ABN 83 138 962 124

Half-year Financial Report

30 June 2011

CORPORATE DIRECTORY

Directors
Mr Matthew Wood (Executive Chairman)
Mr George Tumur (Managing Director)
Mr Timothy Flavel (Executive Director)
Mr Daniel Crennan (Non-Executive Director)

Company Secretary
Mr. Timothy Flavel

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Stock Exchange
Australian Stock Exchange
(Home Exchange: Perth, Western Australia)
ASX Code: HUN

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DIRECTORS' REPORT

The directors of Hunnu Coal Limited submit the financial report of the consolidated entity for the half-year ended 30 June 2011. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of directors who held office during or since the end of the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Mr Matthew Wood	Executive Chairman
Mr Timothy Flavel	Executive Director & Company Secretary
Mr George Tumur	Managing Director
Mr Daniel Crennan	Non-Executive Director

Results

The loss after tax for the half-year ended 30 June 2011 was $3,305,722 (for the half-year ended 26 February 2010: $2,799,138).

Review of Operations

Tsant Uul Coking Coal Project

In the middle of July 2011, the Mineral Authority of Mongolia granted mining licence MV - 016872 for the Tsant Uul Project which covers a total area of 69,233ha. The mining licence has an initial term of 30 years with an option for two twenty year extensions, providing for a potential of 70 years of mining operations.

The Company has also upgraded the Tsant Uul JORC Resource by 85% giving it a total resource of 167.1Mt with 93.8Mt classified as Measured (40.9Mt) and Indicated (52.9Mt) with further upgrades expected this year. In addition to this, there has been a new coal discovery 7km north of the Tsant Uul Deposit and drilling is currently underway with a total of 7 rigs currently operating on site.

The Company is targeting commencement of mining in the last quarter of 2011 and is anticipating initial production of 1.5Mt of coal in 2012 and 3Mt in 2013. In anticipation of this, the Company has acquired six CAT 773 Dump Trucks and a Hitachi 1200 excavator and is expecting delivery in October. Additional purchases will be made as the project is ramped up to full production.

The Company has submitted samples for final test work and has signed a number of Memorandum of Understanding's with off-take partners. The average coal quality analyses of five coal seam groups from drill core samples showed:

- Total Moisture = 3.99% to 6.51%
- Ash = 17.54% to 39.01%
- Volatile Matters = 22.02% to 42.44%
- Fixed Carbon = 35.85% to 42.31%
- Sulfur = 0.28% to 0.65%
- Gross Qdaf = 7,008 kCal/kg to 7,455 kCal/kg
- FSI (Raw Coal, including ash) = 1.54 to 1.69

Table 1: Tsant Uul Deposit JORC Resource Summary Tonnes

Resource Category	Mt
Measured	40.9
Indicated	52.9
Inferred	73.3
TOTAL	**167.1**

Altai Nuurs Project

The Company has acquired a controlling interest in the Altai Nuurs Premium Hard Coking Coal Project.

- 80% of 8 licences (including four mining licences) in the Rio Gobi LLC.
- 70% of 2 licences in the Rio AD LLC.

The Project comprises six exploration licenses totaling 46,212ha and four mining licenses totaling 202ha. Based on Rio Tinto's drilling (19,437 metres for 107 RC and core drill holes), coal test work and wire frame modeling, an Exploration Target* of between 250Mt and 500Mt of coal has been identified.

The Company is in the process of modelling Rio Tinto's data for JORC purposes and so far this modeling suggests a low strip ratio of 3.5:1 for an open cut mine. The Company has also commenced its own extensive drill programme with 3 rigs being mobilised to site.

Preliminary test work indicates the coking coal parameters compare favourably with similar coking coal projects elsewhere in the world.

Table 2: Comparison of key parameters of coal from RC drilling at Altai Nuurs to other coal deposits.

