



## **ASX Release**

---

**1 July 2011**

**HUNNU COAL LIMITED**  
**ABN 83 138 962 124**  
Level 1 / 33 Richardson Street  
WEST PERTH  
Australia

Tel: +61 8 9200 4267  
Fax: +61 8 9200 4469

---

**Contact:**  
Matthew Wood  
Executive Chairman

E-mail: [info@hunnucoal.com](mailto:info@hunnucoal.com)

---

**Directors / Officers:**  
Matthew Wood  
George Tumur  
Timothy Flavel  
Daniel Crennan

**Issued Capital:**  
242.1 million shares

**ASX Symbol:** HUN

**Media:**  
Fortbridge +61 2 9331 0655  
Bill Kemmery +61 400 122 449

# **JORC RESOURCE ESTIMATE FOR THE UNST KHUDAG THERMAL COAL PROJECT**

The Company is very pleased to announce an upgraded JORC compliant resource estimate for the Unst Khudag Coal Project.

- **100% increase to JORC Resources at Unst Khudag**
- **JORC Resource of:**  
  
**676Mt to a depth of 150m**
- **601Mt classified as Measured (541Mt) and Indicated (60Mt).**
- **Further upgrades to the JORC Resource model expected in the latter half of 2011 with additional drilling underway.**
- **A total of 325 drill holes for 28,245 metres were utilised in the JORC Resource estimate.**
- **The Company is in advanced discussions for off-take with potential future buyers of Unst Khudag Project coal.**
- **100% owned rail loading spur at Choir railway station nearing completion. 3Mt per annum of capacity secured on the existing Trans-Mongolian Railway.**
- **Feasibility study into delivery of rail to mine gate nearing completion.**
- **New development concept being scoped. +20 year mine life, delivering a product at +5,000Kcal to the Chinese border from the Unst Khudag Mine at a rate of 10Mt to 20Mt per annum.**
- **Hunnu Coal now has Total JORC Resources across its projects of 766Mt.**
- **Initial JORC estimate currently being calculated for the Altai Nuurs Premium Hard Coking Coal Project. Altai Nuurs has an Exploration Target\* of 250Mt to 500Mt.**
- **Upgraded JORC estimate currently being completed for the Tsant Uul Project which currently has a JORC Resource of 90Mt.**

CSA Global Pty Ltd (CSA) was engaged by Hunnu LLC (Hunnu) to complete a Coal Resource estimate for the Unst Khudag Project (UKP).

UKP is located in the Guravansaikhan Soum district of Dundgovi Province, Mongolia, approximately 360km south from the capital city Ulaanbaatar (Figure 1).



Figure 1. Hunnu LLC Projects and the Unst Khudag Project Location (Hunnu website)

The UKP area is situated in north western part of Central Gobi basin where the major coal seams are hosted in Lower Cretaceous Sediments age sediments of the Mogoit Formation (Figures 1 & 2). The Central Gobi basin covers an area of approximately 25,000 km<sup>2</sup> and is divided into several sub basins. UKB contains 16 seams of Brown Coal.

The economic coal potential of Mongolia is determined by four coal forming epochs: Carboniferous, Permian, Jurassic and Cretaceous. The deposition of coal in the Carboniferous and the Permian took place in superimposed basins following periods of folding development. The Jurassic and Cretaceous period coals were accumulated in basins resulting from tectonic rejuvenation.

