



Press Release

6 June 2008



Banpu expands its Chinese coal business through acquisition of AACI

Banpu adds 107Mt to its equity coal reserves in China by acquiring additional 78% of AACI for US\$420 million. AACI has stakes in 4Mtpa coal operation and 6Mtpa coal project in Shanxi Province.

On 6th June 2008, Banpu Public Company Limited ('Banpu'), through its fully-owned subsidiary, BP Overseas Development Company Limited ('BPOD'), has signed an acquisition agreement to purchase an additional 78.4% of Asian American Coal Inc ('AACI') for a consideration of approximately US\$420 million in cash (equivalent to about Bt 13.8 billion). BPOD previously owned 21.6% of AACI, and has been a major shareholder in the company since 2003. The acquisition will take BPOD's shareholding in AACI to 100% and will be funded via a loan from Banpu to BPOD. Funding at the Banpu level will come mostly from debt finance. The selling shareholders are mainly private equity funds and US investors.

AACI, registered in the British Virgin Islands, has shareholdings in two Chinese coalmining joint ventures ('JVs'): 56% in Shanxi Asian American Daning Energy Co Limited ('SAADEC') and 45% in Shanxi Gaohe Energy Co Limited ('SGEC'). The main partners are Chinese coalmining groups: Shanxi Lanhua Sci-Tech Venture Co in SAADEC and the Shanxi Lu'an Mining group in SGEC. The JVs have coal concessions in the southeast of Shanxi Province in China. Shanxi Province is China's largest coal producing region accounting for one quarter of the country's total coal output.

SAADEC was established in 2000. Construction of the Daning mine commenced in 2000, with first output by 2005 and commissioning of an imported underground longwall mining system in 2006. Run-of-mine output from Daning was 3.1 Mt in 2007 and is targeted at 3.8 Mt in 2008 (before washing losses). Output for the first four months of 2008 totaled just under 1.1 Mt. Daning's anthracite coal is



sold as lump coal to fertilizer plants and as thermal coal to power plants in Shanxi and neighboring provinces. After washing losses, coal sales are targeted at around 3.2 Mt in 2008: 1.8Mt thermal and 1.4Mt lump coal. Daning's average selling price (ex-mine) in the first quarter of 2008 was RMB 450 per tonne, compared to RMB 295 per tonne in the first quarter of 2007. The average selling price in April 2008 increased to RMB 555 per tonne. Based on a report by Marshall Miller & Associates (June 2007) SAADEC has coal reserves of approximately 88Mt and coal resources of 147 Mt.

SGEC was established with the Shanxi Lu'an Mining group in 2005 to develop the Gaohe mine. Based on a report by Marshall Miller & Associates (August 2006), Gaohe has semi-anthracite coal reserves of approximately 191Mt and coal resources of 312 Mt. SGEC obtained a business license in 2006 and construction of the mine is underway. SGEC is scheduled to commission its first underground longwall mining system by 2010. Full run-of-mine production of towards 6 Mtpa should be reached by 2013. Gaohe coal will be sold mainly as thermal coal to the power sector and as PCI¹ coal to the steel sector.

AACI's financial statements are reported in US dollars using IFRS standards. The results at SAADEC and SGEC are consolidated on a proportional basis. AACI had consolidated revenues in 2007 of US\$ 66.1 million with an EBITDA² of US\$ 18.6 million and a net profit after tax of US\$ 8.9 million. For the four months to April 2008, AACI's consolidated revenues (unaudited) were US\$ 39.5 million, EBITDA was US\$ 17.8 million and net profit after tax was US\$ 14.4 million. Consolidated net debt at AACI at the end of April 2008 was US\$58.5 million. SAADEC's revenues for the first four months of 2008 (unaudited) totaled US\$ 68.1 million with EBITDA of US\$35.0 million and net profit after tax of US\$28.9 million.

¹ Pulverized Coal Injection

² Earnings before interest, tax, depreciation and amortization



The total investment cost to develop the Gaohe mine is estimated at RMB 3.15 billion (approximately US\$450 million)³, of which around one-third has already been spent. The intention is to fund this capital expenditure around 65% with project debt.

Mr. Chanin Vongkusolkrit, Chief Executive Officer of Banpu, commented:

“We have been a shareholder in AACI since 2003 and are familiar with its assets. We have already identified areas where we can try to create further value going forward. Daning represents a good opportunity for majority control of a mid-sized coal mining operation in China and Gaohe is an attractive growth project. Strategically, this transaction consolidates our position in the Chinese coal industry and establishes China firmly as Banpu’s third long term geographic pole”.

³ Not including the cost of the mining license.
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