

ASX Code: MOU
31 January 2014

December 2013 Quarterly Report

Highlights:

- **Mongolian feasibility study on the Nuurst Project approved by Mineral Resources Authority of Mongolia (MRAM)**
- **Negotiations for the Off-take Agreement with the Mongolian Government for the supply of coal briquettes are on-going**
- **Corporate restructure to reduce costs**

The Directors of Modun Resources Ltd (ASX: MOU) (**Modun**) provide you with an update of activities during the December 2013 quarter.

Mongolian Feasibility Study

In November 2013, Modun submitted its Mongolian feasibility study for the Nuurst Project to MRAM. The Mongolian feasibility study was prepared according to Mongolian standards and is required to be completed and submitted to MRAM for review prior to the Company lodging any MRAM mining permit applications to commence mining.

The Mongolian feasibility study was successfully approved by MRAM in January 2014, which enables Modun to continue with the process of obtaining the final permits required to commence mining. This is an important part of the process in Mongolia because MRAM will only issue their approval for a Mongolian feasibility study if they believe the deposit is economically viable and sustainable.

The Mongolian feasibility study was independently prepared by Absolute Mining LLC who has a strong knowledge of local conditions and costs. The study identified the potential for a 136.9Mt mine of sub-bituminous thermal coal over a 30 year mining operation, with production ramping up to 4.9Mt of raw coal per annum and 500Kt of dried coal briquettes by the 4th year of operation. Indicative production costs are estimated at \$US11.50 per tonne for raw coal over the life of the mine, at today's costs, reflecting the low overall mining ROM strip ratio of 2.4:1.

Coal Briquette Off-take Agreement

Negotiations with the Government for the Off-take Agreement remain ongoing.

Corporate

At the end of the quarter, Modun has total cash reserves of \$0.26 million. Modun is seeking to raise capital and has been in discussion with a number of potential local partners who have expressed interest in investing in Modun or directly in the Nuurst Project. These discussions remain ongoing.

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Modun has implemented a substantial cost reduction programme aimed at reducing costs across the company. This will be effective until Modun can raise finance subsequent to completing negotiations with the Government regarding the off-take agreement. This includes a reduction in staff levels, the termination of all contractors and a significant reduction in employee salaries across the whole company.

As part of this cost cutting programme, Mr Rick Dalton has resigned from his position as Managing Director effective on 31 January 2014, but will remain on the Board as a non-executive Director and will continue to play a key role in the sourcing of a local partner and signing the off-take agreement. Mr Dalton will be paid at the same level as other non-executive Directors, being \$36,000 per year. In addition, Mr Gerry Fahey has resigned from the Board of Directors, effective from 31 January 2014 and will be replaced by the Modun Company Secretary, Mr Neil Hackett. Mr Hackett will retain his position as Company Secretary in addition to becoming a non-executive Director. Mr Daniel Rohr, Chief Financial Officer, will continue to work with Modun in a part time capacity.

The Board would like to thank Mr Fahey for his years of service to the Company and wish him continued success in his future endeavours.

The changes to staffing levels will still enable Modun to progress discussions for the coal briquette off-take agreement with the Mongolian Government. However the remaining focus will be on sourcing a local partner to help fund the development of the Nuurst Project. The work associated with completing the bankable feasibility study or any other work required to advance the project has been suspended until a suitable funding partner has been found.

Tenement Schedule

At the date of this report, Modun has an interest in one tenement as follows and there have been no changes during the quarter:

Tenement	Project	Location	% Interest
MV 017349	Nuurst Thermal Coal	Mongolia	100

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About Modun Resources Limited

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 2,497 hectare

Mining Licence area. In November 2012, Modun announced a 478 million tonne JORC Code 2004 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. This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

Competent Person Statement

The information in this announcement that relates to the Nuurst Coal Resource is based on and fairly represents information compiled by Mr Dwiyo TU. Taruno of CSA Global Pty Ltd, who is a member of the Australasian Institute of Mining and Metallurgy. Mr. Dwiyo TU. 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 Mineral Resources and Ore Reserves". Mr Dwiyo TU. Taruno consents to the inclusion of such information in this report in the form and context in which it appears.