ASX Code: MOU
29 August 2012

Modun Agrees to Terminate Tsagaan Tolgoi Transaction

The Directors of Modun have today reached mutual agreement with SouthGobi to terminate the transaction to acquire the Tsagaan Tolgoi Coal Project on the basis that the transaction could not be completed by 31 December 2012.

As a result of the termination, Modun will no longer be required to raise additional capital to complete the transaction or issue new shares to SouthGobi at the current volume weighted average share price.

Under the Termination Deed that has been signed, each party releases the other from all obligations and liabilities in relation to the previously announced transaction.

Strong Cash Position, JORC Reportable Coal Resource

Modun remains in a strong financial position with total cash reserves of $2.9 million and will continue to focus on its JORC reported Coal Resource at Nuurst of 489 million Tonnes (417 million tonnes Indicated, 72 million tonnes Inferred). Recent exploration work on the Nuurst Project has highlighted the potential for shallow coal seam development and improved coal characteristics. This is an exciting development for Modun as it continues the work required to progress the Nuurst Project into a mining operation.

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For further information, please contact:

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About Modun Resources Limited

ASX-listed Modun Resources (ASX: MOU) is developing the 100%-owned Nuurst Coal 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 reported Coal Resource at Nuurst (417 million tonnes Indicated, 72 million tonnes Inferred). The Nuurst Coal Project is located 120 kilometres south of Mongolia's capital Ulaanbaatar and six kilometres from existing rail infrastructure.

Further detail on Tsagaan Tolgoi Transaction

On 5 March 2012, Modun had announced the proposed acquisition (subject to shareholder and regulatory approvals and other conditions precedent) 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) **(Tsagaan Tolgoi Coal Project)** from SouthGobi Resources Ltd (TSX: SGQ, HK: 1878) **(SouthGobi)**.

On 16 April 2012 the Mineral Resources Authority of Mongolia (MRAM) requested the suspension of certain licences owned by SouthGobi Sands LLC, a wholly-owned division of SouthGobi. As a result, on 24 April 2012 Modun and SouthGobi announced that they had agreed to extend the time to complete the proposed acquisition of the Tsagaan Tolgoi Coal Project from 1 June 2012 to 31 December 2012.

Competent Person Statement

The information in this announcement that relates to the Nuurst Coal Resource is based on information compiled by Mr Dwiyoko TU. Taruno of CSA Global Pty Ltd, who is a member of the Australasian Institute of Mining and Metallurgy. Mr. Dwiyoko 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 Dwiyoko TU. Taruno consents to the inclusion of such information in this report in the form and context in which it appears.