ASX Code: MOU
30 August 2012

Exploration and Development Update for Nuurst Thermal Coal Project

- **Inherent moisture materially reduced (from 28.57% to 9.95% in primary Resource area)**
- **Coal Seam Subcrop identified 1.2 km north of the northernmost drill hole (NDH05)**
- **Coal Seam development identified 6 km north, north/east of existing Resource**

Nuurst Coal Project

Modun is pleased to announce the following progress on the development of its Nuurst Coal Project in Mongolia. The Nuurst Coal project is a 489 million tonne JORC-Reported thermal coal resource (417 million tonnes Indicated, 72 million tonnes inferred) in Central Mongolia. Nuurst is located 6 kilometres from existing railway infrastructure, 120 kilometres south of the Mongolian capital, Ulaanbaatar, and is 600 kilometres by rail from the Chinese border.

Licence Application Next Steps

Modun is finalising its application to have the Nuurst thermal coal deposit registered with Mineral Resources Authority of Mongolia, which is expected to be lodged in September 2012. This application is the precursor to receiving a mining licence.

Successful Trenching Programme

The Company has recently completed a trenching programme at Nuurst designed to test for coal sub-cropping to the north of the existing Coal Resource.

This trenching programme has outlined a new area of sub-cropping coal north of the existing Nuurst Coal Resource (417 million tonnes Indicated, 72 million tonnes Inferred) which is likely to be an up dip extension of the existing resource on the Nuurst License. The sub-crop is approximately 1.2 km north of the northernmost hole (NDH05) drilled into the Nuurst Coal Resource. The sub-crop has been traced over a length of 900 m and may extend further west below shallow cover. This sub-cropping clearly demonstrates the potential for further shallow coal seam development to the north of the existing Nuurst Coal Resource. Trench depth limited the extent of identified coal sub-crop to the west of the newly identified subcrop area. Future drilling is expected to identify the full extent and tenor of the coal seam development in that area.

Successful Drilling Programme Completed

The recent drilling program consisted of a 3 hole (NDH26, NDH27, NDH29) confirmatory

programme (designed to test and re-test coal quality data – see below) within the existing resource area as well as a single reconnaissance hole in the north east of the license area. All holes intersected coal as detailed in the attached Appendix A. A plan of the drilling and trenching programme is attached, Figure 1.

The completion of a reconnaissance hole (NDH028) 6 km to the north north east of the existing resource has confirmed the presence of coal bearing sediments and intersected a number of thin coal seams. The new information from this hole will be used in conjunction with historical data to identify the potential for significant coal seam development between the existing Resource and the northern part of the license area.

Updated Assays and Significant Reduction in Inherent Moisture Levels

The primary purpose of the drilling programme was to verify previous assay work and as a consequence the classification of the Nuurst Coal Resource. The Company was advised by the Mongolian laboratory that assayed last year's drill core, that the procedure used in relation to the measurement of inherent moisture was incorrect for this type of coal.

The board appointed CSA Global to oversee and audit the correct procedures and recently sent a senior coal expert to Mongolia to ensure that the Mongolian laboratories have used the appropriate international standards during the 2012 drill programme.

Results from the drilling programme have confirmed that the inherent moisture in the overall Nuurst Coal Resource is materially lower than was reported last year. This will result in a corresponding adjustment in other quality parameters which will include an upward revision of the calorific value of the coal as previously reported on an "air dried" basis. The full impact these results will have on the overall resource quality, will be determined by analysis of the new data and re-processing of the old data to provide a revised resource quality.

A new hole NDH26 was drilled to twin one of the holes in the existing resource (NDH06). The table below highlights the magnitude of the change in the inherent moisture which has resulted in the calorific value on an air dried basis increasing to 5,025 kcal/kg compared with the previously reported result of 4,115 kcal/kg.

Drillhole Number	Cumulative coal seam thickness /m/ to 245m	Inherent Moisture _ADB (%)	Ash_ ADB (%)	Volatile Matter ADB (%)	Fixed Carbon _ADB (%)	Total Sulphur _ADB (%)	Gross Calorific Value _ADB (kcal/kg)	Gross Calorific Value _DB (kcal/kg)	Gross Calorific Value _DAF (kcal/kg)	Density AD, (g/cm3)
NDH06 (2011 hole)	135.46	28.57	10.30	37.68	23.44	0.72	4,115	5,762	6,734	1.34
NHD – NDH26	136	**9.89**	14.94	39.49	35.67	0.95	**5025**	5,581.	6,685	1.53

Note: NDH26 assay above is a sub-set of the full coal seam intersections to allow a direct comparison with NDH06 results. Overall assay results for NDH26 in table below.