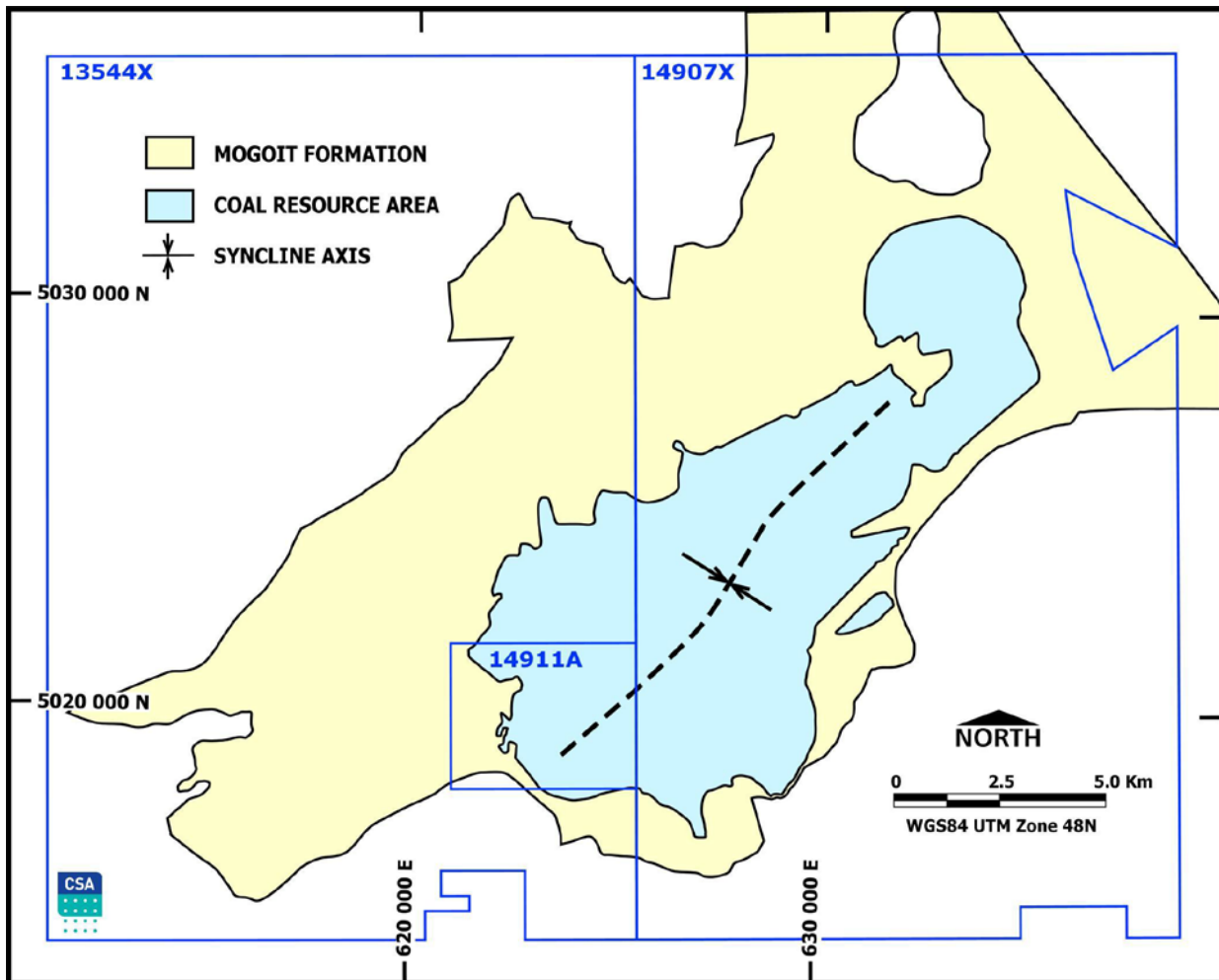


Figure 2. Unst Khudag Project tenements, simplified geology and coal resource area.

The Coal Resource estimate completed by CSA is summarised as:

- Resources are based on data acquired up to 6 June 2011.
- Hunnu LLC supplied tenement details, standard operating procedures (SOPs), survey data, geological data, down hole geophysical data, sampling data and coal quality analysis laboratory certificates.
- The coal resource occurs in three (3) tenement areas, Exploration Licence 13544X, Exploration Licence 14907X and Mining Licence 14911A (Figure 2).
- CSA imported the supplied drill hole data into Minescape 4.118 software for geological modelling.
- Coal Seams nomenclature and stratigraphy were generated by CSA from sectional interpretations.
- The geological model was largely based on areas with the closest drill pattern of 300m x 300m (Figure 3).
- The total area modelled was 64,112 hectares.
- The drilling data base is comprised of 330 drill holes for a total of 28,245m, however 5 drill-holes were excluded from the geological model (HT1-119RC, HT-166PC, HT1-186DD, UK-

93R, and UK-59R). A total of 325 holes were geophysically logged, 152 drill holes were cored by diamond drilling and 173 drill holes were open hole.

