

ASX Code: MOU
30 January 2013

December Quarterly Report

Highlights:

- **Commencement of Rick Dalton as Managing Director**
- **Heads of Agreement for Off-take from Nuurst Coal Project signed with Tennant Metals**
- **Lodgement of Nuurst coal resource registration**
- **Upgraded JORC Resource estimate confirms improved coal quality**
- **Preparation of JORC Reportable Reserve estimate commenced**
- **Appointment of MICC to assist with Government communications**
- **Cash balance of \$1.98m at 31 December 2012**

The Directors of Modun Resources Ltd (ASX: MOU) (Modun) are pleased to provide you with an update of activities during the December 2012 quarter.

Commencement of New Managing Director

On 15 October 2012, Mr Rick Dalton commenced work as Modun's new Managing Director. Mr Dalton has over 20 years experience as a coal mining engineer with an extensive background in mine planning, strategy, operations and logistics at large scale open cut coal mines. During his career he has also been responsible for leading numerous feasibility studies on expansion and development of new coal mining projects. His background and skills are an ideal fit for Modun as it moves into its next phase of development.

Heads of Agreement for Off-take from Nuurst Coal Project

On 25 October 2012, Modun announced it had 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. 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 have completed an initial market review and believe 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. Tennant have been active in identifying potential customers for Modun Resources coal and discussions with potential customers remain ongoing.

Progress towards Mining Licence

Modun lodged its application to have the Nuurst thermal coal deposit registered with Mineral Resources Authority of Mongolia (MRAM) in October 2012. The application for resource registration is the first step in the process of converting the Nuurst licence from an exploration licence to a mining licence. The Independent Expert Review of the Exploration report was completed in December 2012 and the MRAM Government signatures required for project endorsement were obtained, enabling the application to be submitted to the recently appointed Minerals Resource Council in January 2013. The Council is responsible for a detailed review of the Exploration report and making the appropriate resolution for registering the Resource. After the Resource has been registered and the Government has completed its environmental impact assessment, MRAM will review the final Mining License application. Modun anticipates the Mining License to be approved during the March 2013 quarter.

Upgraded JORC Resource estimate

During November 2012, Modun announced a significant upgrade to the coal quality and Measured category tonnes of the Nuurst Coal Project.

The updated JORC Reportable Coal Resource estimate of 478 million tonnes of sub-bituminous coal (326m tonnes Measured, 104m tonnes Indicated, 48m tonnes Inferred) is compared to the JORC Reportable Coal Resource estimate previously announced by Modun on 5 December 2011 as follows:

Date Reported	Measured (MTonnes)	Indicated (MTonnes)	Inferred (MTonnes)	Total (MTonnes)
05-Nov-12	326	104	48	478
05-Dec-11	0	417	72	489

The resource estimation was compiled by consultancy CSA Global Pty Ltd (CSA) and the key quality parameters are as follows:

Category	Resource (M Tonnes)	Inherent Moisture	Ash	Volatile Matter	Fixed Carbon	Total Sulphur	Calorific Value (Kcal/Kg)			RD gr/cm ³
		%adb	%adb	%adb	%adb	%adb	%adb	%db	%daf	
Measured	326	9.99	18.89	40.77	30.37	1.05	4774	5303	6711	1.31
Indicated	104	10.00	18.88	39.91	31.22	1.13	4773	5304	6711	1.33
Inferred	48	10.00	18.93	40.02	31.05	1.21	4721	5245	6642	1.32
Total	478	9.99	18.89	40.51	30.62	1.08	4768	5297	6704	1.31
Previous Report *	489	24.85	13.78	36.38	24.91	0.92	4113	5972	6701	1.37

Results from JORC Reportable Coal Resource previously announced on 5 December 2011

The updated Resource has seen the calorific value on an air dried basis increase to 4,768 kcal/kg from 4,113 kcal/kg. This is due primarily to a significantly lower inherent moisture level of 9.99% (down from 24.85%) after samples were re-tested due to errors identified with the lab results from 2011. (MOU ASX Release 30 August 2012).

