

ASX Announcement
12 June 2013

ASX Code: MOU

Mongolian Government Passes Resolution Selecting Modun as Preferred Supplier of Coal Briquettes

Highlights:

- **Modun selected a preferred supplier of coal briquettes to the Mongolian Government as part of their Clean Air Initiative to reduce air pollution in Ulaanbaatar**
- **Negotiations to commence to formalise a Product Sale and Purchase Agreement with the Mongolian Government for Nuurst coal briquettes**

Coal explorer Modun Resources Ltd (**ASX: MOU**) (**Modun**) is pleased to announce that, through its wholly owned subsidiary, Modun Resources LLC, Modun has been selected as a preferred supplier for the supply of coal briquettes to the Mongolian Government as part of their Clean Air Initiative to reduce air pollution in Ulaanbaatar.

Modun was selected as one of four preferred suppliers following a tender process undertaken by the Mongolian Government through the Mongolian National Committee for Air Pollution Reduction (**Government Committee**). The tender process sought domestic and international expressions of interest to establish a new cleaner fuel production facility. The Resolution passed by the Government Committee instructs the Ministry of Environment and Green Development and the Ulaanbaatar City Mayor's Office to negotiate a Product Sale and Purchase Agreement with Modun for the supply of Modun's Nuurst Project coal briquettes. Negotiations on the terms and conditions of this Agreement will commence immediately.

The Resolution also requires the Ministry of Environment and Green Development, Ministry of Energy, Ministry of Mining and the Ulaanbaatar City Mayor's Office to provide support to Modun in the development of the infrastructure required to ensure sustainable supply of the Nuurst coal briquettes.

Modun's successful proposal was based on using thermal coal from its Nuurst Project and creating briquettes using a binderless coal briquetting process. This proven technology crushes the raw coal and uses hot gas to dry the coal to extract moisture. The dry coal is then compressed under extreme pressure to bind it together into briquettes.

The briquettes produced from the Nuurst coal have been independently tested in Australia and Mongolia and have resulted in a substantial increase in energy as well as a significant decrease in emissions. The emissions produced fall within the Clean Air Guidelines required by the Mongolian Government enabling Modun to be successful with the tender and be selected as a preferred supplier to the Government.

Rick Dalton, the Managing Director of Modun said "this is a very significant achievement for Modun. We have been through an extensive testing process and we are excited to be the only international company selected as a preferred supplier of coal to the Mongolian Government under their Clean Air Initiative. We are also very proud to take technology developed in

Australia and to employ it to help one of the fastest growing economies in the world meet their growing energy and heating demands as well as helping reduce their pollution levels.”

“Discussions with the Mongolian Government about formalising this arrangement into an off-take agreement for the supply of Nuurst coal briquettes will commence immediately. We are also significantly encouraged by the public support for Modun displayed by the Office of the Mongolian President and the various representatives of the Mongolian Government in recent weeks and we look forward to working with the Government to help achieve the objectives of the Clean Air Initiative”.

The key terms and conditions of the Product Sale and Purchase Agreement will be negotiated directly with the Mongolian Government. Modun was provided with the following information that was used to help support its proposal:

- The briquette plant is to have an initial name plate capacity of 200,000 to 250,000 tonnes per annum;
- Total demand for domestic raw coal usage in the Ger District is between 700,000 to 900,000 tonnes per annum; and
- The pricing for domestic briquettes approved by the Committee for last years winter was between MNT150,000 to MNT170,000 per tonne (approx. \$US105 to \$US119 per tonne) (source: www.air.president.mn). Pricing for next years and future winters are to be negotiated as part of the Product Sale and Purchase Agreement.

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About Modun Resources

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.