- The assigned minimum mining thickness was 0.3 metres.
- Weakly weathered coal occurs between the Quaternary unconformity and the logged base of weathering (BOW).

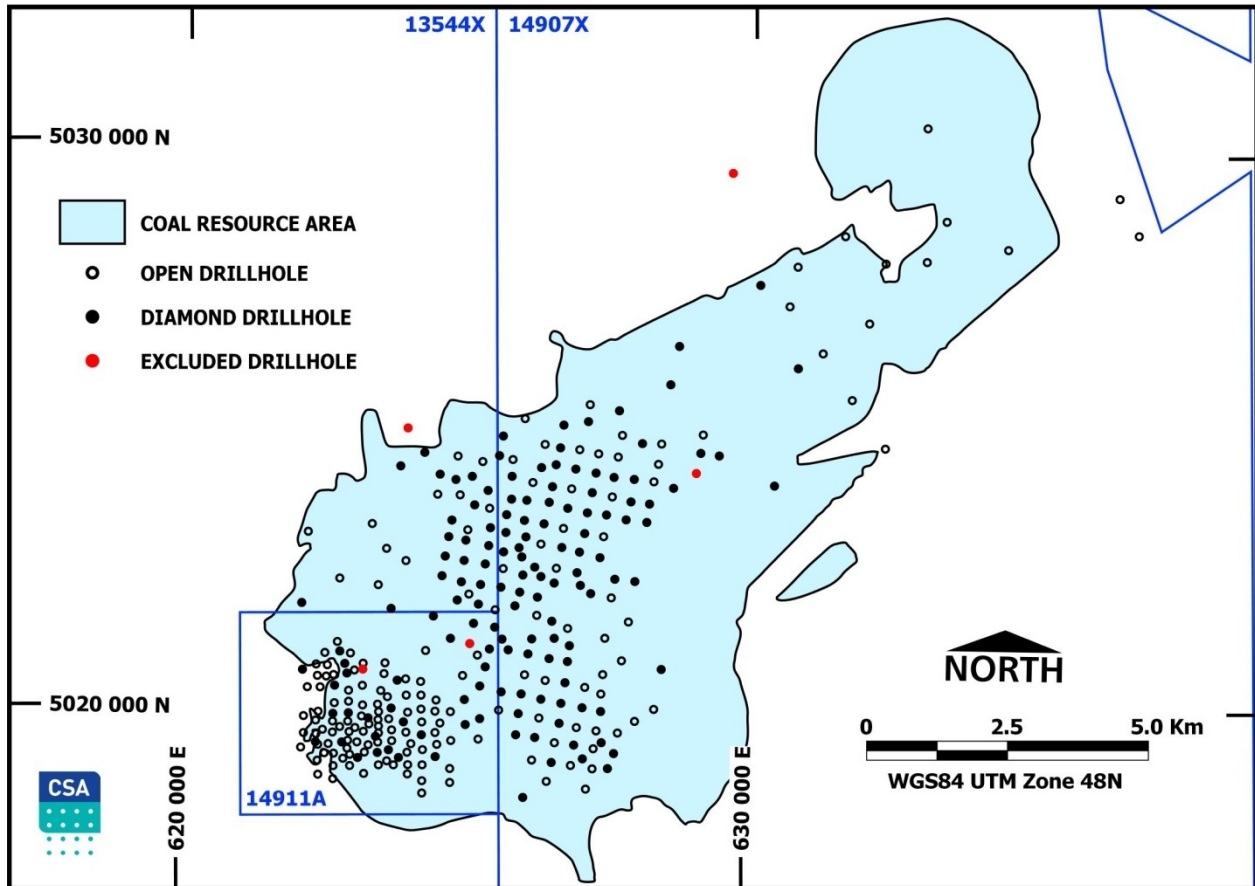


Figure 3. Unst Khudag Project drillhole locations, tenements and coal resource area.

