

ASX Announcement
31 January 2012

ASX Code: MOU

December Quarterly Report 2011

Highlights:

- **Maiden JORC Reportable Coal Resource for Nuurst Project of 489 million tonnes (417Mt Indicated, 72Mt Inferred)**
- **Commencement of Scoping Study and application for mining licence**
- **2012 exploration program to target further coal resource, 84% of licence under-explored**
- **Company and office established in Mongolia – recruitment of key personnel**
- **Search for Coking Project continues**

Major Coal Resource Defined

Coal explorer Modun Resources Ltd (**ASX: MOU**) (**Modun**) is pleased to announce completion of a productive quarter with the highlight being the establishment of a significant maiden JORC Reportable Coal Resource of 489 million tonnes (417 Mt indicated, 72 Mt inferred) for its wholly-owned Nuurst Project Licence XV-008159 (**Nuurst or the Project**) in central Mongolia.

The Project is located 120 kilometres south east of Mongolia's capital Ulaanbaatar and comprises a 34.5 square kilometre licence area.

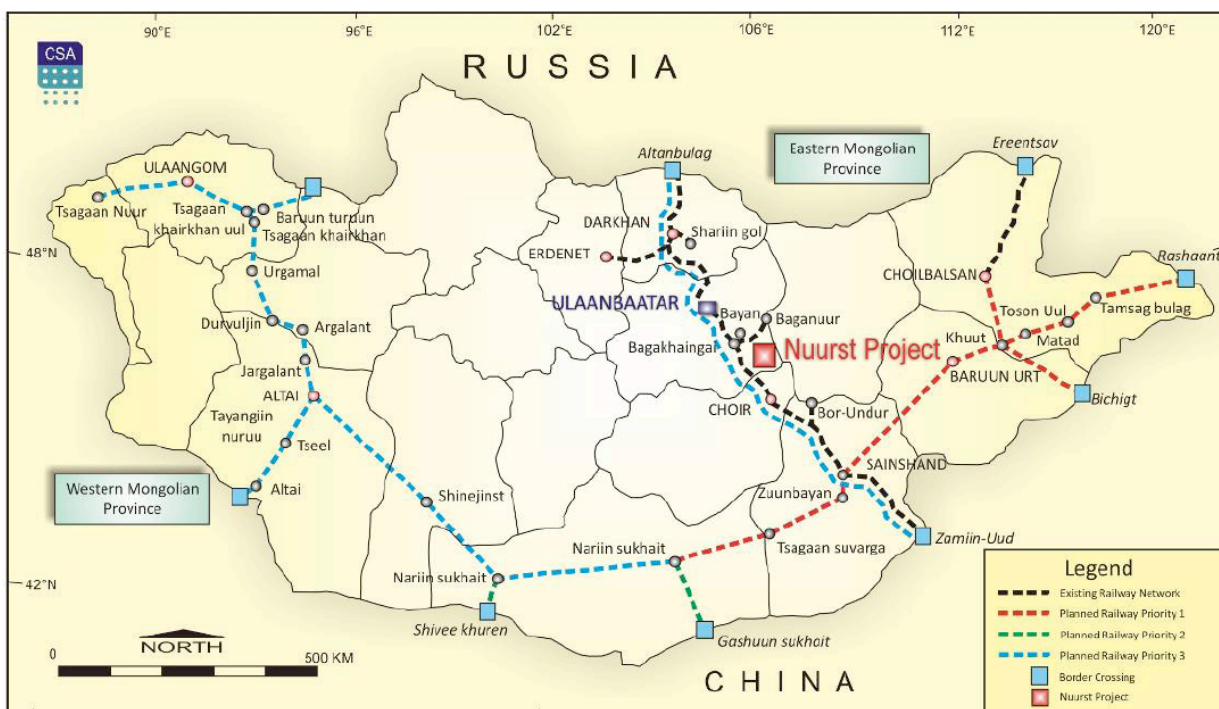


Figure 1; location map of Nuurst Project

The resource estimation was compiled by consultancy CSA Global Pty Ltd:

Category	Resource t (Millions)	Inherent Moisture % adb	Ash % adb	Volatile Matter % adb	Fixed Carbon % adb	Total Sulphur % adb	Calorific Value Kcal/kg adb	Calorific Value Kcal/kg db	Calorific Value Kcal/kg daf	Relative Density g/cm ³ ad
Indicated	417	25.19	13.84	36.26	24.60	0.91	4,087	5,960	6,702	1.37
Inferred	72	22.91	13.44	36.96	26.70	0.96	4,264	6,039	6,699	1.37
Total	489	24.85	13.78	36.36	24.91	0.92	4,113	5,972	6,701	1.37

Table 1; Nuurst Resource Summary

The scale, quality of the resource estimate and close proximity of the project to existing rail infrastructure highlights the potential for development of a large-scale thermal coal mine.

