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Modun Resources Limited
ABN 95 066 139 991

Half-year report for the half-year ended 31 December 2013

CORPORATE DIRECTORY

Directors

Hugh Warner – Executive Chairperson
Rick Dalton - Non-executive Director
Neil Hackett – Non-executive Director

Company Secretary

Neil Hackett

Auditors

Stantons International
Level 2
1 Walker Avenue
West Perth WA 6005

Solicitors

Steinepreis Paganin
Level 4
The Read Buildings
16 Milligan Street
Perth WA 6000

Bankers

Westpac Banking Corporation
109 St George's Terrace
Perth WA 6000

Registered Office

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Subiaco WA 6008

Telephone: +61 8 9217 3300
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Share Registry

Computershare Limited
Level 2
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PERTH WA 60000

Investor Enquiries: 1300 850 505
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Stock Exchange Listing

Securities of Modun Resources Limited are listed on the Australian Securities Exchange.

ASX Code: MOU

Web Site: www.modunresources.com

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CONTENTS

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by Modun Resources Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

DIRECTORS' REPORT
31 December 2013

The Directors of Modun Resources Limited ("the Company") present their report together with the consolidated financial statements for the half-year ended 31 December 2013.

Directors

The names of the directors of the Company in office during the half-year and until the date of this report are as follows:

Hugh Warner – Executive Chairman; moved from Non-executive to Executive on 31 January 2014
Rick Dalton – Non-executive Director; resigned as Managing Director on 31 January 2014
Neil Hackett – Non-executive Director – appointed 31 January 2014
Gerry Fahey – Non-executive Director – resigned 31 January 2014
James Thompson – Non-executive Director – resigned 14 October 2013

Principal Activities

The principal activities of the entities within the consolidated entity during the year were focusing on exploration and development of its Nuurst Thermal Coal Project (Nuurst Project) in Mongolia.

The Nuurst Project is 100% owned by the Group and encompasses a 478 million tonne JORC reported Coal Resource (326 million tonnes Measured, 104 million tonnes Indicated, 48 million tonnes Inferred). Nuurst is located 120 kilometres south of Mongolia's capital Ulaanbaatar and ten kilometres from existing rail infrastructure. (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).

Operating Results

During the period, the Company made a consolidated loss after income tax of $866,407 (2012: $1,448,987).

Review of Operations

During the period, the Company continued to progress towards the development of the Nuurst Thermal Coal Project (Nuurst Project).

Mining Licence
In July 2013, the Mineral Resources Authority of Mongolia (MRAM) approved Modun's application for a Mining Licence over the Nuurst Project. The Mining Licence was granted over a total area of 2,497 hectares covering the planned open pit mine plus an encompassing area for surface infrastructure. The licence area also includes the Coal Resource area that remains open to the North of the planned mine.

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DIRECTORS' REPORT
31 December 2013