Parameter	Altai Nuurs (Hunnu)	Tavan Tolgoi	Moatize (BHPB)	Peak Downs (BHPB)
Moisture (% ad)	1.6	n/a	n/a	1.0
Ash (% ad)	10.7	7.8	10.5	9.7
Volatile Matter (% ad)	18.0	26.5	22-25	20.5
Cal. Val. (kcal/kg, ad)	7,460	7,770	~7,400	n/a
Crucible Swelling No.	8.5	8	8	8.5
Total Sulphur (% ad)	0.48	0.39	0.8- 0.9	0.6
Phosphorous (% ad)	0.017	0.06	0.08-0.10	0.04
Alkalinity Index	0.56	0.65	n/a	0.66
Coke Strength Ratio	>70 (est)	65 (est)	> 65	74

As the Mining Licences have already been granted and given the close proximity to sale points being either the mine gate or the Chinese border point at Burgastai which is only 250km by road, the Company is looking to fast track the development of this Project.

Unst Khudag Project

In early July 2011 the Company upgraded its resource estimate for the Unst Khudag Project by 100% giving the Project a total JORC Resource of 676Mt with 600.8Mt classified as Measured (540.9Mt) and Indicated (59.9Mt).

There are currently 3 drilling rigs operating on site and a total of 32,777 drill holes for 334 metres have been drilled. Of this, 325 drill holes for 28,245 metres were utilised in the JORC Resource estimate and as such the Company expects further upgrades this year.

The Company is in advanced discussions with potential off-take partners having signed a number of Memorandum of Understanding's as well as providing trial shipments.

The 100% owned rail loading spur at the Choir railway station has also been completed and the Company has secured 3Mt per annum of capacity on the existing Trans-Mongolian Railway. A feasibility study on building a railway from the mine site to the Trans-Mongolian Railway at Choir is currently being finalised and it is envisaged that this would enable 10-20Mt of +5,000Kcal coal to be transported to the Chinese border per annum.

Table 3: Unst Khudag Deposit JORC Resource Summary Tonnes

Resource Category	Mt
Measured	540.9
Indicated	59.9
Inferred	75.6
TOTAL	**676.4**

Infrastructure Projects

Approximately 1km of railway spur construction at the Choir railway station on the Trans-Mongolian railway has been completed. The railway spur will be used for future development of the Unst Khudag thermal coal project in the Middle Gobi for loading and shipping for domestic and export markets.

A feasibility study report for a 39km road construction from the Tsant Uul project to the existing coal haulage road has been approved by the Ministry of Road and Transportation of Mongolia.

Other Projects

Drilling has commenced at the Khuree-2, Munkhhaan and Tsagaandelger projects. Once completed, drilling will commence at the Tsokhio, Ar Zuun Gol and Zuun Gol projects.

A total of 7,714 metres of drilling for 40 RC holes has been completed at Khuree-2. On completion of this drilling campaign the drill rigs and geological crew will be mobilised to the Tsokhio site.

Drilling commenced at the Munkhhaan Project in June 2011 and the Project currently has a diamond drill rig operating at site. A total of 9 holes for 919 metres have been completed.

A rotary compressor drill is currently at Tsagaandelger and has drilled 3 holes for 358 meters.

The drilling at Ar Zuun Gol and Zuun Gol projects has been delayed to enable the programme to be integrated with the Altai Nuurs campaign which is currently underway. Post drilling Altai Nuurs, the rigs will be mobilised the 70km's to these projects.

Subsequent Events

Subsequent to 30 June 2011, the Group issued 4,000,000 shares to a supplier for services provided as part of the Rio Mongolia acquisition. This has been recognised in the unissued shares reserve as at 30 June 2011. There are no other significant events subsequent to reporting date.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, Ernst & Young, to provide the directors of the company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 4 and forms part of this Directors' Report for the half-year ended 30 June 2011.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.

Matthew Wood
Chairman

Perth, Western Australia
9 September 2011

Competent Persons Statement

The information in this report that relates to Exploration Results, Exploration Targets and Coal Resources are based on information compiled by Mr George Tumur who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Tumur is the Managing Director of Hunnu Coal Limited. Mr Tumur 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 Tumur 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.

