

Banpu Invests US\$ 13.4 million in China's Coal Business

Asian Energy Group Banpu Public Company Limited signed an agreement to buy 18.84 per cent of Asian American Coal Inc.'s shares (AACI), worth US\$ 13.4 million as part of its move to build a production base in China following its success in Indonesia. In a strategy to become the region's leading energy company, Banpu spearheads to China as the country is found to be an irresistible rapidly-growing economy with tremendous demands for coal. Moreover, China has an advantage in exporting to major markets, particularly Japan and South Korea, due to a closer distance.

The agreement, inked by Banpu's Chief Executive Officer Mr. Chanin Vongkusolkit and AACI's President Mr. Gary F. Ladd, prompts BP Overseas Development Co.,Ltd., Banpu's 100-per cent owned subsidiary, to buy 18.84 per cent of AACI's shares, worth US\$ 13.4 million. This will enable Banpu to be involved with development of a high-quality coal mine in Daning at Shanxi Province.

The mine deposits low-sulfur, high-heating value anthracite with a 79 million metric tonnes reserves and 67 million metric tonnes resources. The Daning project is currently at the beginning production stage. The project will employ a Longwall production technique, which is a sophisticated and highly efficient underground mining procedure. In addition, the best practices to ensure the highest safety standard will be implemented and supervised by the long-experienced management team from the U.S. With a production capacity of 4.0 million metric tonnes a year, commencement of commercial production of the mine is expected in 2005. The coal will be sold to power plants, fertilizer factories and steel mills in China.

Mr. Chanin said Banpu wanted to expand its coal mining base into China. "We invest there because China is a highly potential place of investment. The country witnesses high economic growth and this investment is also in line with our policy and strategy to expand our energy development network in Asia. Furthermore, it would help strengthen the company's product variety and mitigate risks inherent in the dependence on any single source of coal supply."

"With forecasted growing demand for coal in China, it is highly likely that Banpu will keep on finding and developing new energy projects in the country." he affirmed

Established by a group of US coal-mining companies and financial institutions, AACI has entered into the coal mining business in China since 1998. AACI is the only non-Chinese company to have a foreign-invested coal project in China. At present, ACCI is a major shareholder together with two Chinese state-owned enterprises in Shanxi Asian American-Danling Energy Co Ltd (SAADEC), a firm established to operate coalmine in Shanxi Province. Besides investing in this joint venture, ACCI is also pursuing a number of additional joint-ventures with Chinese partners in the coal and coalbed methane production industries.

"Asian American Coal is thrilled to have a company with the strengths of Banpu Public Company Limited joining its shareholder group. Our efforts to create value through our China operations will be greatly enhanced with Banpu's involvement." ACCI's President, Mr. Gary F. Ladd said.

With a recorded population of 1.4 billion, China has witnessed a phenomenal economic growth rate of around 6-8 per cent a year, prompting demands for energy to rise strongly. The country depends mostly on coal-based energy where 80 per cent of China's power comes from its coal-fired power plants. In terms of production, China produces 1.4 billion tonnes of coal a year, which is hardly enough to accommodate huge demands in the country, a situation that inevitably forces China to import more than 10 million tonnes of coal a year from Australia and Indonesia.

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