaatar and six kilometres from existing rail infrastructure.

In 2012, Modun will continue its exploration program at Nuurst, as well as a Scoping Study, to drive the Project towards development.

Modun continues to seek further quality coking and thermal coal opportunities in Mongolia.

About SouthGobi Resources Ltd

SouthGobi Resources is focused on exploration and development of its Permian-age metallurgical and thermal coal deposits in Mongolia's South Gobi Region. The company's flagship coal mine, Ovoot Tolgoi, is producing and selling coal to customers in China. The company plans to supply a wide range of coal products to markets in Asia.

Competent Person Statement

The information in this report that relates to Mineral Resources is based on information reviewed and compiled by Mr Geoff Richards of CSA Global Pty Ltd, Western Australia. Mr Geoff Richards, has 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 Geoff Richards, consents to the inclusion of such information in this report in the form and context in which it appears.

The information in this announcement that related to exploration results and exploration targets is based on information obtained from the vendor and Cadastral archives in Mongolia and drilling and trenching activities on site undertaken by the vendor between 2004 and 2008. This information has been reviewed by Mr Geoff Richards of CSA Global Pty Ltd, Western Australia. Mr Richards is a member of the Australian Institute of Geoscientists and 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 Richards consents to the inclusion in the report of the matters based on his information in form and context in which it appears.

Appedix 1: Seam 4 raw assay data (from vendor provided information):

Long Proximate Analysis, Seam 4

Number	Sample Number	Hole Number	Sampling interval		Thickness, м, downhole	Moisture as resieved, %	Moisture as analysed, %	Ash, %	VM, %	Total sulphur, %	CV, ccal/кg		Density, gr/см^3
			from	to		W_t^r	W^a	A^d	V^{daf}	S_t^d	air dry basis Q^{adb}	daf Qa^{daf}	
4U-4L seam													
81	S1 - S2	04-01c-A	16.57	17.78	1.21	10.58		17.6		0.59	5,786	7,022	1.4
82	S3 - S5		17.78	19.07	1.29	10.18		36.88		0.57	4,178	6,620	1.6
83	S6 -S9		19.07	20.90	1.83	12.6		12.34		0.61	5,891	6,720	1.39
84	S10 -S12		20.90	22.90	2	14.16		21.15		0.61	5,339	6,772	1.44
85	S13 - S19		22.90	26.14	3.24	12.81		8.04		0.7	6,302	6,853	1.32
86	S20 - S22		26.14	27.20	1.06	11.82		19.4		3.19	5,447	6,758	1.45
87	S23 - S27		27.20	29.54	2.34	13.52		6.19		0.63	6,419	6,843	1.32
88	S1-S27		16.85	29.70	12.85	12.79	8.30	13.11	30.17	0.72	6,585	7,579	
Weighted averageTsT-01c-A						12.56	8.30	15.02	30.17	0.84	5,787	6,810	1.41
89	S21-S22	TsT06-66c	148.83	150.00	1.17	8.95	2.63	29.68		1.49	5,138	7,307	
90	S23-S25		150.00	151.50	1.5	8.19	2.86	32.1		0.39	4,937	7,271	
91	S26-S29		151.50	154.00	2.5	12.93	6.26	13.12		0.56	6,245	7,188	
92	S30-S31		154.00	155.10	1.1	13.88	3.24	22.96		0.31	5,580	7,243	
93	S32-S34		155.10	157.10	2	11.09	5.04	21.37		0.38	5,630	7,160	
94	S35-S38		157.10	159.45	2.35	13.95	0.9	7.66		0.34	5,075	5,496	
95	S39-S43		159.45	162.20	2.75	12.61	0.9	7.8		0.36	7,158	7,764	
96	S44-S45		162.20	163.40	1.2	14.82	0.86	8		0.34	7,172	7,796	
97	S46-S51		163.40	167.10	3.7	16.17	0.91	6.25		0.57	7,319	7,807	
98	S52-S54		167.10	167.95	0.85	12.97	0.86	18.5		0.27	6,329	7,766	
99	S21-S31		148.83	155.10	6.27	11.37	7.6	24.60	28.8	0.65	5,462	7,244	1.51
Weighted averageTsT06-66c						13	2.42	14.2	28.8	0.48	6,229	7,260	1.51
100	S11-S13	TsT06-86c	56.94	58.20	1.26	7.3	0.65	42.85		0.33	4,057	7,099	
101	S14		58.20	58.35	0.15		0.78	44.39		0.38	3,889	6,993	
102	S15-S16	TsT06-86c	58.35	59.50	1.15	8.62	0.76	23.65		0.55	5,687	7,449	
103	S17-S18		59.50	60.70	1.2	11.69	0.63	10.28		0.32	7,029	7,834	
104	S19-S20		60.70	61.90	1.2	13.98	1.32	23.92		0.37	5,842	7,679	
105	S21		61.90	62.50	0.6	17.49	1.5	26.37		0.85	5,493	7,460	
106	S22		62.50	63.10	0.6	13.66	1.05	10.47		0.39	6,982	7,799	
107	S23-S25		63.10	64.90	1.8	12.9	3.13	7.24		0.55	7,050	7,600	
108	S26-S27		64.90	66.10	1.2	11.7	1.73	8.48		0.71	7,069	7,724	
109	S28-S30		66.10	67.90	1.8	11.13	0.94	11.50		0.58	6,839	7,728	
110	S31-S34		67.90	70.16	2.26	11.84	1.74	6.30		0.55	7,323	7,815	
Weighted average TsT06-86c						11.54	1.43	15.81		0.51	6,445	7,655	
111	S45-S46	TsT06-89c	95.64	96.60	0.96	9.02	1.11	21.45		0.44	5,964	7,593	
112	S48		96.63	97.10	0.47	7.29	1.55	24.43		0.44	5,830	7,715	
113	S50		97.20	97.65	0.45	7.68	1.3	28.05		0.56	5,479	7,615	
114	S51		97.65	97.80	0.15		0.89	57.97		1.2	2,778	6,610	
115	S52-S55		97.80	99.20	1.4		0.84	17.51		0.89	5,985	7,255	
116	S56		99.20	99.30	0.1		0.27	61.11		5.97	2,196	5,647	
117	S57-S58		99.30	100.00	0.7		0.59	28.81		0.35	5,360	7,529	
118	S59		100.00	100.10	0.1		0.38	39.42		0.32	4,625	7,635	
119	S60		100.10	100.62	0.52	11.97	1.07	18.78		0.46	6,172	7,599	
120	S62-S63		100.98	101.90	0.92	10.61	2.15	7.09		0.38	7,152	7,698	
121	S64-S65		101.90	103.14	1.24	11.2	2.08	8.32		0.57	7,032	7,670	
122	S66-S67		103.14	104.30	1.16	10.19	0.83	10.42		0.75	6,845	7,641	
123	S68-S69		104.30	105.50	1.2	10.62	0.88	10.68		0.88	6,909	7,735	
124	S70-S74		105.50	107.78	2.28	9.51	0.8	15.72		0.4	6,613	7,846	
125	S60-S74		100.10	108.00	7.9	10.36	7.6	18.72	30.83	1.11	6,082	7,483	1.46
Weighted average TsT06-89c						9.96	1.12	16.77	30.83	0.62	6,350	7,630	1.46
Weighted average IVU-IVL seam						11.69	4.12	15.97	30.04	0.67	6,195	7,372	1.44

Appendix 2: Detail resource area and seam geology: