

ASX Announcement
30 April 2012

ASX Code: MOU

March Quarterly Report 2012

Highlights:

- Acquisition of 100% of 10,500 Ha mining licence (Tsagaan Tolgoi) and 100% of 26,700 Ha exploration licence (Ajlyn Talbai) in South Gobi region of Mongolia (subject to shareholder and regulatory approvals)
- Tsagaan Tolgoi has an exploration target¹ of 150 million to 250 million tonne (*grading Q^{adb} 5300 kcal/kg to Q^{adb} 6500 kcal/kg*) of high quality thermal coal and potential coking coal in the South Gobi Coking Coal District
- Tsagaan Tolgoi has a 45.4 million tonne JORC-Reported Coal Resource already defined over less than 5% of the mining licence area.
- High Quality Thermal and Potential Coking Coal Resource in Upper Permian Tavan Tolgoi sedimentary unit
- Modun's cash balance is \$4.2m following a placement to institutional and sophisticated investors
- Nuurst Scoping Study and application for mining licence work continues to progress well and remains on track
- Modun continues to pursue coking and thermal coal projects in Mongolia

Tsagaan Tolgoi Acquisition

During the quarter, Mongolian focussed 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 Resources Ltd ("SouthGobi") (HK:1878, TSX: SGQ) . The acquisition adds to Modun's 489 million tonne Nuurst (417 million tonnes indicated, 72 million tonne inferred) thermal coal project in central Mongolia. These projects provide a significant platform to build and develop a portfolio of licences in the South Gobi coking coal district of Mongolia to produce coal for the Chinese market on Mongolia's southern border.

Following completion of the acquisition, SouthGobi (a pioneer of developing coal projects in Mongolia) will become a major shareholder in Modun and will be entitled to appoint a person nominated by SouthGobi as a director of Modun.

¹ It must be noted that this range is an exploration target only, and not be misconstrued as an estimate of Mineral Resource and that there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

Material terms of the transaction include:

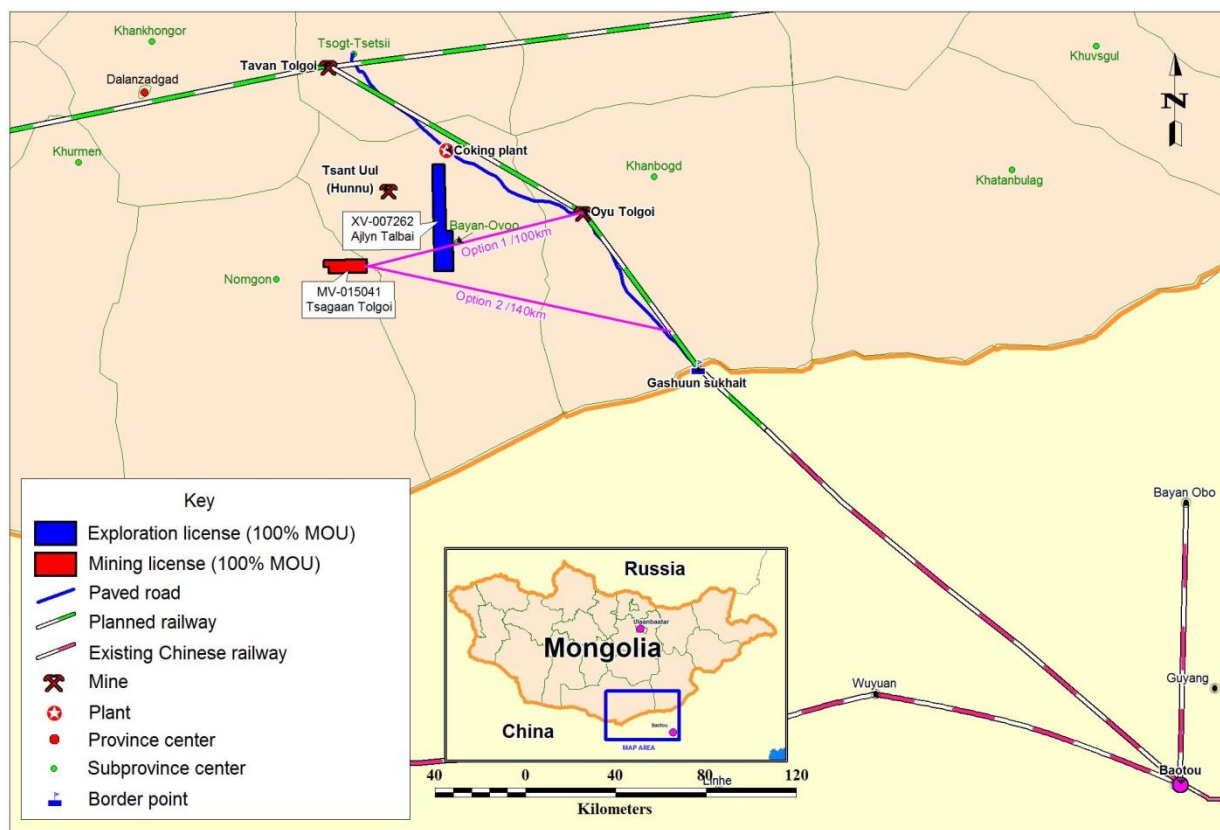
- Completion no later than 31 December 2012.
- Shareholder meeting to approve the transaction will be held no later than 31 October 2012.
- Purchase price of US\$7.5 million, to be placed in escrow at the time of the shareholder meeting.
- The issue of US\$12.5 million worth of shares to be issued to SouthGobi at completion which will be calculated at the 30 trading day volume weighted average share price (VWAP) of Modun 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
- SouthGobi have the right to nominate a person to the board of Modun provided SouthGobi retains minimum 14.99% shareholding in Modun
- Access to the Tsagaan Tolgoi Licence to comply with the obligations of the mining licence.
- No break fee is payable by either party if the condition precedents are not satisfied.

On 16 April 2012, SouthGobi announced that the Mineral Resources Authority of Mongolia (MRAM) had requested SouthGobi suspend exploration and mining activity on certain licences owned by SouthGobi Sands LLC, a wholly-owned division of SouthGobi. According to its announcement, SouthGobi considers that MRAM's request is in connection with the Mongolian government review of the proposed proportional takeover bid by Aluminium Corporation of China Limited for up to 60% of SouthGobi.

As a result of the MRAM's actions, on 23 April, SouthGobi and Modun re-negotiated the terms of the acquisition to allow an extension of time to resolve outstanding issues prior to completion of the proposed acquisition by 31 December 2012. Modun shareholders will have the opportunity to vote on the transaction at a shareholder's meeting to be held no later than 31 October 2012.

Tsagaan Tolgoi Project Outline

The Tsagaan Tolgoi Project is located on an existing mining licence (expiring 2038) 95 kilometres north of the Chinese border, approximately 80 km south of Mongolia's renowned 6 billion tonne coking coal project, Tavan Tolgoi, and 100 km west of the existing paved road and planned rail link into China. Hunnu Coal's flagship project Tsant Uul Project sits in the same geological unit 30 km to the north of Tsagaan Tolgoi.



Tsagaan Tolgoi Resource

A JORC Reported Coal Resource of 45.4 million tonnes is defined based on drilling conducted in 2004 and 2006. These programmes comprised a total 114 drill holes for a total of 14,408 metres. No significant drilling has been undertaken subsequently.

A JORC Reported Coal Resource is defined as follows:

Resource Area	ASTM Coal Rank	Resources at Tsagaan Tolgoi (150m Depth)		
		Measured (million tonnes)	Indicated (million tonnes)	Inferred (million tonnes)
Tsagaan Tolgoi	hvbB and hvCb	23.4	13.0	9.0
Total		36.4		9.0

The project was historically drilled with the specific aim of providing coal to the Oyu Tolgoi power station. No significant drilling has been undertaken in the past six years. Modun believe there is an opportunity to extend the high quality seams identified in the original studies, to both increase the resource size and importantly the coal quality. Extensive work will be carried out to test the coking potential of both raw coal samples and washed products from these seams in parallel with studies of thermal coals from the same sequences.

High quality seams identified in previous exploration drilling data review:

The table below is indicative of the quality of the 4 series seams at Tsagaan Tolgoi:

Long Proximate Analysis, Weighted average Seam 4 Upper to Seam 4 Lower

Description	Av. Thickness, m downhole	Moisture as resieved.	Moisture as analysed	Ash, %	VM, %	Total sulphur, %	CV, ccal/kg		Density, gr/sm ³
		W _t ^r	W ^a	A ^d	V ^{daf}	S _t ^d	air dry basis	daf	
Weighted average IVU-IVL seam	11.16	11.69	4.12	16	30	0.67	6,195	7,372	1.44

Table 1: Weighted average of seam 4.

Some preliminary testwork in 2008 has indicated that further upgrading of the coal quality can be achieved through both dry screening and washing. In addition to marketing the Tsagaan Tolgoi raw product, Modun plans to investigate the opportunity to produce other high value products from this project, including coking coal.

Exploration Target

Historical drilling and trenching has identified seam sub-crop with a strike length in excess of 7km around the western flanks of the sub-basin only. The resource estimation above focused on 2.8 km of the identified strike length, however surface mapping indicates potential to extend the area of coal measures eastward and beyond that already identified.