The resource type category used to determine the confidence level for all points of observation are summarised in Table 1.

Drillholes were classified as valid points of observation for determining resource status if the following criteria was achieved:

- The entire seam was cored;
- Core recovery for the seam was  $\geq 95\%$ ;
- The drillhole was geophysically logged.

All criteria are Moderate (Table 1) therefore search radii for Measured, Indicated and Inferred categories were deemed to be respectively 400m, 800m and 1200m. Cut off parameters used to estimate resources are summarised in Table 2.

- The method of Inverse Distance Squared ( $ID^2$ ) was used to estimate the volume and quality of the coal seams.

- Search ellipses were orientated parallel to the coal seams i.e. conformable to the sedimentary basin.
- The in situ Relative Density (RD) factor was calculated from laboratory measured Relative Densities (RD) using the Preston Sander Formula.

Table 1. Resource Type Category

CRITERIA	SIMPLE	MODERATE	COMPLEX
Sedimentary setting		X	
Structural setting		X	
Coal quality variation		X	

Table 2. Cut Off Parameters

CUT OFF PARAMETER	CSA
Minimum coal seam thickness	0.3m
Maximum coal seam internal dilution (parting)	0.3m
Coal seam cut by base of Quaternary surface	YES
Include coal above base of weathering (BOW)	YES

The Unst Khudag coal resources have 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.

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, and average distance to samples.

Based upon these considerations coal resource categories Measured, Indicated and Inferred were defined. A minimum of 2 points of observation were required to classify coal resources. The classification process was based upon interpolation distance and minimum samples within the search ellipse as defined by a Mincom macro as follows:

- Inferred – if the average weighted sample distance was greater than 800m and less than 1200 m ( Radius 1200m);
- Indicated - if the average weighted sample distance was between 400m and 800m (Radius 800m);
- Measured - if the average weighted sample distance was less than 400m (Radius 400m).

#### Resource Estimation

**Total resources for Unst Khudag to a depth of 150m are estimated to be 676.4 Mt of which 540.9 Mt is Measured, 59.9 Mt is Indicated, and 75.6 Mt is Inferred (Tables 3, 4 & 5).**

All coal quality data has been modelled on an air dried basis (adb). Relative density and tonnage have been converted to an in situ basis, using the Preston Sanders Formula. Coal quality was modelled on a ply by ply basis and then combined into seam composites.

The coal resource is contained within 16 seams varying in average thickness from 0.49m to 10.50m.

Table 3. Unst Khudag Coal in situ Global Resources

CATEGORY	VOLUME (MBCM)	TONNAGE (Mt)
MEASURED	388.2	540.9
INDICATED	42.2	59.9
INFERRED	54.2	75.6
TOTAL	484.6	676.4

The global in situ coal resource cut by depth is shown in Table 4 below. The thickness of the weakly weathered coal interval below the Quaternary cover sediments varies from 0.2 m to 7.6 m. The Inferred weathered coal resource has reasonable prospects for eventual economic extraction.

Table 4. Unst Khudag Coal in situ Global Resources cut by depth (Minescape model)

RESOURCE CATEGORY	WEATHERED Tonnes x 1000	BOW <sup>1</sup> - 50m Tonnes x 1000	50m – 100m Tonnes x 1000	100m – 150m Tonnes x 1000	TOTAL Tonnes x 1000
MEASURED	0	269,050	247,380	24,448	540,878
INDICATED	0	28,552	26,687	4,686	59,925
INFERRED	67,878	6,423	1,164	136	75,601
TOTAL	67,878	304,024	275,231	29,270	676,403

1.BOW = base of weathering



Table 5. Unst Khudag Coal Quality Resource Summary (Minescape model)

Category	Tonnage t X 1000	TM %	IM % adb	ASH % adb	VM % adb	FC % adb	TS % adb	CV Kcal/kg adb	CV Kcal/kg db	CV Kcal/kg daf	RD g/cm <sup>3</sup> in situ
Measured	540,878	27.11	18.27	20.61	30.13	31.03	1.22	4069	4978	6657	1.40
Indicated	59,925	26.40	18.16	21.97	30.16	29.73	1.31	3931	4803	6566	1.42
Inferred	75,601	25.21	18.52	21.49	29.79	30.22	1.30	3960	4859	6600	1.43
Total	676,403	26.43	18.28	21.30	30.07	30.38	1.27	3995	4889	6612	1.41

