
MODUN RESOURCES LIMITED

ACN 066 139 991

NOTICE OF GENERAL MEETING

EXPLANATORY STATEMENT

PROXY FORM

TIME: 10 am (WST)

DATE: Friday 20 April 2012

PLACE: Suite 7
245 Churchill Avenue
Subiaco
Western Australia

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (08) 9217 3300

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The General Meeting of Shareholders to which this Notice of Meeting relates will be held at 10 am (WST) on Friday 20 April 2012 at:

Suite 7
245 Churchill Avenue
Subiaco
Western Australia

YOUR VOTE IS IMPORTANT

The business of the General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the General Meeting on the date and at the place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the proxy form enclosed and either:

- (a) deliver the proxy form:
 - (i) by hand to the Company's registered office at Suite 7, 245 Churchill Avenue, Subiaco, Western Australia 6008;
 - (ii) by post to PO Box 1273, Subiaco, Western Australia 6904; or
- (b) fax the proxy form to the Company on facsimile number (61 8) 9388 3006;

so that it is received not later than 10 am (WST) on Wednesday 18 April 2012. Proxy forms received later than this time will be invalid.

Your proxy form is enclosed after the Explanatory Statement.

NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of Shareholders of Modun Resources Limited will be held at 10 am (WST) on Friday 20 April 2012 at Suite 7, 245 Churchill Avenue, Subiaco, Western Australia.

The Explanatory Statement which accompanies this Notice of Meeting provides additional information on matters to be considered at the General Meeting. The Explanatory Statement forms part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders of the Company at 5 pm (WST) on Wednesday 18 April 2012.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

AGENDA

1. RESOLUTION 1 – REFRESH CAPACITY TO ISSUE SECURITIES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, approval is given for the allotment and issue of 105,000,000 Shares at an issue price of \$0.04 cents each on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any of their associates. However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

2. RESOLUTION 2 – REFRESH CAPACITY TO ISSUE SECURITIES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, approval is given for the allotment and issue of 3,500,000 Shares at an issue price of \$0.045 cents each on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any of their associates. However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

DATED: This 21st day of March 2012
BY ORDER OF THE BOARD

A handwritten signature in cursive script, appearing to read "Neil Hackett".

NEIL HACKETT
COMPANY SECRETARY

EXPLANATORY STATEMENT

This Explanatory Statement is intended to provide Shareholders with sufficient information to assess the merits of the Resolutions contained in the accompanying Notice of General Meeting of Modun Resources Limited.

1. OVERVIEW OF ACQUISITION OF THE TSAGAAN TOLGOI PRE-PRODUCTION COAL PROJECT IN SOUTH GOBI MONGOLIA

Overview

As announced to ASX on 5 March 2012 Coal explorer Modun Resources Ltd (**ASX: MOU**) (**Modun**) announced the acquisition (subject to shareholder and regulatory approval) of 100% of the Tsagaan Tolgoi coal deposit (10,500 Ha mining licence MV-015041) and 100% of exploration licence Ajlyn Talbai (26,700 Ha, XV-00762) from SouthGobi (the Acquisition). These projects add to Modun's 489 million tonne Nuurst (417 million tonnes indicated, 72 million tonne inferred) thermal coal project in central Mongolia and provide a significant platform to build and develop a portfolio of licences in the South Gobi coking coal district of Mongolia.

Terms of the Acquisition

Subject to shareholder approval, Modun will acquire 100% of the Tsagaan Tolgoi project and the Ajlyn Talbai exploration licence for the following consideration to South Gobi Resources:

- US\$7.5 million in cash;
- US\$12.5 million dollars worth of Modun shares calculated at the lesser of A\$0.06 per share or the price of any capital raising of more than \$2million prior to completion;
- Options to acquire US\$5 million dollars worth of Modun shares to be issued to SouthGobi after the expiration of 12 months and prior to 60 months after completion at the 30 day VWAP to the time of exercise (subject to a minimum share price of \$0.04);
- Options to acquire, within 12 months from commercial shipment of first coal sales, US\$5 million dollars worth of Modun shares to be issued to SouthGobi (subject to a minimum share price of \$0.04) at the 30 day VWAP
- Right to nominate a person to the board of Modun provided SouthGobi retains minimum 14.99% shareholding in Modun