Nearby rail infrastructure (six kilometres from Nuurst license) will provide direct transport to the Chinese border 610 km away. The table below outlines how the Nuurst Project specification compared to its thermal coal peers exploring thermal coal in Mongolia.

Company	Project	Distance to existing Rail km	Resource t (million)	Inherent Moisture % adb	Ash % adb	Volatile Matter % adb	Fixed Carbon % adb	Total Sulphur % adb	Calorific Value Kcal/kg adb	Calorific Value Kcal/kg db	Calorific Value Kcal/kg daf	Relative Density g/cm ³ ad
Hunnu	Unst Khudag	180	676	18.28	21.30	30.07	30.38	1.27	3,995	4,889	6,612	1.41
MOU	Nuurst	6	489	24.85	13.78	36.36	24.91	0.92	4,113	5,972	6,701	1.37
Peabody Winsway	Union (M&I resource)	13	95	13.10	14.40	38.00		1.40	4,916			1.40
Peabody Winsway	Union (Inferred)	13	55	10.80	14.20	38.00		1.20	4,002			1.43
Peabody Winsway	Erds Project	75	807	19.25	25.32	29.70	25.73	1.29	3,710			1.55
Xanadu	Galshar	65	170		14.69			0.50	3,833		6,605	1.27
Xanadu	Khar Tarvaga	45	327	19.25	25.32	29.70	25.73	1.29	3,742			1.54

references:

Hunnu Coal ASX announcement 1 July 2011 - "JORC Resource estimate for the Unst Khudag Thermal Coal Project"

Polo Annual information form, March 29 2010

Xanadu Mines Prospectus, Announcement 6 Dec 2011 "JORC Resource for Galshar Coal Project" (note, Galshar Ash & Sulphur are as arb, not adb)

Table 2; Nuurst quality parameters relative to peer projects in Mongolia.

The scale and quality of the resource and coal seam thickness (100+ metre coal sequences) should translate into a low stripping ratio, which lends itself to a large scale, low cost mining operation.

As a consequence of the rapid resource discovery (purchase, discovery and resource drill-out completed in less than 6 months), we have now moved onto the Scoping Study phase of project development.

The JORC Reportable Coal Resource covered just 16% of the licence area. Modelling suggests the resource is open to the north and becomes shallower. This area will be a focus of the 2012 exploration program, which will target further coal seams. In addition, the company will progress a mining licence application.