**Notes:** adb - air dried basis, laboratory report  
db - dry basis, calculation,  $db = [100/(100-IM)] \times CV_{adb}$   
daf - dry ash free, calculation,  $daf = [100/(100-IM-ASH)] \times CV_{adb}$

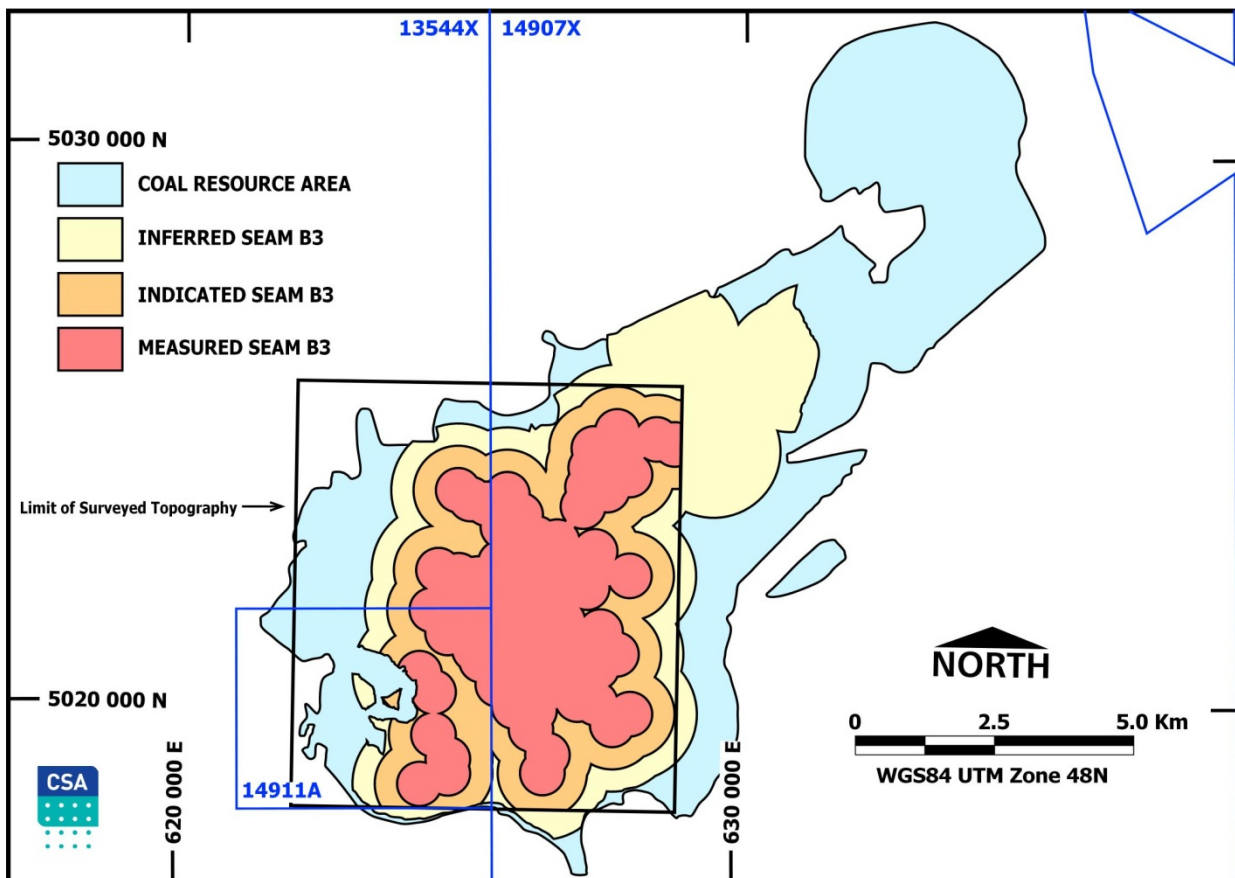


Figure 4. Unst Khudag Project Seam B3 Resources.