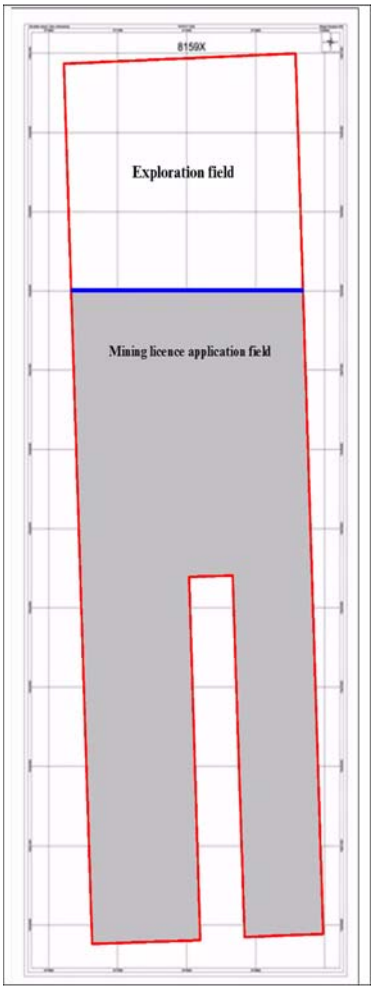

Figure 1: Mining licence area mapped onto former exploration licence

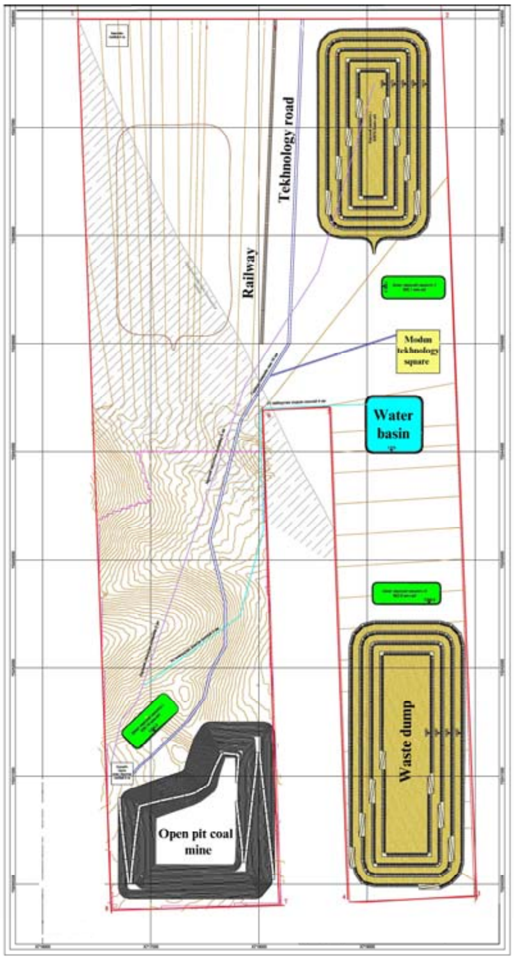

Figure 2: Mine design and pit layout for mining licence

Off-take Agreement

In October 2013, the Company signed a Memorandum of Understanding (Memorandum) with the Mongolian Ministry of Mining (Ministry) and the Ulaanbaatar City Air Quality Agency (CAQA) supporting the supply of coal briquettes.

Under the terms of the Memorandum, the Company is responsible for developing a coal mine and constructing a coal briquette plant at its Nuurst Coal Project, subject to raising the appropriate finance. The Company is also responsible for delivering the quantity of coal briquettes as detailed in the terms and conditions of the Off-take Agreement currently under negotiation with the Mongolian Government, subject to raising appropriate finance.

The Ministry committed to providing the necessary policy support required by the Company to deliver the project. CAQA will also be responsible for monitoring the quality of the coal briquettes to ensure they meet the standards of the National Committee on Air Pollution Reduction. The Memorandum has a term of 5 years.

The signing of the Memorandum is a precursor to endorse the formal Off-take Agreement for the supply of the coal briquettes to the Mongolian Government. The Memorandum outlines the responsibilities of the Government departments and ensures each parties' interests are aligned and focused on delivering the project. Negotiations with the Government for the Off-take Agreement remain ongoing, but the Company cannot provide any guidance as to when a contract will be executed.

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DIRECTORS' REPORT
31 December 2013

Mongolian Feasibility Study

In November 2013, the Company 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 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.

The Mongolian feasibility study was successfully approved by MRAM in January 2014, which enables the Company 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.

Funding

Whilst significant operational progress has been made during the period, the Company requires a strategic partner to help fund the development of the Nuurst Project. Until a strategic partner has been found, the Company has implemented a substantial cost reduction programme across all group companies. The cost reductions include a reduction in staff levels, the termination of all contractors and a significant reduction in employee salaries across the group and will remain in effect until the group can raise the necessary finance to continue the development of the Nuurst Project.

More detail on the cost cutting programme is provided in the Events Occurring After the Balance Date disclosure below. The changes to staffing levels as a result of the cost reductions 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.

Events Occurring After the Balance Date

Subsequent to the end of the half-year, the Group implemented a substantial cost reduction programme aimed at reducing costs across the group. The cost reductions include a reduction in staff levels, the termination of all contractors and a significant reduction in employee salaries across the Group and will remain in effect until the Group can raise the necessary finance to continue the development of the Nuurst Project.

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. 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.

DIRECTORS' REPORT
31 December 2013

Auditor's Independence Declaration

Section 307C of the *Corporations Act 2001* requires the Company's auditors, Stantons International, to provide the directors with an independence declaration in relation to the review of the half year financial report. This independence declaration forms part of the Directors' Report and is included on page 8.

