



ASX Release

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TRIAL MINING OPERATION COMMENCED AT THE UNST KHUDAG COAL MINE

The Company is very pleased to announce the commencement of a trial mining operation at the Unst Khudag Coal Mine. Mined coal will be utilised for bulk test work and for potential off-take customers' independent test work. The open cut will also be assessed for geotechnical and hydrological data for modeling a larger up-scaled open cut mine. It is envisaged that coal from this initial open cut will also be sold into the domestic market. The Company is currently in advanced discussions with a number of potential off-take partners.

- **Coal analyses has revealed a high quality thermal coal with Qdb = 5,289 kCal/kg to 5,941 kCal/kg, Qdaf = 6,311 kCal/kg to 6,572 kCal/kg, Ash = 9.6% to 27.5%, and Analytical moisture = 6.71% to 9.34%.**
- **An extensive drilling programme has recently commenced with the aim of generating an initial JORC resource in the coming months.**
- **Coal mined from the trial open cut will be utilised for bulk test work by the company and for potential off-take customers.**
- **The trial open cut operation will also provide important geotechnical and hydrology data for a larger up-scaled open cut mine.**
- **Off-take agreements are currently being negotiated with Mongolian and Chinese thermal coal users.**
- **Unst Khudag has an Exploration Target* of 250Mt to 500Mt.**

The Unst Khudag Coal Mine is located in Dundgobi province, 290km from Ulaanbaatar and approximately 180km from the Mongolian railway grid. The project consists of two exploration licenses and one mining license covering over 59,000 hectares of area.

The trial open cut operation is intended to produce an initial supply of coal for bulk test work and for delivery to potential off-take partners for independent test work. Importantly the trial mine will also deliver important geotechnical and hydrological data that will be used in the modeling of a much larger up-scaled open cut mine.

An extensive drilling programme has recently commenced with the aim of generating an initial JORC resource in the coming months. Initial visually logged results from this programme have been highly encouraging. Coal seams have now been intersected as far as ten kilometres from the mining license. Coal core samples from three diamond core drill holes have been tested for quality parameters in an



Breaking the surface



Mining of overburden underway



Extensive drilling programme commenced

internationally certified coal laboratory. The coal analyses revealed a high quality thermal coal with parameters averaging:

Q(dry basis) = 5,289 kCal/kg to 5,941 kCal/kg

Q(dried, ash free) = 6311 kCal/kg to 6572 kCal/kg

Ash(dry basis) = 9.6% to 27.5%

Analytical moisture = 6.71% to 9.34%

Two drilling rigs are now operating on the current drilling site, with further drilling rigs being sourced to fast track the exploration programme.

The Unst Khudag Coal Mine is being developed by Hunnu Coal to deliver a high quality premium thermal coal to both domestic and Chinese off-take customers. The commencement of trial mining at Unst Khudag is an important step in the growth of Hunnu Coal.

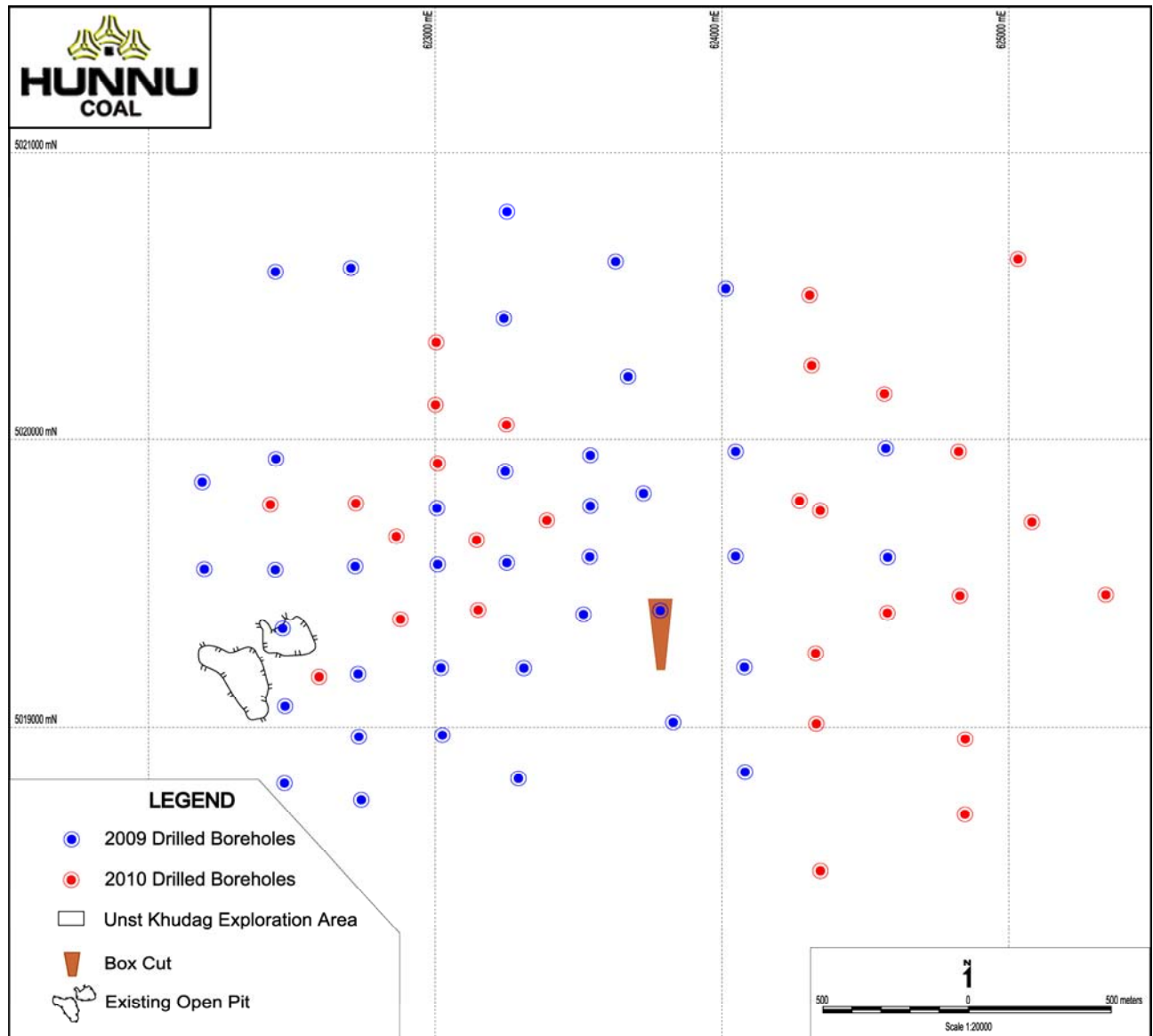
Hunnu Coal is aiming to become a major force in the exploration and development of coking and thermal coal deposits in the world class South Gobi and Middle Gobi Coal Provinces. The Company has set a timetable of developing three coal mines in Mongolia within the next four years.