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Auditor's Independence Declaration to the Directors of Hunnu Coal Limited

In relation to our review of the financial report of Hunnu Coal Limited for the half-year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

F Drummond
Partner
9 September 2011

Consolidated Statement of Comprehensive Income *for the half-year ended 30 June 2011*

	Note	Consolidated 30 June 2011 $	Consolidated Period of incorporation to 26 February 2010 $
Continuing Operations			
Interest revenue		582,441	63,764
Other income		50,019	-
		632,460	63,764
Serviced office and outgoings		(90,000)	(122,850)
Depreciation and amortisation		(78,898)	(569)
Employee benefits expense	4	(737,206)	(16,378)
Share based payments expense	4	(540,605)	(2,203,510)
Foreign exchange (loss)/gain		(26,363)	9,600
Rental expenses		(538,704)	(29,404)
Professional and consulting fees		(1,050,428)	(251,414)
Travel expenses		(473,007)	(131,468)
Other expenses		(402,971)	(116,909)
Loss from continuing operations before income tax		**(3,305,722)**	**(2,799,138)**
Income tax benefit		-	-
Loss from continuing operations after income tax		**(3,305,722)**	**(2,799,138)**
Net loss for the half-year		**(3,305,722)**	**(2,799,138)**
Other Comprehensive Income			
Foreign currency translation		(1,021,626)	(4,731)
Other comprehensive income for the half-year, net of tax		(1,021,626)	(4,731)
Total comprehensive income for the half-year		**(4,327,348)**	**(2,803,869)**
Loss for the period attributable to:			
Owners of Hunnu Coal Limited		(3,298,868)	(2,796,772)
Non-controlling interests		(6,854)	(2,366)
		(3,305,722)	**(2,799,138)**
Comprehensive loss for the period attributable to:			
Owners of Hunnu Coal Limited		(4,320,494)	(2,801,503)
Non-controlling interests		(6,854)	(2,366)
		(4,327,348)	**(2,803,869)**
Loss per share attributable to owners of Hunnu Coal Limited			
Basic loss per share (cents)		(2.33)	(6.58)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position *as at 30 June 2011*

	Note	Consolidated 30 June 2011 $	31 December 2010 $
Current Assets			
Cash and cash equivalents		35,782,132	32,941,336
Other receivables		493,508	430,177
Other current assets		279,171	217,220
Total Current Assets		36,554,811	33,588,733
Non-Current Assets			
Other receivables		2,127,579	186,050
Plant and equipment	5	2,021,629	970,776
Deferred exploration and evaluation expenditure	6	96,415,682	25,302,871
Total Non-Current Assets		100,564,890	26,459,697
Total Assets		137,119,701	60,048,430
Current Liabilities			
Trade and other payables	7	4,150,074	915,194
Total Current Liabilities		4,150,074	915,194
Non-Current Liabilities			
Trade and other payables	7	16,037,736	-
Total Current Liabilities		16,037,736	-
Total Liabilities		20,187,810	915,194
Net Assets		**116,931,891**	**59,133,236**
Equity			
Issued Capital	8	104,198,487	59,731,438
Reserves	8	7,079,321	2,856,164
Accumulated losses		(10,517,495)	(7,218,627)
Capital and reserves attributable to:			
Owners of Hunnu Coal Limited		100,760,313	55,368,975
Non-controlling interest		16,171,578	3,764,261
Total Equity		**116,931,891**	**59,133,236**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows *for the half-year ended 30 June 2011*

	Consolidated 30 June 2011 $	Consolidated Period of incorporation to 26 February 2010 $
Cash flows from operating activities		
Payments to suppliers and employees	(2,951,265)	(641,707)
Interest received	582,441	63,764
Other receipts	50,019	-
Net cash flows used in operating activities	**(2,318,805)**	**(577,943)**
Cash flows from investing activities		
Payments for exploration expenditure and acquisition costs	(38,029,270)	(1,460,480)
Purchase of plant and equipment	(1,245,459)	(24,566)
Net cash used in investing activities	**(39,274,729)**	**(1,485,046)**
Cash flows from financing activities		
Proceeds from issue of shares	45,000,000	22,050,352
Payments for share issue costs	(532,951)	(1,539,867)
Net cash provided by financing activities	**44,467,049**	**20,510,485**
Net increase in cash held	2,873,515	18,447,496
Cash and cash equivalents at beginning of period	32,941,336	-
Net foreign exchange differences	(32,719)	9,600
Cash and cash equivalents at the end of the period	**35,782,132**	**18,457,096**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity *for the half-year ended 30 June 2011*