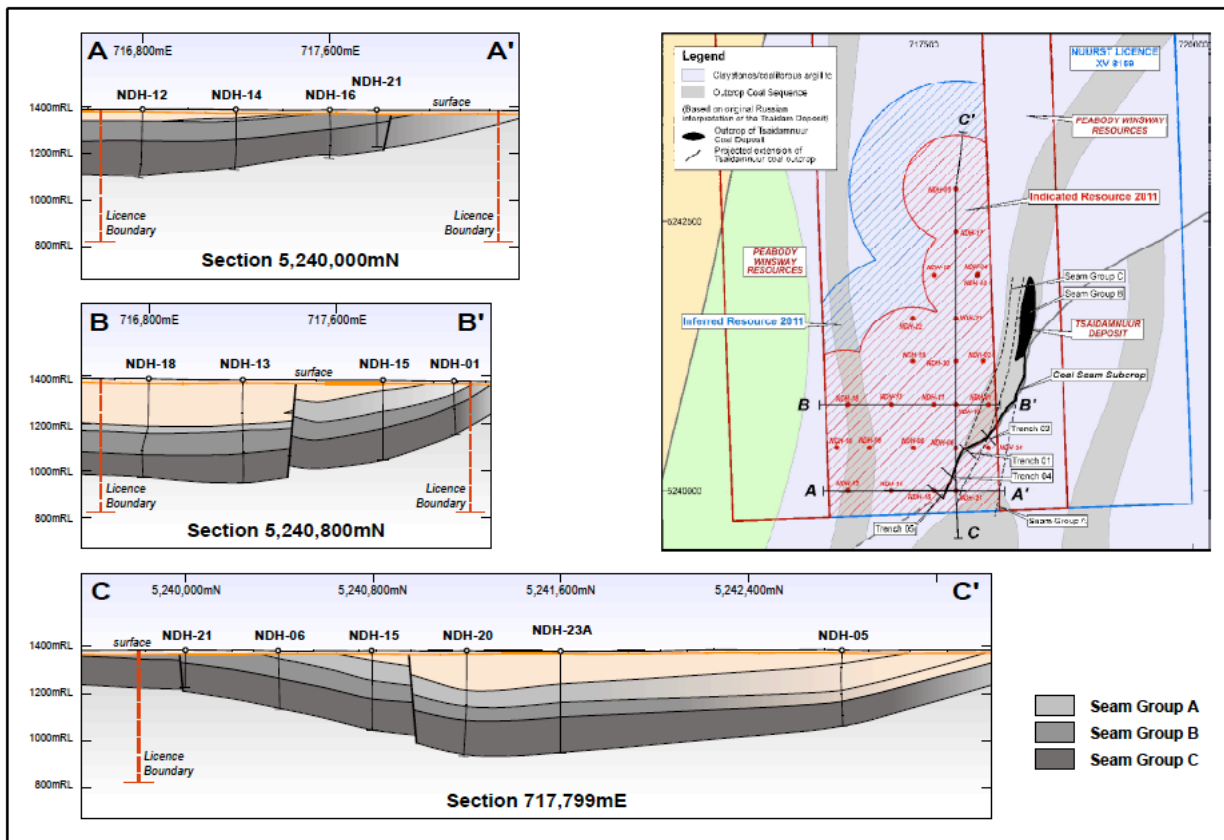


Figure 2; Sections through Nuurst Resource

The shallow nature of the southern end of the resource should lend itself well to large scale open pit mining of the resource. A Scoping Study has commenced to evaluate the potential for development of this project.

Scoping Study and Mining License Application

The Scoping Study is designed to provide an indication of the potential economics of the Nuurst Project, identify a range of mining and transport options, review opportunities to increase the value of the project through product enhancement and determine pricing points for various coal products produced from the project. Work on this will progress during the March quarter. Information gained from this study will be used to advance our application for conversion of our exploration license into a mining license which is the first step in the approval process to allow commencement of mining.

Establishment of Team in Mongolia

During the quarter, the team working on the Nuurst exploration programme peaked at 49 personnel (including contract drillers and support services). Since completion of drilling a core full-time team is currently involved in progressing Nuurst and actively evaluating new coal projects (in particular coking coal projects). The current team includes: Managing Director (Perth), Chief Financial Officer (Perth), Chief Geologist (Ulaanbaatar), Two Senior Consulting Geologists (Ulaanbaatar), Office Manager (Ulaanbaatar) and 5 Junior Geologists (Ulaanbaatar). This team will be scaled up on commencement of the 2012 drilling and due diligence drilling programs.



Figure 3; Geological team in our Ulaanbaatar office.

Our downtown Ulaanbaatar office is now fully functional and serves as a base from which the company will grow within Mongolia. Current focus is completion of statutory reports for completed drill season, planning this year's drilling programme, commencement of mining licence application process, commencement of the scoping study and assessment of new acquisition opportunities.

Investment Program

During the quarter, Modun finalised the acquisition of the Nuurst Project (with the final payment of \$1.34m paid in October) and in early December finalised a substantial drilling program at Nuurst (with exploration expenditure of \$1.33m for the quarter). Drilling has currently stopped for the Mongolian winter season and planning is underway to recommence drilling in April 2012. At the end of the quarter, Modun's cash balance was \$1.27m and as at 30 January 2012, the cash balance was \$1.05m.

Exploration Plan 2012

The 2012 exploration planning process is underway in preparation of the drilling season which is scheduled to commence in April this year. The focus of the plan will be on shallow extensions of the open northern end of the existing resource and any in-fill drilling the mining approval process may require. Stage two of the programme will evaluate other opportunities within the extensive licence area. On completion of the planning stage details will be released outlining areas where we believe we will be able to add significant tonnages to the already defined resource.