Signed in accordance with a resolution of the directors.

On behalf of the directors

Hugh Warner
Director
Perth
13 March 2014

Competent Person Statement!

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

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Stantons International Audit and Consulting Pty Ltd
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13 March 2014

Board of Directors
Modun Resources Limited
Suite 6, 245 Churchill Avenue
Subiaco WA 6008

Dear Directors

RE: MODUN RESOURCES LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Modun Resources Limited.

As Audit Director for the review of the financial statements of Modun Resources Limited for the six months ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LIMITED
(Trading as Stantons International)
(An Authorised Audit Company)

Samir Tirodkar
Director

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF MODUN RESOURCES LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Modun Resources Limited, which comprises the statement of financial position as at 31 December 2013, the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Modun Resources Limited (the consolidated entity). The consolidated entity comprises both Modun Resources Limited (the Company) and the entities it controlled during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of Modun Resources Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Modun Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by the directors or management.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Modun Resources Limited on 13 March 2014.

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Member of Russell Bedford International
Russell Bedford

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Modun Resources Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Inherent Uncertainty Regarding Capitalised Exploration Costs

Without qualification to the audit review conclusion expressed above, attention is drawn to the following matter.

As described in Note 3, the recoupment of costs carried forward in relation to the area of interest in the exploration and evaluation phase is dependent on the successful development and commercial exploitation or sale of the respective areas. The area of interest was a mining license until 31 December 2013 and subsequently after reporting date, the Mineral Resources Authority of Mongolia approved the feasibility studies carried out in respect of the area of interest. The mining license if it is converted to a mining permit will require adequate funding for it to be commercially developed. The recoverability of the consolidated entity's carrying value of capitalised exploration and acquisition costs of $5,017,424 is dependent on the ability of the consolidated entity to commercially develop the area of interest or through sale of the respective areas. In the event that the consolidated entity is not successful in commercially developing the area of interest or through sale of the respective areas, the realisable value of the consolidated entity's assets may be significantly less than their current carrying values.

Inherent Uncertainty Regarding Going Concern

Without qualification to the audit review conclusion expressed above, attention is drawn to the following matters:

At 31 December 2013 the consolidated entity had cash and cash equivalents of $260,410 and net working capital of $94,973. The consolidated entity also incurred a loss for the half year ended 31 December 2013 of $866,407. As referred to in note 1(e) to the financial statements, the ability of the Company and of its subsidiaries to continue as going concerns and meet their planned exploration, administration, and other commitments is dependent upon the Company and its subsidiaries raising further working capital, and/or commencing profitable operations. In the event that the Company cannot raise further equity, the Company and its subsidiaries may not be able to meet their liabilities as they fall due and the realisable value of the Company's and consolidated entity's non-current assets may be significantly less than book values.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International

Samir Tirodkar
Director

West Perth, Western Australia
13 March 2014

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DIRECTORS' DECLARATION

In the opinion of the directors:

(a) the financial statements and notes set out on pages 12 to 20 are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2013 and of its performance for the half-year ended on that date; and

  (ii) complying with Accounting Standards, the *Corporations Regulations 2001*, and other mandatory professional reporting requirements.

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

Hugh Warner
Director

Perth
13 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the half-year ended 31 December 2013

	Consolidated Half-year ended	
	31 December 2013 $	**31 December 2012 $**
Continuing operations		
Revenue	12,310	48,889
Depreciation and amortisation	(12,346)	(12,566)
Employee benefits expense	(200,081)	(218,927)
Directors fees	(184,885)	(281,655)
Share based payments	-	(440,000)
Foreign exchange gain/(loss)	616	(49,046)
Professional and consulting fees	(284,450)	(148,294)
Rental expense	(48,221)	(60,026)
Travel expense	(48,380)	(97,956)
Other expenses	(100,970)	(189,406)
Loss for the period before income tax	(866,407)	(1,448,987)
Income tax expense	-	-
Loss for the period after income tax	**(866,407)**	**(1,448,987)**
Other comprehensive loss		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	(428,585)	(161,780)
Items that will not be reclassified subsequently to profit or loss	-	-
Other comprehensive loss for the period, net of tax	(428,585)	(161,780)
Total comprehensive loss for the period	**(1,294,992)**	**(1,610,767)**
Loss attributable to:		
Equity holders of the Company	(866,407)	(1,448,987)
Loss for the period	(866,407)	(1,448,987)
Other comprehensive loss attributable to:		
Equity holders of the Company	(428,585)	(161,780)
Total comprehensive loss for the period	**(1,294,992)**	**(1,610,767)**
Basic and diluted loss per share (cents per share)	(0.10)	(0.17)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

