

ASX Code: MOU
25 October 2012

Heads of Agreement for Off-take from Nuurst Coal Project Signed with Tennant Metals

The Board of Modun Resources Ltd (ASX: MOU) is pleased to announce that it has signed a binding Heads of Agreement with Asian focussed commodity trading house, Tennant Metals, in relation to thermal coal sales from the Nuurst Coal Project. The Nuurst Coal Resource of 489 m tonnes (417m tonnes indicated, 72m tonnes inferred) is ideally located 6 kms from existing rail infrastructure that connects directly to the Chinese border.

Under the terms of the Heads of Agreement, Tennant will have exclusive rights for 15 years to purchase 100% of the thermal coal produced at Nuurst that is made available for sale to the export market and a minimum of 50% of the thermal coal produced at Nuurst that is made available for sale to the domestic market. The price paid for all coal sales will be at market rates at the time of the sale and any sale will be subject to suitable sales agreements being signed.

Tennant will begin to market the Nuurst coal when the re-estimate of the Nuurst Coal Resource by CSA Global is completed which is expected to be in early November 2012. The updated resource should clarify and re-state coal quality parameters based on updated assaying over the most recent drill season including, as previously announced, a significant improvement in inherent moisture levels.

It is anticipated that bulk samples will be supplied to prospective customers to determine final pricing and demand. Further work is also being undertaken on various upgrade methods to determine the optimal product mix for export and domestic markets. It is anticipated by Tennant and Modun, that Nuurst coal is primarily suitable for power production and is likely to be analogous in quality parameters to Indonesian sub-bituminous thermal coal which is a high growth sector of Chinese coal import demand.

Following on from the lodgement of the resource registration documentation last month, Modun will now proceed to complete a JORC level mine plan and reserve estimation that is expected to be completed by year end. The project is expected to support open pit mining with low strip ratios given its significant coal sequences (up to 170m) and shallow nature. The resource registration documentation lodged earlier this month with the Mongolian authorities included a mine plan of 90 million tonnes at the rate of 3 million tonnes per annum.

Rick Dalton, the Managing Director of Modun said "The signing of a Heads of Agreement with Tennant is, in our view, a substantial achievement in terms of progressing the Nuurst project through to production. We are excited to develop this partnership with Tennant who have

significant experience in the key Chinese coal market, especially from their Beijing and Sydney offices. We believe that the Heads of Agreement demonstrates the clear demand for Nuurst quality coal in China. “

Dennis Karp, Managing Director of Tennant stated: “Tennant is pleased to be working with Modun and sees significant potential for its thermal coal sales into China and in the domestic Mongolian market. This agreement provides Tennant with the opportunity to essentially partner with an emerging producer in an exciting coal producing region, and facilitate access to a multi-dimensional customer base which should deliver long term customer and price benefits for Modun. At the same time this opportunity provides our Chinese customers with access to new and as yet un-tapped supply”.

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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, 600kms north of the Chinese border and six kilometres from existing rail infrastructure.

About Tennant Metals Pty Ltd

Tennant Metals is one of the oldest Australian based trading companies. It was originally part of the Renison Goldfields Group as Tennant Limited, and was privatised in the early 1990's. Tennant has long held a strong Asian focus and moved to establish offices in Taiwan, China, and Vietnam in the latter part of that decade. A presence in India followed about 5 years later. Today Tennant has a global reputation based on reliable and ethical supply of the core LME base metals in either ore, concentrate or metal form, and represents a number of the world's largest and leading base metal producers.

Tennant commenced a bulk commodities division and an office in Perth in 2008, and quickly established a strong reputation within the mid-tier emerging Australian suppliers. Over the past 4 years it has secured a number of life of mine off-takes which are primarily targeted towards the Chinese end-user market. In 2011 Tennant became part of the Metalcorp Group, which includes a number of mining assets, an aluminium refinery, and a long established steel trading business within its group of companies. The larger MCG balance sheet as well as access to its European and American (both North and South America) office network are expected to contribute further to Tennant's longer term ambitions of entrenching itself as the leading Australian based physical metal and bulk ore trader.

Competent Person Statement

The information in this announcement 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.