When comparing the two assay results, there was less than 1% difference in total moisture results with the twinned holes. This confirms that the issue identified by Modun relates only to the determination of inherent moisture at the lab and not the previous coal sampling and handling procedures on site.

The impact of lower Inherent Moisture with corresponding higher “air dried” energy of this coal would result in improved power station boiler efficiency.

The appropriate ISO standard was used to measure both the total and inherent moisture in all three confirmatory holes. The analytical results of these holes confirm both the consistency of the quality characteristics of this deposit and that the coal at Nuurst is of similar rank to other known deposits in the basin.

Drillhole Number	Cumulative coal seam thickness (m)	Inherent Moisture _ADB (%)	Ash_ ADB (%)	Volatile Matter ADB (%)	Fixed Carbon _ADB (%)	Total Sulphur _ADB (%)	Gross Calorific Value _ADB (kcal/kg)	Gross Calorific Value _DB (kcal/kg)	Gross Calorific Value _DAF (kcal/kg)	Density AD, (g/cm3)
NHD -26	147.05	9.95	15.68	39.09	35.27	0.95	4,967	5,520	6,679	1.53
NDH- 27	24	10.42	10.70	34.15	44.74	0.55	5,347	5,971	6,778	1.51
NDH- 29	77.77	9.73	12.21	38.36	39.70	1.05	5,500	6,092	7,045	1.50

A re-calculation of the quality parameters of the resource is currently underway and it is anticipated that a revised Resource will be issued.

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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, 600 kilometres by rail from the Chinese border and is six kilometres from existing rail infrastructure.

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.

The information in this announcement that related to exploration results is based on information obtained from drilling and trenching activities on site undertaken by Modun in 2011 & 2012. This

information has been reviewed by Ms Dierdre Westblade of CSA Global Pty Ltd, Western Australia. Ms Westblade 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'. Ms Westblade consents to the inclusion in the report of the matters based on his information in form and context in which it appears