Modun has set the Tsagaan Tolgoi Project with an:

Exploration target² of 150 to 250 million tonnes (grading Q^{adb} 5300 kcal/kg to Q^{adb} 6500 kcal/kg) of high quality thermal coal and potential coking coal

In Figure 2 below, the Mining Lease is shown as straight red lines, the green dots identify drill holes that intersected coal, the red lines the coal sub-crop and the black stars are where coal has been identified in trenching. The overall sub-basin that may contain coal measures is approximately 11 km East-West x 3 km North – South. Within this sub-basin, only a 1.7 km x 2.3 km area has a defined resource on it (see Figure 2).

² It must be noted that this range is an exploration target only, and not be misconstrued as an estimate of Mineral Resource and that there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource. There has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

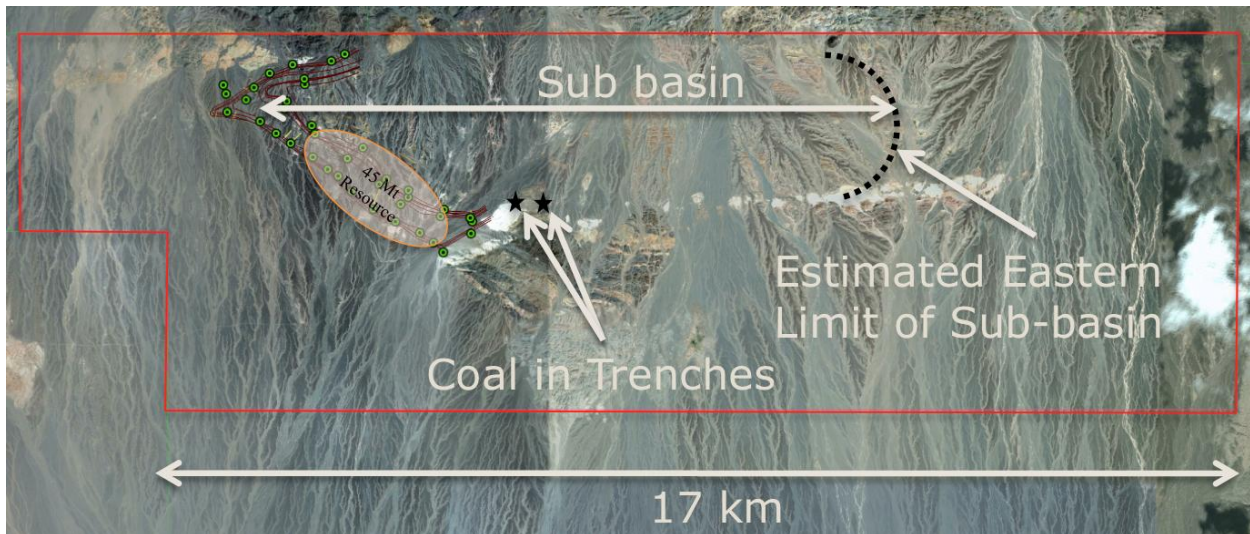


Figure 2: area of historical exploration focus. The bulk of sub-basin is largely underexplored

Direct Access to China

The project is ideally located 95 km north of the Chinese border and 100 km west of an existing paved road and planned railway infrastructure. The border crossing at Gashuun Sukhait is the primary coking coal portal into China with in excess of 15 million tonnes expected to be shipped across this border point this year.

The Railway line on the Chinese side of the border is being extended north to the border crossing and a significant upgrade of truck handling facilities has been implemented at Gashuun Sukhait over the past 12 months.

It is anticipated that the continued expansion of this transport corridor will provide Modun with the option of trucking directly to the border, trucking to the existing sealed road and ultimately accessing the new rail infrastructure as it advances north to Tavan Tolgoi.

Development Timetable

Tsagaan Tolgoi is a mining licence with pre-mining approvals largely complete. The shallow nature of the resource will allow rapid development with minimal capital expenditure (less than 23 million dollars).

As part of the agreement with SouthGobi, Modun has access to the licence prior to completion to comply with the obligations of the Mining Licence. This work is likely to include the excavation of several trial pits. Information from these pits will be used to provide bulk samples for market analysis and confirmation of product pricing along with possible off take agreements.

Once the acquisition has been completed, Modun plans to progress the Tsagan Tolgoi project in two stages:

Stage 1: Resource Expansion

Expedite exploration drilling with the aim to expand the resource base to at least 100 million tonnes, focusing on the higher grade coal seams identified in the current resource.

Completion of any outstanding approvals required for commercial scale production.

