

18 January 2013

Company Update

Highlights:

- **Mongolian Mineral Resource Council has been selected and is now reviewing Mining Licence Applications**
- **Mineral Resources Authority of Mongolia have signed off on Modun's Exploration Report and Mining license approval is expected this quarter**
- **JORC Reserve Report due February 2013**
- **Demand for sub-bituminous thermal coal in China continues to grow**

The directors of Modun Resources Ltd are pleased to provide the following company update after Mr Rick Dalton's recent trip to Mongolia and China.

Mining Licence Application

The application to convert the Nuurst Project from an exploration license to a mining license has passed the initial Minerals Resources Authority of Mongolia ("MRAM") review process and has been sent to the Minerals Resource Council. MRAM have recently finalised the composition of the new Minerals Resource Council. The Council is responsible for reviewing the application in detail and making the appropriate recommendation to MRAM for approving the mining license. The delay in choosing the Council members means that Modun expects the Council to commence the review of its application in the next 2-3 weeks. Modun expects that the Mining License will be approved this quarter.

JORC Reserve Report

The Bluefield Group Pty Limited continues to progress the preparation of a JORC Reportable Coal Reserve estimate for the Nuurst Project. The report is now expected in February.

Presentation at the China Steam Coal Supply and Demand Forum

Rick Dalton, MD of Modun, presented at the China Steam Coal Supply and Demand Forum in Zhuhai, China on 13 December 2012. This Forum featured power companies and coal customers throughout China as well as Coal Trading Companies and Chinese power demand analysts. The forum provided a good insight into the thermal coal demand from China and it reinforced the following key points:

- The demand for thermal coal in China continues to grow with the fastest growing segments of the market being imports of sub-bituminous and lignite coal. This is primarily due to the lower prices of sub-bituminous and lignite coal and the power stations ability to process the lower grade coal.
- Coal mining costs in China continue to significantly increase year on year. Chinese power suppliers are actively looking to source lower cost thermal coal.
 - Labour costs continue to rise and have increased considerably over the last five years
 - The average costs of production for Chinese coal mines have increased to US\$43 per tonne according to China Securities, who are a leading Chinese coal

For personal use only

forecaster. This provides an opportunity for Nuurst coal to offer a more competitive product for the Chinese market as the Nuurst operating and transport costs are expected to be very competitive.

Mr Dalton's presentation was very well received and generated several enquiries from potential customers. These enquiries have initiated follow-up discussions that remain on-going.

Mongolia Raises US\$1.5bn from Issue of Bonds

In November 2012, the Mongolian Government successfully raised \$US1.5bn in funds from a bond issue. The bond issue was heavily over-subscribed by foreign investors in a positive sign for foreign investment into Mongolia. It has been reported that the funds raised will be used to further develop rail and road infrastructure, for mining investment and electricity production and demonstrates the Mongolian Government's commitment to supporting the growth and development of the mining industry.

---ENDS---

For further information, please contact:

Rick Dalton
Managing Director
Modun Resources Ltd
Ph: +61 6143 9108

About Modun Resources

ASX-listed Modun Resources (ASX: MOU) is developing the 100%-owned Nuurst Coal Project in central Mongolia. Nuurst is a thermal coal project, which encompasses a 34.5 square kilometre licence area. In November 2012, Modun announced a 478 million tonne JORC reported Coal Resource at Nuurst (326 million tonnes Measured, 104 million tonnes Indicated, 48 million tonnes Inferred). The Nuurst Coal Project is located 120 kilometres south of Mongolia's capital Ulaanbaatar and six kilometres from existing rail infrastructure which links directly into China.

Competent Person Statement

The information in this announcement that relates to Mineral Resources is based on information compiled by Mr Dwiyoiko Taruno who is a member of the Australasian Institute of Mining and Metallurgy and Australian Institute of Geoscientists. Mr Dwiyoiko Taruno 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 Exploration Results, Mineral Resources and Ore Reserves". Mr Dwiyoiko Taruno consents to the inclusion of such information in this report in the form and context in which it appears.

This information has been reviewed by Dierdre Westblade of CSA Global Pty Ltd, Western Australia. Dierdre Westblade 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'. Dierdre Westblade consents to the inclusion in the report of the matters based on his information in form and context in which it appears.

For personal use only