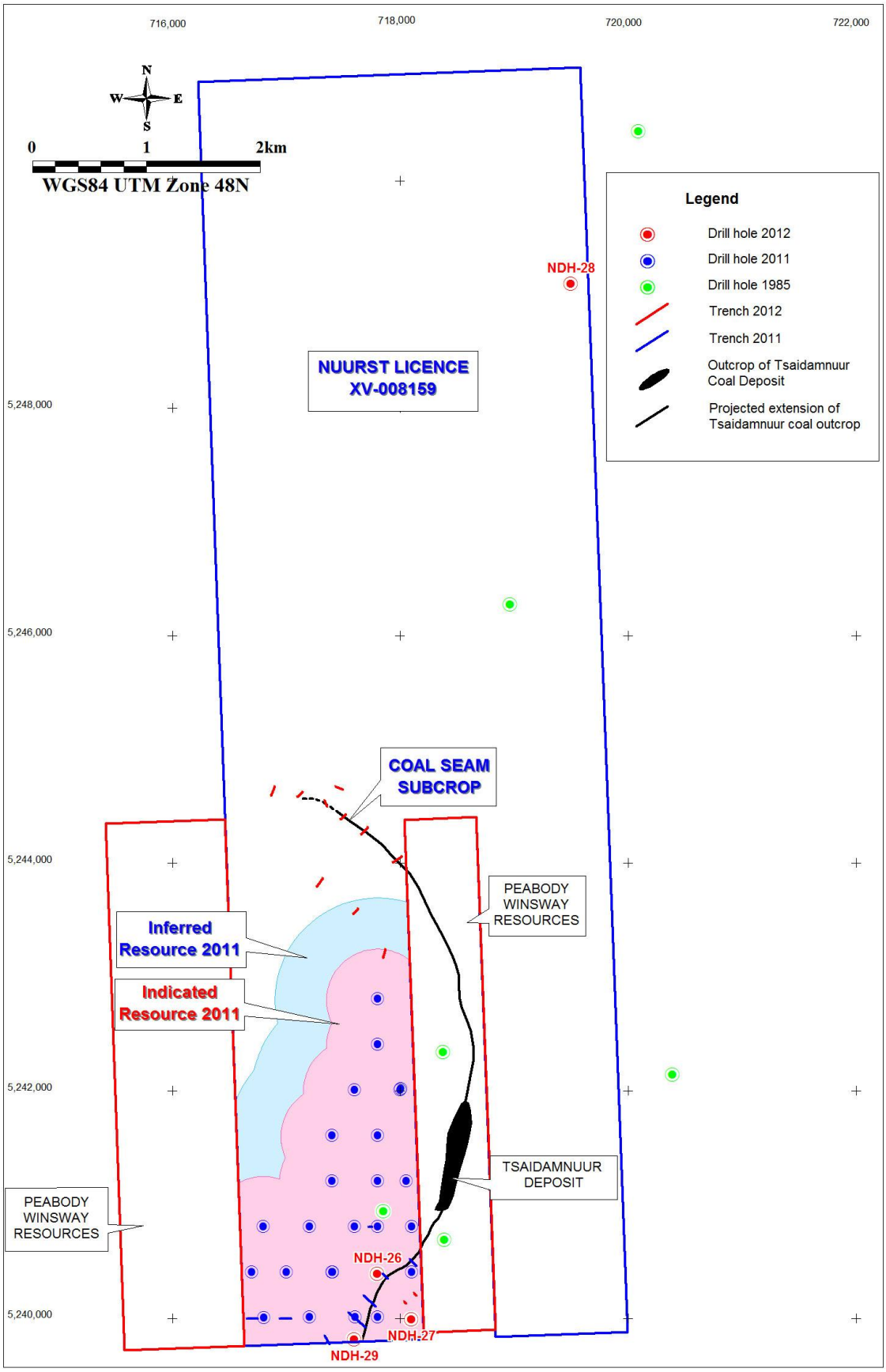

Figure 1: Site plan showing drilling and trenching locations and Coal Seam Sub-crop

Appendix A: Drilling Summary logs for 2012 Programme

2012 Nuurst Exploration Programme
Logged Coal Intercepts Within the Existing Resource Area Nuurst License

Hole	Easting	Northing	Final Depth	Interval From (m)	Interval To (m)	Coal Seam Thickness (m)	Cummulative Thickness	Drilling Type Angle
NDH026	717802	5240400	251	31.5	32	0.50	146.60	Diamond Vertical
				54.80	55.90	1.10		
				67.40	80.00	12.60		
				83.20	85.25	2.05		
				89.60	90.20	0.60		
				91.34	95.90	4.56		
				97.65	104.87	7.22		
				106.72	110.70	3.98		
				113.00	113.96	0.96		
				114.75	115.75	1.00		
				122.00	146.50	24.50		
				148.10	149.92	1.82		
				150.16	172.16	22.00		
				174.10	175.16	1.06		
				175.60	219.00	43.40		
				219.90	224.70	4.80		
				230.00	244.45	14.45		
NDH027	718100	5240000	200	57.00	62.00	5.00	24.10	Diamond Vertical
				62.45	64.90	2.45		
				68.70	74.00	5.30		
				99.25	104.00	4.75		
				119.90	124.30	4.40		
				129.50	130.00	0.50		
				148.00	149.70	1.70		
NDH029	717600	5239820	167.00	74.00	94.00	20.00	77.37	Diamond Vertical
				94.23	99.80	5.57		
				100.80	107.00	6.20		
				108.00	153.60	45.60		
Note: minimum seam thickness 0.5, maximum parting 0.1								

Logged Coal Intercepts - Reconnaissance Drilling

Hole	Easting	Northing	Final Depth	Interval From (m)	Interval To (m)	Coal Intercept Thickness (m)	Cummulative Thickness	Drilling Type Angle
NDH028	719500	5249100	350	55.50	56.00	0.50	4.60	Diamond Vertical
				58.80	59.00	0.20		
				62.00	62.30	0.30		
				67.45	68.00	0.55		
				72.00	72.50	0.50		
				85.00	85.45	0.45		
				89.45	90.10	0.65		
				91.55	92.00	0.45		
				161.30	161.55	0.25		
				186.70	186.95	0.25		
				199.90	200.10	0.20		
				266.90	267.20	0.30		
Note: No minimum intercept/seam thickness								

- Site logging data undertaken by Modun geologists at the time of drilling