Stage 2: Project Development:

It is planned that the Tsagaan Tolgoi project will then progress into commercial production ramping up to an initial 2-3 million tonnes per annum. The development model will be based on the simple model employed by other South Gobi coal producers - hauling coal from the open pit mine to a surface stockpile and having the customer purchase coal at the mine gate.

During Stage 2, detailed analysis of transport options and potential beneficiation of product through washing will be optimised in anticipation of further expansion of the project(s) in the future.

Nuurst Project

Modun is continuing to develop its Nuurst project in Central Mongolia. Nuurst has a current JORC reported Coal Resource of 489 million tonnes (417 million tonnes indicated, 72 million tonnes inferred). The focus at Nuurst has been on completing scoping studies and the progression of the current exploration licence to a mining licence application. The annual exploration report requirements of the Government of Mongolia were completed and have been approved by the relevant authorities.

Primary areas of focus on the scoping study have included the progression of activities to enable the resource to be registered with the Mongolian Government. An estimate of the size and quality parameters of the resource that complies with Mongolian requirements is nearing completion. Work has included petrographic and detailed analysis of the coal and associated minerals. This work is nearing completion and it is anticipated that this, combined with parallel development studies will allow the registration of the resource and progression towards granting of a mining license later this year. Further work planned on Nuurst in the immediate future includes hydrological studies, a review of geotechnical conditions, archaeological studies and further environmental studies.

Data sharing with Peabody Winsway on their adjacent Union project is leading to a comprehensive understanding of the resource and the exciting potential of this project.

Exploration Plan 2012

Exploration expenditure during the quarter was limited due to the Mongolian winter season. Modun has used this time to plan and prepare for the up-coming drilling season. The focus for the earlier part of the season is to be in the South Gobi region. We have drill rigs on standby and our team of geologists ready to re-locate to the field for the season. We have procured the necessary equipment to establish a base camp at the Tsagaan Tolgoi Project from which we will have the opportunity to explore Tsagaan Tolgoi project and other potential acquisitions in the South Gobi.

The drilling programme at Nuurst may be modified on receipt of feedback from the Mongolian authorities following their review of our resource. It is likely that drilling at Nuurst will recommence during this Mongolian drilling season. The exploration team is ready to mobilise as soon as access to licenses has been established.

100% of Modun's employees based in Mongolia are locals and bring with them a wealth of experience in exploring in Mongolia. Modun has demonstrated its ability to get onto the ground and progress projects in a timely fashion largely due to the skills and capability of this team.

Project Assessment

Project review is continuing with the aim of expanding the portfolio of licences in Mongolia, particularly in the South Gobi region. Multiple new opportunities are currently being assessed. Whilst acquisition negotiations are continuing on a number of projects, such negotiations are incomplete and may not eventuate in agreed terms.

Western Australian Tenements

Following Modun's focus on coal in Mongolia, a review of the licenses and applications still active in Western Australia was undertaken. It was decided that the prospectivity of the two granted exploration tenements (E08/2110 and E08/2111) didn't warrant further work and they have both been surrendered. The remaining pending applications (ELA74/464, ELA47/2295 and ELA 47/2296) have either been withdrawn or refused. Refund of pre-paid rent on these license applications will be returned in due course.

Corporate

During the quarter, Modun completed a capital raising of \$4.2m (before fees). The funds were raised to facilitate the acquisition from SouthGobi and to provide working capital to advance all projects within the Modun portfolio. Modun has been working extensively with the ASX to progress the shareholder and regulatory approvals associated with the Tsagaan Tolgoi acquisition from South Gobi. Following the 23 April 2012 announcement of the extension to complete the Tsagaan Tolgoi acquisition, all of the \$4.2m of funds raised are available for Modun to fund working capital on the Nuurst Coal Project or for any other acquisition opportunities that may arise.

On 20 April 2012 shareholders refreshed the Company's 15% placement capacity.

As at 31 March 2012, Modun's cash balance was \$4.24m.

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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 presentation that relates to the Nuurst Coal Resource is based on information compiled by Mr Dwiyoiko TU. Taruno of CSA Global Pty Ltd, who is a member of the Australasian Institute of Mining and Metallurgy. Mr. Dwiyoiko 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 Dwiyoiko 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 the Tsagaan Tolgoi Coal Resource is based on information reviewed and compiled by Mr Geoff Richards of CSA Global Pty Ltd, Western Australia. Mr Geoff Richards is a member of the Australian Institute of Geoscientists and 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 Geoff Richards 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 and exploration targets is based on information obtained from the vendor and Cadastral archives in Mongolia and drilling and trenching activities on site undertaken by the vendor between 2004 and 2008. 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.