**George Tumur
Managing Director**

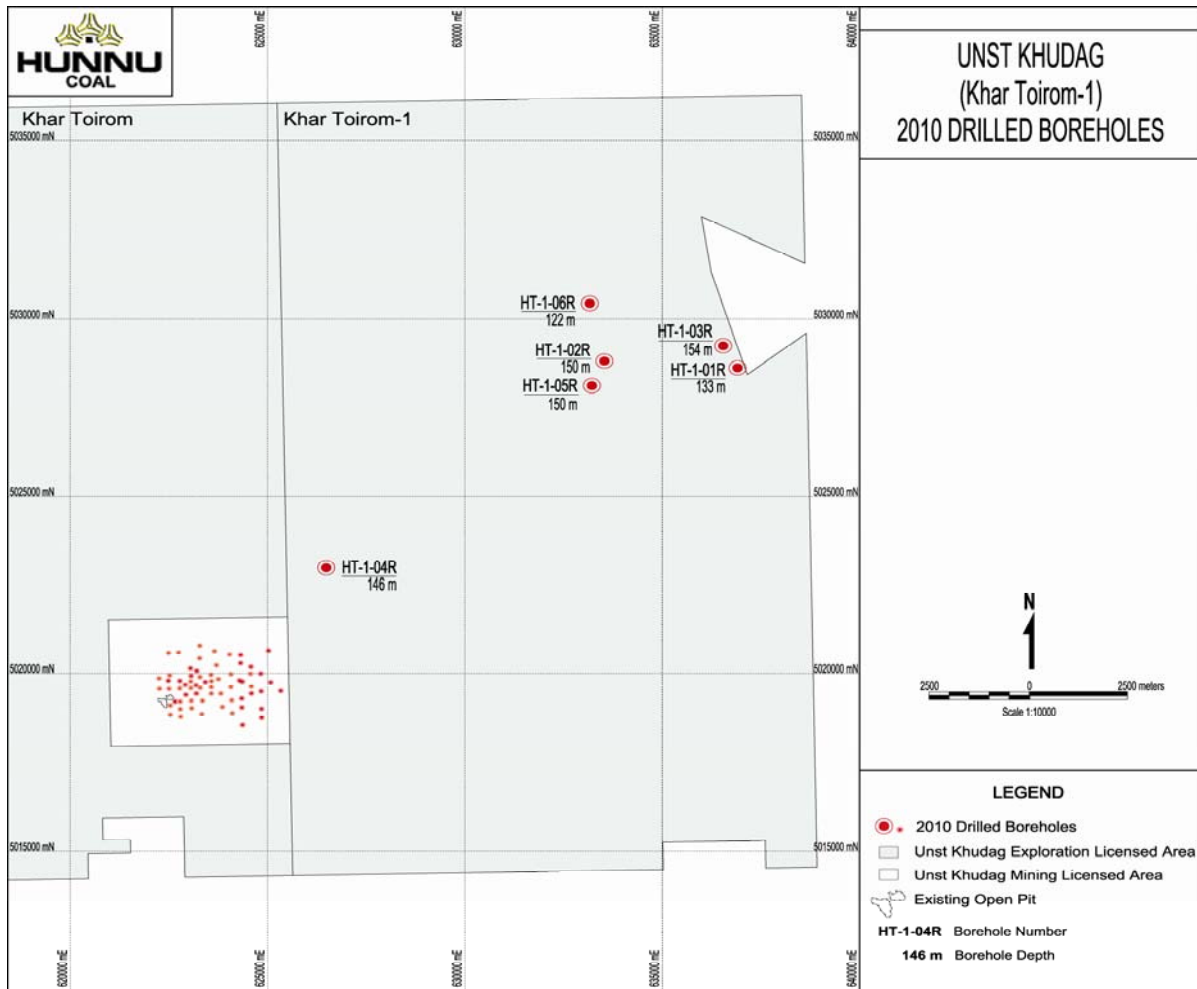
**This work has not resulted in the definition of any resource which is compliant with the JORC Code but has identified an Exploration Target. With further exploration, this target has potential for between 250Mt to 500Mt of coal. Mongolian authorities have approved a mining plan and feasibility study for the mining of 98.7Mt of coal. Hunnu Coal is currently reviewing this work. 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 'Australasian 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.

Mining licence drilling location map.



Drilling location map



Sunrise start to the trial open cut