Consolidated	Issued Capital $	Accumulated Losses $	Share based payments reserve $	Foreign currency translation reserve $	Unissued Shares Reserve $	Consolidation Reserve $	Owners of the parent $	Non-controlling interests $	Total $
Balance at 19 August 2009	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loss for the half-year	-	(2,796,772)	-	-	-	-	(2,796,772)	(2,366)	(2,799,138)
Other comprehensive income									
Foreign currency translation	-	-	-	(4,731)	-	-	(4,731)	-	(4,731)
Total comprehensive income for the half-year	-	(2,796,772)	-	(4,731)	-	-	(2,801,503)	(2,366)	(2,803,869)
Transactions with owners in their capacity as owners									
Shares issued for cash on incorporation	2	-	-				2	-	2
Issue of seed capital	1,800,350	-	-	-	-	-	1,800,350	-	1,800,350
Shares issued as part consideration for acquisition	250,000	-	-	-	-	-	250,000	-	250,000
Shares issued pursuant to prospectus	20,000,000	-	-	-	-	-	20,000,000	-	20,000,000
Share based payments	-	-	2,203,510	-	-	-	2,203,510	-	2,203,510
Costs of issue	(1,539,867)	-	-	-	-	-	(1,539,867)	-	(1,539,867)
Non-controlling interest in subsidiary equity	-	-	-	-	-	-	-	12,488	12,488
Balance at 26 February 2010	**20,510,485**	**(2,796,772)**	**2,203,510**	**(4,731)**	**-**	**-**	**19,912,492**	**10,122**	**19,922,614**
Balance at 1 January 2011	**59,731,438**	**(7,218,627)**	**2,838,808**	**17,356**	**-**	**-**	**55,368,975**	**3,764,261**	**59,133,236**
Loss for the half-year	-	(3,298,868)	-	-	-	-	(3,298,868)	(6,854)	(3,305,722)
Other comprehensive income									
Foreign currency translation	-	-	-	(1,021,626)	-	-	(1,021,626)	-	(1,021,626)
Total comprehensive income for the half-year	-	(3,298,868)	-	(1,021,626)	-	-	(4,320,494)	(6,854)	(4,327,348)
Transactions with owners in their capacity as owners									
Shares issued pursuant to placement	45,000,000	-	-	-	-	-	45,000,000	-	45,000,000
Shares issued as part consideration for acquisition	-	-	-	-	8,100,000	-	8,100,000	-	8,100,000
Share based payments	-	-	1,076,746	-	-	-	1,076,746	-	1,076,746
Costs of issue	(532,951)	-	-	-	-	-	(532,951)	-	(532,951)
Acquisition of subsidiaries	-	-	-	-	-	(3,931,963)	(3,931,963)	12,414,171	8,482,208
Balance at 30 June 2011	**104,198,487**	**(10,517,495)**	**3,915,554**	**(1,004,270)**	**8,100,000**	**(3,931,963)**	**100,760,313**	**16,171,578**	**116,931,891**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

1. Corporate Information

The consolidated financial statements of Hunnu Coal Limited (the Company) for the half-year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 9 September 2011.

Hunnu Coal Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in the Directors report.

2. Summary of Significant Accounting Policies

(a) Basis of Preparation

These condensed general purpose financial statements for the half-year reporting period ended 30 June 2011 have been prepared in accordance with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Act 2001.

