



ASX Release

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DEVELOPMENT AND EXPLORATION UPDATE

The Company is very pleased to announce an update on the company's ongoing drilling and development programmes which include the Tsant Uul Coking Coal Project, the Unst Khudag Thermal Coal Mine and the Tenuun-2 Coal Project.

- **Aggressive drilling programmes with the aim of generating initial JORC resources and further coal test work are well advanced.**
- **The Company has now completed a total of 106 drill holes for 11,808 metres of drilling.**
- **A total of eleven drilling rigs are currently operating across the Company's projects in the Middle and South Gobi Coal Provinces.**
- **Four drilling rigs are operating at the Unst Khudag Coal Mine and its surrounding exploration licensed areas (Har Toirom-1 and Har Toirom-2 Discoveries).**
- **Five drilling rigs are operating at the Tsant Uul Coking Coal Project.**
- **Two drilling rigs are operating at the Tenuun-2 Coal Project.**
- **Drilling programmes have been highly successful with major extensions and discoveries at both the Tsant Uul Coking Coal Project and the Unst Khudag Coal Mine**

TSANT UUL COKING COAL PROJECT (HUN 90%)

Five drilling rigs are currently completing a drill out at the Tsant Uul Coking Coal Project. The Company has now completed a total of 20 drill holes for 3,654 metres. Drilling has already extended the length of the known coal seams to over four kilometers of strike. Coal remains open at depth and along strike. To date drilling has identified three coal seams that extend to surface and dip at approximately 30 to 35 degrees. The coal seams have a combined thickness of approximately 30 metres. Seam 1 and Seam 3, which are the larger of the three seams, are both showing coking properties in initial early stage test work. More detailed test work results are pending.

Another potential coal sub basin has been identified at Tsant Uul and the Company plans to test this target on completion of the current drill out programme.

A JORC resource study for Tsant Uul is expected to be completed prior to the end of this year with scoping and development studies to commence early in 2011. The Company has estimated an Exploration Target* of **50Mt to 100Mt of coal**.

UNST KHUDAG THERMAL COAL MINE (HUN 65%)

A total of four drilling rigs are currently operating at the Unst Khudag Coal Mine. The Company has now completed a total of 71 drill holes for 6,022 metres. Drilling rigs are focused on drilling out the initial Unst Khudag Mine area and the newly discovered Har Toirom Discovery.

The Har Toirom Discovery is located to the north east of the Unst Khudag Mine area. Coal Seam thicknesses at Har Toirom average 30 metres in combined thickness, with total thicknesses up to 47 metres. Coal seams dip at between zero and five degrees and start from surface. Life of mine strip ratio at Har Toirom is expected to be equal to or less than 1:1.

Detailed test work results for the Unst Khudag project are pending. Initial results show a high quality black thermal coal with quality parameters on average Qdaf= 6,460 kCal/kg, Ash = 13.9% and Analytical Moisture content = <10%. Initial JORC resources are expected to be completed for both the Unst Khudag Mine and the Har Toirom discovery in the last quarter of 2010. The Company has estimated an Exploration Target* of **250Mt to 500Mt of coal** for the Unst Khudag Project.

Upon completion of this programme drilling rigs will be utilised to test a number of additional large targets on the exploration licenses.

Approximately 60,000 cubic metres have been mined from the Trial Open Cut with the top of the coal seam being reached. Bulk samples are currently being prepared and geotechnical and hydrology studies are underway. Aquatera has recently been engaged to complete hydrology test work. Trial Mining has now temporarily ceased pending further test work and off-take discussions. The Company is in advanced discussions with a number of potential domestic and export off-take partners.

TENUUN-2 COAL PROJECT

The Company currently has two drilling rigs operating at the Tenuun-2 Coal Project. The Company has now completed a total of 15 drill holes for 2,132 metres at Tenuun-2. Drilling has been targeted at confirming and extending previously identified coal seams in addition to testing a number of new targets on the exploration license. Detailed test work for Tenuun-2 is pending. Initial test work indicates a high quality black thermal coal.

The Company has estimated an Exploration Target* of **25Mt to 50Mt of coal** for the Tenuun-2 Project. An initial JORC Resource is expected for Tenuun-2 towards the end of this year.