	Note	Consolidated 31 December 2013 $	Consolidated 30 June 2013 $
Assets			
Current assets			
Cash and cash equivalents		260,410	933,457
Receivables		9,161	10,886
Prepayments		17,672	19,681
Total current assets		287,243	964,024
Non-current assets			
Exploration expenditure	3	5,017,424	5,212,924
Plant & equipment		79,875	95,128
Total non-current assets		5,097,299	5,308,052
Total assets		**5,384,542**	**6,272,076**
Liabilities			
Current liabilities			
Trade and other payables		169,292	176,635
Provisions		22,978	23,177
Total current liabilities		192,270	199,812
Total liabilities		**192,270**	**199,812**
Net Assets		**5,192,272**	**6,072,264**
Equity			
Issued capital	4	301,175,089	300,760,089
Reserves		690,815	1,119,400
Accumulated losses		(296,673,632)	(295,807,225)
Total Equity		**5,192,272**	**6,072,264**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half-year ended 31 December 2013

	Issued Capital $	Share Based Payments Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total Equity $
Balance at 1 July 2013	300,760,089	962,202	157,198	(295,807,225)	6,072,264
Comprehensive loss for the period					
Loss for the period	-	-	-	(866,407)	(866,407)
Exchange differences arising on translation of foreign operations	-	-	(428,585)	-	(428,585)
Total comprehensive loss for the period	-	-	(428,585)	(866,407)	(1,294,992)
Shares issued	415,000	-	-	-	415,000
Balance at 31 December 2013	**301,175,089**	**962,202**	**(271,387)**	**(296,673,632)**	**5,192,272**
Balance at 1 July 2012	300,660,089	475,002	(118,991)	(293,446,190)	7,569,910
Comprehensive loss for the period					
Loss for the period	-	-	-	(1,448,987)	(1,448,987)
Exchange differences arising on translation of foreign operations	-	-	(161,780)	-	(161,780)
Total comprehensive loss for the period	-	-	(161,780)	(1,448,987)	(1,610,767)
Shares issued	100,000	-	-	-	100,000
Options issued	-	440,000	-	-	440,000
Balance at 31 December 2012	**300,760,089**	**915,002**	**(280,771)**	**(294,895,177)**	**6,499,143**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF CASH FLOWS
For the half-year ended 31 December 2013

	Note	Consolidated Half-year ended 31 December 2013 $	Consolidated Half-year ended 31 December 2012 $
Cash flows from operating activities			
Payments to suppliers and employees		(684,634)	(933,581)
Interest received		7,480	44,059
Net cash flows used in operating activities		**(677,154)**	**(889,522)**
Cash flows from investing activities			
Payments for acquisition of property, plant and equipment		(2,668)	-
Payments for evaluation and exploration expenditure		(368,182)	(678,772)
Net cash flows used in investing activities		**(370,850)**	**(678,772)**
Cash flows from financing activities			
Net proceeds from issue of shares and options	4	375,000	100,000
Net cash flows provided by financing activities		**375,000**	**100,000**
Net increase/(decrease) in cash and cash equivalents		**(673,004)**	**(1,468,294)**
Cash and cash equivalents at beginning of the half-year		933,457	3,452,382
Effect of exchange rate fluctuations on cash held		(43)	(4,056)
Cash and cash equivalents at end of the half-year		**260,410**	**1,980,032**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1. Statement of significant accounting policies

a) Statement of compliance

This general purpose financial report for the half-year reporting period ended 31 December 2013 has been prepared in accordance with the requirements of the *Corporations Act 2001* and Accounting Standard AASB 134 *Interim Financial Reporting.*