The updated JORC Reportable Coal Resource estimate re-affirms the potential for a large-scale coal supply close to transport infrastructure and a major world market in China. It also

highlights thick coal seams close to the surface, that indicate very low strip ratio coal below 1:1 in a significant portion of the Resource area. This supports a low cost mining operation to supply both the domestic and Chinese markets.

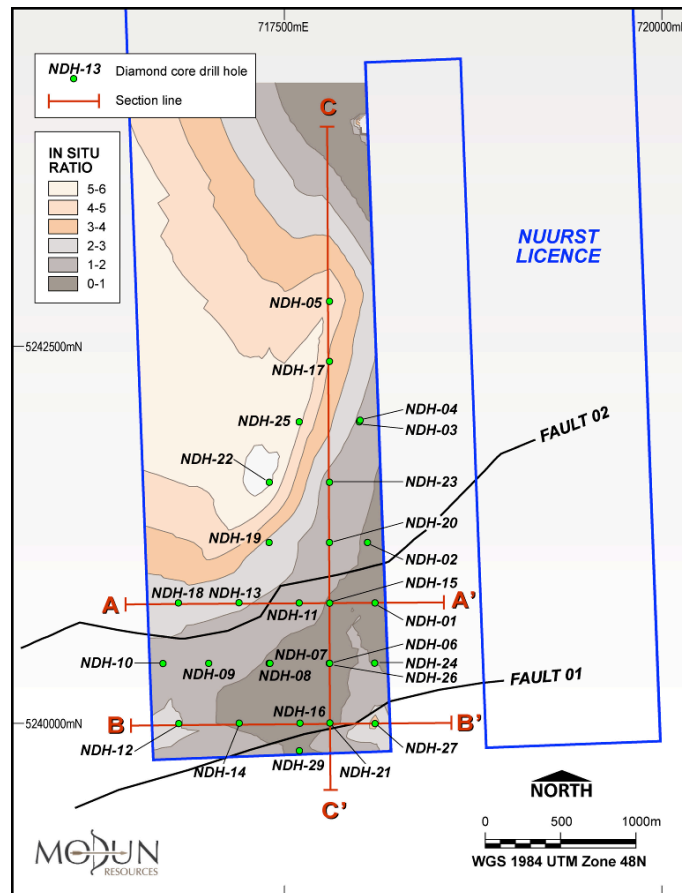


Fig 1 Insitu Strip Ratios of the Nuurst Project

Note: The Insitu Strip Ratio CSA Global used is based on vertical Thickness of Overburden to Vertical Thickness of coal

JORC Reportable Reserve estimate

Having confirmed 326 million Tonnes of Measured Resource for the Nuurst Project, Modun progressed with the commencement of a JORC Reportable Reserve estimate as it moves towards converting the Nuurst Project to mine development. During November 2012, Modun appointed Bluefield Group Pty Ltd to commence preparing a JORC Reportable Reserve estimate for the Nuurst Project. It is expected that the Reserve estimate will be completed by February 2013.

Appointment of MICC

Modun resources have appointed Mongolia International Capital Corporation Ltd, a leading Investment Bank in Mongolia to assist with ongoing negotiations with the Government departments and assess other business opportunities in relation to the Nuurst Project.

Strong Financial Position

At the end of the quarter, Modun remains in a strong financial position with total cash reserves of \$1.98 million.

Modun will continue to keep the market informed of any material developments.

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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 November 2012, Modun announced a 478 million tonne JORC reported Coal Resource at Nuurst (326 million tonnes Measured, 104 million tonnes Indicated, 48 million tonnes Inferred). The Nuurst Coal Project is located 120 kilometres south of Mongolia's capital Ulaanbaatar and six kilometres from existing rail infrastructure which links directly into China.

Competent Person Statement

The information in this announcement that relates to the Nuurst Coal Resource is based on information compiled by Mr Dwiyo TU. Taruno of CSA Global Pty Ltd, who is a member of the Australasian Institute of Mining and Metallurgy. Mr. Dwiyo 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 Dwiyo 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