Project Assessment

During the quarter multiple projects were reviewed for potential acquisition, however none of these met Modun's investment criteria. Senior management has been in Ulaanbaatar for two weeks in January and during that time have reviewed in excess of 30 projects of which multiple projects are still under consideration, pending due diligence and negotiations. The

current focus for new projects is the targeting of coking coal projects in the South Gobi region and other prospective regions with access to appropriate infrastructure to transport the product to market.

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For further information, please contact:

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About Modun Resources

ASX-listed Modun Resources (ASX: MOU) is developing the 100%-owned Nuurst Project in central Mongolia. Nuurst is a thermal coal project, which encompasses a 34.5 square kilometre licence area. In late 2011, Modun announced a maiden 489 million tonne JORC resource at Nuurst (417 million tonnes indicated, 72 million tonnes inferred). The Nuurst Project is located 120 kilometres south of Mongolia's capital Ulaanbaatar and six kilometres from existing rail infrastructure.

In 2012, Modun will continue its exploration program at Nuurst, as well as a Scoping Study, to drive the Project towards development. Modun continues to seek further quality coking and thermal coal opportunities in Mongolia.

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 announcement that related to exploration results is based on information obtained from the vendor and Cadastral archives in Mongolia and recent drilling and trenching activities on site. This information has been reviewed by Mr Geoff Richards of CSA Global Pty Ltd, Western Australia. Mr Richards 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'. Mr Richards consents to the inclusion in the report of the matters based on his information in form and context in which it appears. Gerry Fahey, is both a Non-Executive Director of Modun Resources Ltd and a Director CSA Global Pty Ltd.

Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

MODUN RESOURCES LIMITED

ABN

95 066 139 991

Quarter ended ("current quarter")

31 December 2011

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(1,337)	(2,228)
(b) development		
(c) production	(582)	(859)
(d) administration		
1.3 Dividends received	5	17
1.4 Interest and other items of a similar nature received		
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid	39	(3)
1.7 Other (GST)		
Net Operating Cash Flows	(1,875)	(3,073)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	(1,344)	(1,344)
(b) equity investments		
(c) other fixed assets	(90)	(108)
1.9 Proceeds from sale of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
Net investing cash flows	(1,434)	(1,452)
1.13 Total operating and investing cash flows (carried forward)	(3,309)	(4,525)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(3,309)	(4,525)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	385	5,655
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (Costs of share issues)		(335)
	Net financing cash flows	385	5,320
	Net increase (decrease) in cash held	(2,924)	795
1.20	Cash at beginning of quarter/year to date	4,158	395
1.21	Exchange rate adjustments to item 1.20	33	77
1.22	Cash at end of quarter	1,267	1,267

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'ooo
1.23	Aggregate amount of payments to the parties included in item 1.2	235
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Directors' fees, salary and superannuation.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'ooo	Amount used \$A'ooo
3.1	Loan facilities	
3.2	Credit standby arrangements	

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

	\$A'ooo
4.1 Exploration and evaluation	250
4.2 Development	
4.3 Production	
4.4 Administration	500
Total	750

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'ooo	Previous quarter \$A'ooo
5.1 Cash on hand and at bank	300	4,111
5.2 Deposits at call	968	47
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	1,268	4,158

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed				
6.2 Interests in mining tenements acquired or increased	Licence XV-008159	100% acquisition of the Nuurst Coal Project located in Mongolia	0%	100%

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities <i>(description)</i>				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	+Ordinary securities	703,901,442	691,901,442	Not applicable	Not applicable
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	12,000,000 *	12,000,000	Not applicable	Not applicable
7.5	+Convertible debt securities <i>(description)</i>				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options <i>(description and conversion factor)</i>	31,000,000		<i>Exercise price</i> 2 cents	<i>Expiry date</i> 30 September 2012
7.8	Issued during quarter				
7.9	Exercised during quarter	38,500,000 *		1 cent	31 December 2011
7.10	Expired during quarter				
7.11	Debentures				
7.12	Unsecured notes				

+ See chapter 19 for defined terms.

Note to the issued and quoted securities at the end of the current quarter:

* There was a timing difference between the exercise of options and the issue of shares during the quarter. Of the 38,500,000 options exercised, shares were issued for 12,000,000 options exercised during the quarter. Shares were issued on 10 January 2012 for the remaining 26,500,000 options exercised in December. As at 10 January 2012, there were 730,401,442 shares on issue.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Date: 30 January 2012

(Managing Director)

Print name: Chris Mardon

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.