The half-year financial report does not include full disclosures of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

b) Basis of preparation

The consolidated financial statements are prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars.

c) Accounting Policies

(i) *Consolidated financial statements, joint arrangements and disclosure of interests in other entities*

The Group has adopted the following new and revised Australian Accounting Standards from 1 July 2013 together with consequential amendments to other Standards:

- AASB 10: *Consolidated Financial Statements;*
- AASB 127: *Separate Financial Statements* (August 2011);
- AASB 12: *Disclosure of Interests in Other Entities;*
- AASB 2011-7: *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards;* and
- AASB 2012-10: *Amendments to Australian Accounting Standards — Transition Guidance and* Other *Amendments.*

These Standards became mandatorily applicable from 1 January 2013 and became applicable to the Group for the first time in the current half-year reporting period 1 July 2013 to 31 December 2013. The Group has applied these Accounting Standards retrospectively in accordance with AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors and the specific transition requirements in AASB 10 and AASB 11. The effects of initial application of these Standards in the current half-year reporting period are as follows:

\- *Consolidated financial statements:*

AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. Revised AASB 127 facilitates the application of AASB 10 and prescribes requirements for separate financial statements of the parent entity. On adoption of AASB 10, the assets, liabilities and non-controlling interests related to investments in businesses that are now assessed as being controlled by the Group, and were therefore not previously consolidated, are measured as if the investee had been consolidated (and therefore applied acquisition accounting in accordance with AASB 3: Business Combinations) from the date when the Group obtained control of that investee on the basis of the requirements in AASB 10.

Upon the initial application of AASB 10, retrospective restatement of financial statement amounts of the year that immediately precedes the date of initial application (ie 2012-2013) is necessary. When control is considered to have been obtained earlier than the beginning of the immediately preceding year (ie pre-1 July 2012), any difference between the amount of assets, liabilities and non-controlling interests recognised and the previous carrying amount of the investment in that investee is recognised as an adjustment to equity as at 1 July 2012.

Although the first-time application of AASB 10 (together with the associated Standards) caused certain changes to the Group's accounting policy for consolidation and determining control, it did not result in any changes to the amounts reported in the Group's financial statements as the "controlled" status of the existing subsidiaries did not change, nor did it result in any new subsidiaries being included in the Group as a consequence of the revised definition. However, the revised wording of accounting policy for consolidation is set out in Note 1(d).

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1. Statement of significant accounting policies (continued)

- Disclosure of interest in other entities:
AASB 12 is the Standard that addresses disclosure requirements of AASB 10, AASB 11, AASB 127 and AASB 128. There are no new disclosures that are material to this interim financial report and associated with the Group's interests in subsidiaries.

(ii)Other

Other new and amending Standards that became applicable for the first time during this half-year reporting period are as follows:
- AASB 2012-2: Amendments to Australian Accounting Standards — Disclosures — Offsetting Financial Assets and Financial Liabilities and AASB 2012-5: Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle.
These Standards make changes to presentation and disclosure requirements, but did not affect the Group's accounting policies or the amounts reported in the financial statements.
- AASB 119: Employee Benefits (September 2011) and AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011).
These Standards did not affect the Group's accounting policies or the amounts reported in the financial statements, mainly because the Group does not have defined benefit plan assets or obligations.

d) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Modun Resources Limited) and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 9.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as “non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

e) Going Concern Basis
The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business. The going concern of the Company is dependent upon it maintaining sufficient funds for its operations and commitments. The directors continue to monitor the ongoing funding requirements of the Company. The directors have held discussions with several major shareholders of the Company and they support the direction of the Company, including the cost cutting measures as set out in Note 6. The directors remain confident that sufficient funding can be secured from existing shareholders to enable the Company to continue as a going concern and as such are of the opinion that the financial report has been appropriately prepared on a going concern basis.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company’s 2013 annual financial report for the financial year ended 30 June 2013, except for the impact of the Standards and Interpretations described above. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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2. Segment Information

The consolidated entity is an exploration company that is focusing on the exploration and development of the Nuurst Thermal Coal Project in central Mongolia. The consolidated entity classifies these activities under a single operating segment being Mongolian exploration activities. Whilst expenditure is incurred in Australia as part of managing its corporate operations, they are directly related to the Mongolian exploration activities.