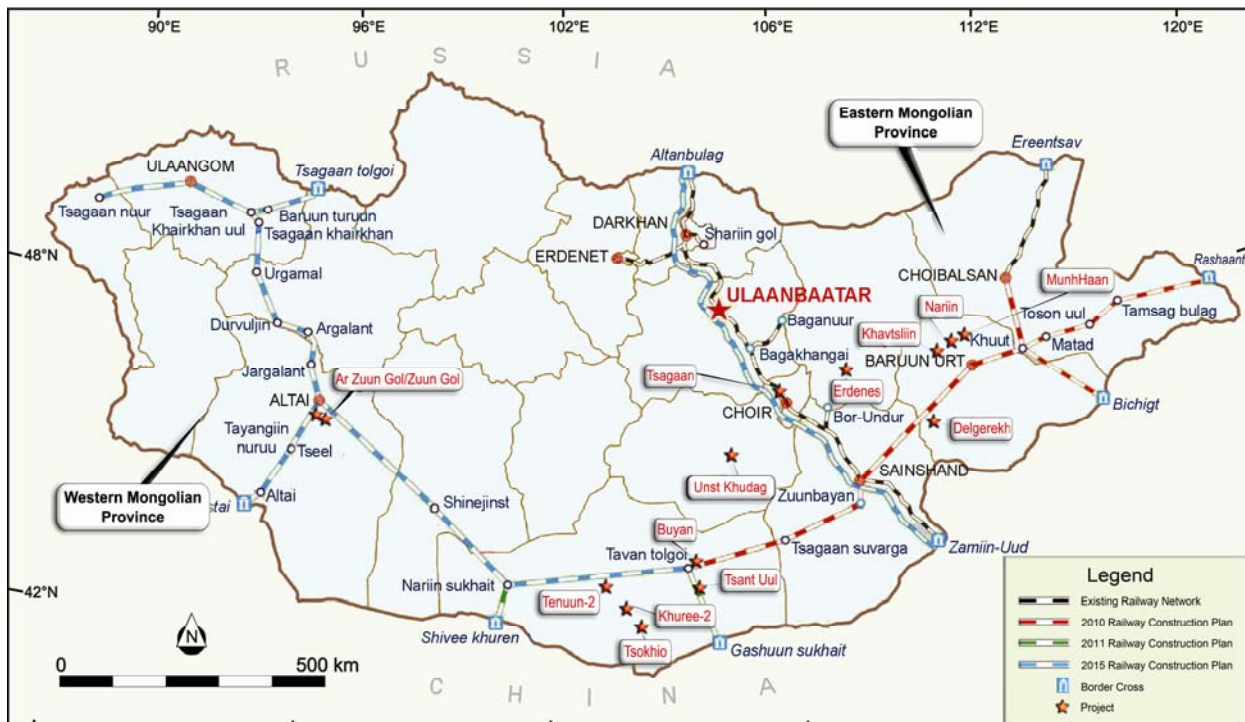
Hunnu Coal is aiming to become a major force in the exploration and development of coking and thermal coal deposits in the world class South Gobi and Middle Gobi Coal Provinces. The Company has set a timetable of developing three coal mines in Mongolia within the next four years.

George Tumur
Managing Director

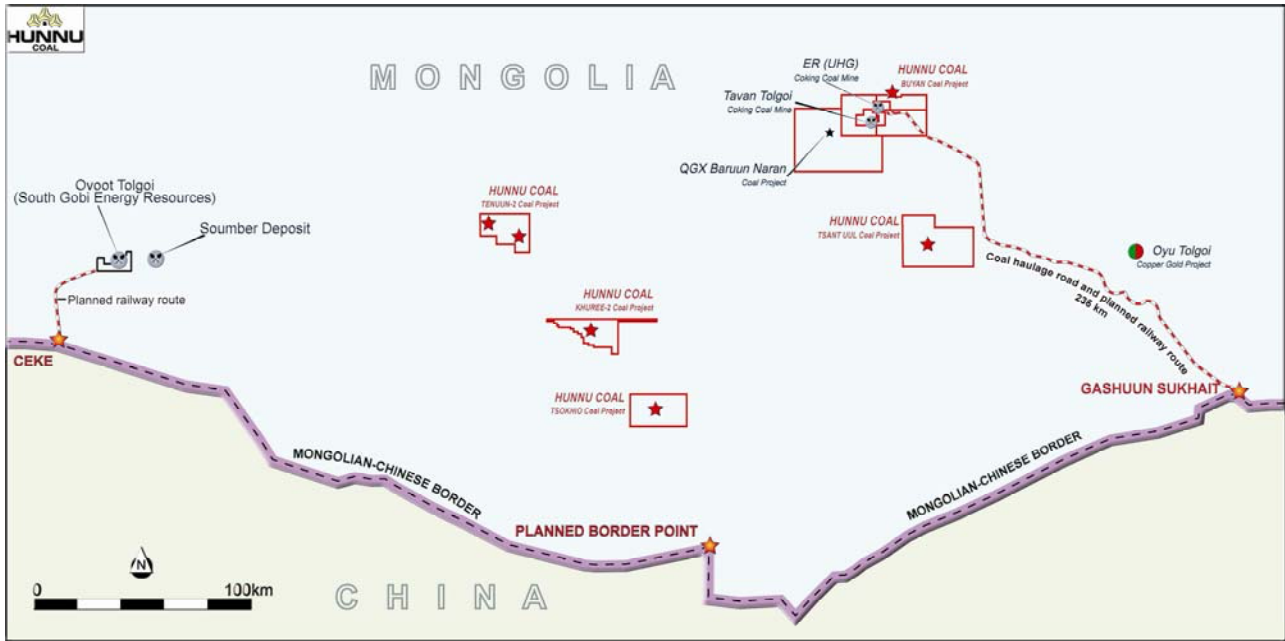
**This work has not resulted in the definition of any resource which is compliant with the JORC Code but has identified an Exploration Target. With further exploration, this target has potential for between 325Mt to 650Mt of coal in total. The potential quantity and grade is conceptual in nature and there has been insufficient exploration to define a Mineral Resource in accordance to the JORC Code. As such it is uncertain if further exploration will result in the determination of a Mineral Resource. Further Hunnu cautions that in order to achieve this target, substantial exploration is required to further geologically map, detect, trench and drill test the defined conceptual target. On this basis, Hunnu considers that further work is warranted beyond that previously conducted.*

The information in this report that relates to Exploration Results and Exploration Targets are based on information compiled by Mr George Tumur who is a Member of the Australian Institute of Mining and Metallurgy. Mr Tumur is the Managing Director of Hunnu Coal Limited. Mr Tumur 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 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Tumur consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

HUNNU COAL PROJECT LOCATIONS



HUNNU COAL PROJECT LOCATIONS – SOUTH GOBI PROVINCE



UNST KHUDAG COAL MINE – DRILLING LOCATION MAP