Table 6. Unst Khudag Coal Quality Resource Summary by Seam (Minescape model)

SEAM	True Thick m AVERAGE	Volume BCM X 1000	Tonnage t X 1000	TM %	IM % adb	ASH % adb	VM % adb	FC % adb	TS % adb	CV Kcal/kg adb	CV Kcal/kg db	CV Kcal/kg daf	RD g/cm <sup>3</sup> in situ
A1	0.74	2,712	3,879	23.01	15.35	21.25	31.92	31.49	2.36	4190	4950	6609	1.43
A1_1	0.49	823	1,350	18.31	13.95	45.75	19.94	20.36	1.11	2621	3046	6504	1.64
A1_2	0.63	2,293	3,576	23.60	17.25	34.52	25.43	22.81	1.07	3027	3658	6276	1.56
A2	0.53	173	245	27.77	18.38	21.29	32.51	27.82	1.54	3911	4792	6482	1.41
B1	0.76	8,213	11,331	25.85	16.43	18.63	32.77	32.18	1.51	4379	5239	6742	1.38
B2	0.73	7,149	10,080	26.17	16.73	22.24	29.79	31.24	1.37	4004	4808	6561	1.41
B3	10.50	49,448	64,522	34.01	20.69	11.31	32.81	35.19	0.97	4591	5789	6752	1.31
B3_1	4.86	73,408	104,042	25.02	19.44	17.44	29.55	34.20	1.14	4315	5357	6837	1.42
B3_1_1	2.16	67,226	94,619	26.75	18.79	20.16	30.04	31.00	1.17	4041	4976	6620	1.41
B3_1_2	2.21	63,032	87,332	28.20	20.34	17.16	30.84	31.65	0.93	4185	5254	6697	1.39
B3_2	4.02	76,901	106,799	30.07	21.72	19.06	30.83	28.79	0.97	3986	5092	6730	1.39
B3_2_1	2.29	58,792	82,582	25.33	17.56	20.49	29.63	32.32	1.12	4163	5050	6719	1.40
B3_2_2	2.25	57,098	81,597	24.67	17.43	23.21	29.37	29.98	1.13	3954	4789	6662	1.43
B4	0.70	11,665	16,515	25.74	16.99	21.52	30.24	31.24	1.31	4091	4928	6654	1.42
B5	0.56	4,082	5,776	23.58	15.42	21.85	32.10	30.64	1.17	4177	4938	6658	1.42
C1	0.52	1,556	2,158	19.68	14.08	17.30	25.93	27.20	0.70	3541	4121	5159	1.39

### Hunnu Coal - JORC Resource Summary

Resource Category	Tsant Uul Mt	Unst Khudag Mt	Total Mt
Measured	34.3	540.9	575.2
Indicated	27.7	59.9	87.6
Inferred	27.7	75.6	103.3
<b>TOTAL</b>	<b>89.7</b>	<b>676.4</b>	<b>766.1</b>

George Tumur  
Managing Director



### **Competent Person Statement**

The information in this report that relates to Mineral Resources is based on information compiled by Mr Dwiyo TU. Taruno 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.

The information in this report that relates to Exploration Results, Exploration Targets and Coal Resources are based on information compiled by Mr George Tumor who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Tumor is the Managing Director of Hunnu Coal Limited. Mr Tumor 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 Tumor consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

### **\* Exploration Target**

This work has not resulted in the definition of any resource which is compliant with the JORC Code but has identified an Exploration Target. With further exploration, this target has potential for between 250Mt to 500Mt of coal. Hunnu Coal is currently reviewing previous exploration and test work. The potential quantity and grade is conceptual in nature and there has been insufficient exploration to define a Mineral Resource in accordance to the JORC Code. As such it is uncertain if further exploration will result in the determination of a Mineral Resource. Further Hunnu cautions that in order to achieve this target, substantial exploration is required to further geologically map, detect, trench and drill test the defined conceptual target. On this basis, Hunnu considers that further work is warranted beyond that previously conducted.