3. Exploration

	Consolidated 31 Dec 2013 $	Consolidated 30 June 2013 $
Opening book value	5,212,924	4,077,131
Acquisition of tenements	-	-
Direct exploration expenditure	234,889	1,275,161
Expenditure written off during the period/year	-	-
Effect of exchange rate movements	(430,389)	(139,368)
Total exploration expenditure	**5,017,424**	**5,212,924**

The recoverability of the carrying amounts of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective area of interest.

4. Share Capital

Movement in Share capital for the half year ended 31 December 2013:

		31 December 2013	
Ordinary Shares		**Number of shares**	**$**
1 July 2013	Opening balance	854,568,109	300,760,089
19 August 2013	Placement	53,571,425	375,000
12 September 2013	Shares issued in lieu of cash for consulting services	5,000,000	30,000
16 December 2013	Shares issued in lieu of cash for consulting services	2,000,000	10,000
31 December 2013	**Closing balance**	**915,139,534**	**301,175,089**

5. Share Based Payments

Movement in share based payments reserve and options on issue during the half year ended 31 December 2013:

	31 December 2013	
	Number of options	**$**
Opening balance as at 1 July 2013	121,500,000	962,202
Issued during the period	-	-
Expired during the period	-	-
Closing balance as at 31 December 2013	**121,500,000**	**962,202**

No options have been issued during the period. At the Company's Annual General Meeting held on 28 November 2013, shareholders approved the grant of up to 31,000,000 options to Directors, employees and consultants. Subsequent to the Annual General Meeting, the Directors agreed that these options would not be issued.

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5. Share Based Payments (continued)

The balance of options outstanding as at 31 December 2013 is represented by:

Number of options outstanding	Exercise Price	Expiry Date
17,500,000	10 cents	31 December 2014
36,000,000	4 cents	31 December 2015
36,000,000	6 cents	31 December 2015
32,000,000	10 cents	31 December 2015

Each option gives the option holder the right to subscribe for one ordinary share. There are no voting rights attached to the options.

6. Events Occurring After the Balance Date

Subsequent to the end of the half-year, the Group implemented a substantial cost reduction programme aimed at reducing costs across the group. The cost reductions include a reduction in staff levels, the termination of all contractors and a significant reduction in employee salaries across the Group and will remain in effect until the Group can raise the necessary finance to continue the development of the Nuurst Project.

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. 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.

7. Contingent Assets and Liabilities

Contingent Assets
There has been no change in contingent assets since the last annual reporting date.

Contingent Liabilities
The Mongolian Tax Authority (The Authority) has conducted a tax review on the Company's wholly owned subsidiary, Modun Resources LLC (Modun LLC). Following the completion of the review, the Authority has lodged a claim against Modun LLC for additional withholding tax to be paid as a result of the acquisition of the Nuurst Licence in 2011. The group does not believe any additional withholding tax is required to be paid and is defending its position through the appeals and mediation process in place in Mongolia. The Group expects judgement before the end of June 2014. The group considers that it is probable that the judgement will be in its favour and have therefore not recognized a provision in relation to this claim. The potential undiscounted amounts that the Group could be required to pay if there was an adverse judgement against Modun LLC is estimated to be approximately $360,000 (exclusive of legal costs).

8. Loss Per Share

(a) Basic Loss Per Share

The calculation of basic earnings per share for the 6 months ended 31 December 2013 was based on the loss attributable to ordinary members of $866,407 (31 December 2012: loss $1,448,987) and the weighted number of shares on issue during the 31 December 2013 half-year of 896,964,672 (31 December 2012: 845,661,005).

(b) Diluted Loss Per Share

As the company has made a loss for the half year ended 31 December 2013, the options on issue have no dilutive effect, therefore diluted earnings per share is equal to basic earnings per share.

9. Group Entities

	Country of incorporation	Interest 2013	Interest 2012
Parent entity			
Modun Resources Limited	Australia		
Subsidiaries			
Modun Resources LLC	Mongolia	100%	100%
Modun Resources Pte Ltd	Singapore	100%	100%
Nuurst Mineral Corporation LLC	Mongolia (through Modun Resources Pte Ltd)	100%	100%

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