The Acquisition is subject to certain conditions precedent including:

- Modun shareholder approval as required under ASX Listing Rules and the Corporations Act
- Any regulatory approvals under the laws of Hong Kong, Singapore and Mongolia
- FIRB approval for SouthGobi's investment in Modun
- Modun placing sufficient shares (unconditionally) so that it may settle the upfront cash payment of US\$7.5million.
- The shares issued to SouthGobi being quoted on ASX and ASX does not imposes escrow restrictions of more than 12 months

Under certain circumstances, a reciprocal break fee of US\$500,000 is payable by either party if their respective obligations under the conditions precedent are not satisfied. Completion of the Acquisition must occur prior to 1 June 2012.

Capital Raising

Concurrent with the Acquisition, Modun resolved to raise \$7.5 million through the issue of up to 187.5 million shares at a placement price of \$0.04 to facilitate the acquisition and provide working capital to advance all projects within the Modun portfolio (Placement). The 187.5 million shares have been placed to institutional and sophisticated investor clients of Hartleys Limited (Lead Broker to the Offer) and DJ Carmichael Pty Ltd.

The Placement will be completed in two tranches with 105 million shares being issued in tranche one pursuant to the Company's 15% capacity under ASX Listing Rule 7.1 (allotment 12 March 2012) and the balance of up to 82.5 million shares being issued in tranche two, subject to shareholder approval and completion of the Acquisition on or before 1 June 2012.

In the event the Acquisition of Tsagaan Tolgoi is not completed, the 82.5 million shares in tranche 2 will not be issued and those funds will be returned to subscribers. Monies raised under tranche 1 will be utilised for working capital to advance all projects within the Modun portfolio.

Shareholder approval is sought, for the purposes of ASX Listing Rule 7.4, to refresh Modun's capacity to issue securities for the 105,000,000 shares being issued under tranche one.

Shareholder approval is also sought, for the purposes of ASX Listing Rule 7.4, to refresh Modun's capacity to issue securities for the 3,500,000 shares previously issued at \$0.045 on 13 January 2012 as success fees for the placement approved by shareholders on 16 November 2011.

Further Shareholder Approval

It is anticipated that a subsequent Extraordinary General Meeting will be held prior to 1 June 2012 to seek shareholder and any regulatory approvals to approve the tranche 2 placement and any approvals to the transaction required under ASX Listing Rule 11.1.

Nuurst Project

Modun is continuing to develop its Nuurst project in Central Mongolia. Nuurst has a current JORC Reportable Coal Resource of 489 million tonnes. The focus at Nuurst in 2012 will be on completing scoping studies and the progression of the current exploration licence to a mining licence.

RESOLUTIONS 1 AND 2 – REFRESH CAPACITY TO ISSUE SECURITIES

Background

On 13 January 2012 the Company announced that it had issued 3,500,000 shares at \$0.045 as Success Fees for the placement approved by shareholders on 16 November 2011 (Success Fees). On 5 March 2012 the Company announced that it had placed 105,000,000 Shares at \$0.04 per Share to sophisticated investors, raising \$4,200,000 (Placement).

The subscribers to the Success Fees and Placement were not related parties of the Company.

Why Shareholder approval is being sought - ASX Listing Rule 7.4

ASX Listing Rule 7.4 provides that an issue of securities made without shareholder approval under ASX Listing Rule 7.1 is treated as having been made with shareholder approval for the purpose of ASX Listing Rule 7.1 if the issue did not breach ASX Listing Rule 7.1 and shareholders subsequently approve it.

The issue of the 3,500,000 under the Success Fees and 105,000,000 Shares under the Placement and did not breach ASX Listing Rule 7.1 and have not previously been approved by Shareholders.