These half-year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 31 December 2010 and any public announcements made by Hunnu Coal Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Comparative information in the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows has been presented for the period from date of incorporation, 19 August 2009, to 26 February 2010 being the period covered by the first half -year financial report prepared by the Company. It was not practicable to present comparative information in these Statements for the comparable interim period, being the six months ended 30 June 2010. The half-year report has been prepared on an accruals basis and is based on historical costs.

Apart from the changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial statements.

(b) Changes in accounting policies

From 1 January 2011, the Group has adopted the Standards and Interpretations, mandatory for annual periods beginning on or after 1 January 2011. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Group. The Group has not elected to early adopt any new standards or amendments.

3. Segment Reporting

Management has determined the operating segments based on the reports reviewed by the board of directors that are used to make strategic decisions. The entity does not have any operating segments with discrete financial information.

The Board of Directors review internal management reports on a monthly basis that is consistent with the information provided in the statement of comprehensive income, statement of financial position and statement of cash flows. As a result no reconciliation is required because the information as presented is what is used by the Board to make strategic decisions.

4. Share based payments expenses

The Group has established an employee share option plan (ESOP). The objective of the ESOP was to assist in the recruitment, reward, retention and motivation of employees of Hunnu Coal Limited. Share based payment transactions recognised as operating expenses in the statement of comprehensive income during the year were as follows:

Operating expenses	**30 June 2011 $**	**Period of incorporation to 26 February 2010 $**
Employee share based payment	536,141	-
Directors and consultants share based payment	540,605	2,203,510
	1,076,746	2,203,510

The table below summarises options granted to Directors, employees and consultants during the half-year period:

Grant Date	Expiry date	Exercise price	Balance at start of the period Number	Granted during the period Number	Exercised during the period Number	Forfeited during the period Number	Balance at end of the period Number	Exercisable at end of the period Number
04/03/2011	28/02/2016	$1.25	-	300,000	-	-	300,000	-
31/05/2011	31/05/2014	$2.00	-	8,500,000	-	-	8,500,000	-
				8,800,000			8,800,000	-
Weighted average exercise price				$1.97			$1.97	

The weighted average of the fair value of the options issued at the grant date is $0.846.

	Consolidated 30 June 2011 $	31 December 2010 $
5. Plant and Equipment		
Cost	2,195,322	1,060,963
Accumulated depreciation	(173,693)	(90,187)
Closing balance	2,021,629	970,776

The fixed asset additions during the period amounted to $1,245,459.

6. Deferred Exploration & Evaluation Expenditure		
Cost	97,146,610	26,033,799
Accumulated amortisation and impairment	(730,928)	(730,928)
Closing balance	96,415,682	25,302,871

The total exploration and evaluation expenditure and acquisition costs of new tenements during the period amounted to $72,226,595.

During the half-year, the Group acquired a number of tenements in Mongolia. These acquisitions did not constitute business combinations and the cost of the acquisitions have been allocated to the individual identifiable assets and liabilities on the basis of their respective fair values.

The ultimate recoupment of costs carried forward for exploration expenditure is dependent on the successful development and commercial exploitation or sale of the respective mining areas.

7. Trade and Other Payables		
Current		
Trade payables	1,987,843	751,239
Other payables[1]	2,162,231	163,955
	4,150,074	915,194
Non-current		
Other payables[1]	16,037,736	-
	16,037,736	-

[1] Other payables include corporate advisory costs and deferred acquisition payments associated with the acquisition of the Altai Nuurs coking coal project announced to the market on 23 May 2011. The deferred consideration is secured against the Group's shareholding in the Altai Nuurs Project acquired per Note 12.

8. Issued Capital and Reserves		
(a) Issued and paid up capital		
Ordinary shares fully paid	104,198,487	59,731,438

	30 June 2011 Number of shares	$
(b) Movements in shares on issue		
Opening balance	212,100,002	59,731,438
Shares issued pursuant to placement	30,000,000	45,000,000
Costs of issue	-	(532,951)
Closing balance	242,100,002	104,198,487

	30 June 2011 $
(c) Movements in reserves	
Opening balance	2,856,164
Movement in share based payment reserve	1,076,746
Movement in foreign currency translation reserve	(1,021,626)
Movement in unissued shares reserve[1]	8,100,000
Movement in consolidation reserve[2]	(3,931,963)
Closing balance	7,079,321

[1] Movement in unissued shares reserves relates to 6,000,000 shares not yet issued in relation to the Altai Nuurs coking coal project

[2] Movement in the consolidation reserve relates to the premium paid on acquisition of additional minority interest in existing projects during the period.