The Company now seeks Shareholder approval for the issue of 3,500,000 Shares at \$0.45 and 105,000,000 Shares at \$0.04 (total of 108,500,000 Shares) under the Placement and Success Fees pursuant to ASX Listing Rule 7.4. The effect of passing the Resolutions will be to refresh the Company's 15% capacity under ASX Listing Rule 7.1 so that its capacity will be the same as if the total 108,500,000 Shares the subject of the Placement and Success Fees had not been issued.

Information required by ASX Listing Rules

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the approval to the Placement under ASX Listing Rule 7.4:

- (a) 108,500,000 Shares were allotted;
- (b) 3,500,000 Success Fees Shares were issued at \$0.045 per Share;
- (c) 105,000,000 Placement Shares were issued at \$0.04 per Share;
- (d) the Shares issued are all fully paid ordinary shares in the capital of the Company, issued on the same terms and conditions as the Company's existing Shares;
- (e) the Success Fees Shares were allotted and issued to Azure Capital Pty Ltd and DJ Carmichael Pty Ltd;
- (f) the Placement Shares were allotted and issued to sophisticated investor clients of Hartleys Limited and DJ Carmichael Pty Ltd;
- (g) the funds raised from this issue were used to satisfy success fees for the shareholder placement undertaken in November 2011 to accelerate exploration activities in Mongolia and to fund the delineation of a JORC reportable Mineral Resource at the Nuurst Thermal Coal Project, the acquisition (subject to shareholder and regulatory approval) of 100% of the Tsagaan Tolgoi coal deposit (10,500 Ha mining licence MV-015041) and 100% of exploration licence Ajlyn Talbai (26,700 Ha, XV-00762) from SouthGobi, to provide further funding to review the acquisition of further coking and thermal coal opportunities in Mongolia and for general working capital; and
- (h) a voting exclusion statement is included in the Notice of Meeting.

The Directors recommend that Shareholders vote in favour of Resolutions 1 and 2.

GLOSSARY

ASX means Australian Stock Exchange Limited (ABN 98 008 624 691).

ASX Listing Rules or **Listing Rules** means the listing rules of ASX.

Board means the board of directors of the Company.

Company or **Modun** means Modun Resources Limited (ABN 95 066 139 991).

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

General Meeting or **Meeting** means the meeting convened by the Notice.

Notice means the notice of meeting accompanying this Explanatory Statement.

Nuurst Thermal Coal Project or Project means minerals exploration licence No 8159X covering an area of approximately 3,451 hectares including the northern end of the greater Tsaidam coal deposit in central Mongolia.

Resolution means a resolution contained in the Notice.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of Shares.

WST means Western Standard Time.

\$ means Australian dollars.

Modun Resources Limited

ABN 95 066 139 991

Lodge your vote:

By Mail:

Modun Resources Limited
PO Box 1273
Subiaco, Western Australia 6904

By Hand:

Modun Resources Limited
Suite 7, 245 Churchill Avenue
Subiaco, Western Australia 6008

Alternatively you can fax your form to
(within Australia) 08 9388 3006
(outside Australia) +61 8 9388 3006

For all enquiries call:

(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

000001 000 MOU
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Proxy Form

 **For your vote to be effective it must be received by 10 am (WST) Wednesday 18 April 2012**

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form →



Update your securityholding, 24 hours a day, 7 days a week:

www.investorcentre.com



Review your securityholding



Update your securityholding

Your secure access information is:

SRN/HIN: I999999999



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Modun Resources Limited hereby appoint

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the Chairman
of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Modun Resources Limited to be held at Suite 7, 245 Churchill Avenue, Subiaco, Western Australia on Friday, 20 April 2012 at 10 am (WST) and at any adjournment of that meeting.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

	For	Against	Abstain
Resolution 1. Refresh Capacity to Issue Securities	☐	☐	☐
Resolution 2. Refresh Capacity to Issue Securities	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact
Name

Contact
Daytime
Telephone

Date / /

MOU

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Computershare +