	Consolidated 30 June 2011 $	31 December 2010 $

9. Contingencies and Commitments

(a) Services agreement

The Group entered a service agreement with Garrison Capital Pty Ltd for certain administrative services and office space for a term of 2 years. The Group is required to give 3 month's written notice to terminate the agreement.

	30 June 2011 $	31 December 2010 $
Within one year	45,000	135,000
After one year but not longer than 5 years	-	-
	45,000	135,000

(b) Rental agreement

The Group entered into lease agreements for office space in Mongolia for a term of 2 years starting in 2010 and for office space in Hong Kong for a term of 3 years starting in 2011.

	30 June 2011 $	31 December 2010 $
Within one year	724,322	243,629
After one year but not longer than 5 years	1,758,810	35,593
	2,483,132	279,222

Expenditure commitments

Exploration expenditure commitments – cancellable

The company has a total future statutory commitment of $418,047 as at 30 June 2011 for its current projects located in Mongolia but the company may cancel these commitments by letting the licenses lapse.

The Company's outstanding commitments in relation to past acquisitions made in respect of its current projects is $984,252 for the year ended 31 December 2011 and $2,952,756 for the year ended 31 December 2012. From the commencement date of the project agreements, Hunnu Coal may withdraw from any project without making any further payments by providing 30 days written notice.

There has been no change in contingent liabilities or contingent assets since the last annual reporting date.

10. Dividends

No dividends have been paid or provided for during the half-year.

11. Subsequent Events

Subsequent to 30 June 2011, the Group issued 4,000,000 shares to a supplier for services provided as part of the Rio Mongolia acquisition. This has been recognised in the unissued shares reserve as at 30 June 2011. There are no other significant events subsequent to reporting date.

12. Acquisition of Subsidiary - Altai Nuurs Project

In May 2011 the Group acquired Rio Tinto Minerals Development Limited, a subsidiary that has a controlling interest in the Altai Nuurs Coking Coal JV Project through:

- 70% of RioAD LLC
- 70% of Rio Gobi LLC

The Altai Nuurs Project is located in the south western Gobi Altai Province of Mongolia approximately 250km by road to the Burgastai border crossing point into China and only 550km to the China rail network. The Altai Nuurs Project comprises six exploration licenses totalling 46,212ha and four mining licenses totalling 202ha.

The acquisition does not constitute a business combination and the cost of acquisition has been allocated to individual identifiable assets and liabilities on the basis of their relevant fair value.

The net assets acquired are as follows:

Identifiable assets acquired and liabilities assumed	30 June 2011 $
Cash	211
Receivables	19,253
Deferred exploration and evaluation expenditure	54,709,309
	54,728,773
Cash paid	21,575,985
Deferred consideration	16,037,736
Fair value of minority interest	17,115,052
	54,728,773

DIRECTORS' DECLARATION

In the opinion of the directors of Hunnu Coal Limited ('the company'):

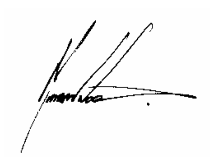
1. The financial statements and notes thereto, as set out on pages 5 to 11, are in accordance with the Corporations Act 2001 including:

   a. complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and

   b. giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the half-year then ended.

2. 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 signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.



Matthew Wood
Chairman

Perth, Western Australia
9 September 2011

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Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Hunnu Coal Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the half-year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are 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 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 30 June 2011 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 Hunnu Coal Limited and the entities it controlled during the half-year, 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration.

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 Hunnu Coal 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 30 June 2011 and of its performance for the half-year ended on that date; and

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

Ernst & Young

Ernst & Young

F Drummond
Partner
Perth
9 September2011