

## Gaohe Mine

Shanxi Gaohe Energy Company Ltd. (SGEC) is Asian American Coal, Inc.'s second investment into the Chinese coal industry. Our partner is Lu'an Mining Group, a well-known large mining group in China. AACI is a 45% equity partner in the mining joint venture and, through the Joint Venture agreement, will have seconded management in key positions at the mine.

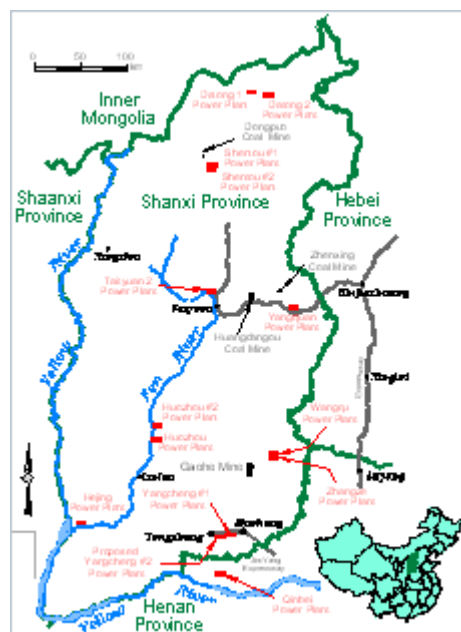
The mine broke ground in July 2005, with construction and development slated for completion in the second half of 2009. The Gaohe Joint Venture business license was issued by the Shanxi Government on April 27, 2006.

The concession on which the mine is being constructed contains an in-place quantity of 1.2 billion tonnes in four different seams. Using SEC or JORC standards, 664 million tonnes can be classified as in-situ coal resources. Current mine simulations project 320 million tonnes of coal being mined from the #3 seam.

| Item (Raw Coal #3 Seam) | Average Specification |
|-------------------------|-----------------------|
| Ash Content (Dry)       | 16.95%                |
| Sulfur Content (Dry)    | 0.29%                 |
| Phosphorous Content     | 0.047%                |
| Fluorine Content        | 69 ppm                |
| Chlorine Content        | 0.25 ppm              |
| Arsenic Content         | 0.2 ppm               |

The Gaohe coal is a low-vol bituminous to semi-anthracite coal in nature. The coal qualities are favorable to producing PCI coal, with coal from the area having been used to set the standards for PCI coal in China. The main markets for Gaohe coal are utilities and steel mills with approximately 50% and 30% are expected to be sold to those two markets respectively. The remainder of the coal will be sold to the chemical and fertilizer industries.

Market access is through a two-tiered system. Gaohe will have a railway spur constructed to a load-out facility at the mine's surface facility. This spur will tie in with a main North-South trunk line that is located near the eastern edge of the property. In addition, the mine has ready access to major highway transportation routes which will be utilized to market coal locally.



Coal will be accessed by two 8.2 meter shafts which will be utilized as production and service shafts. The mine infrastructure will have the capacity to handle over 8 million tonnes per year. Mining rates are projected to average around 6 million tonnes per year. Three additional shafts will provide ventilation air for the operation.

The shafts and all surface facilities (administration, preparation facilities, load-outs, etc) will be located near the village of Gaohe in Changzhi County, Shanxi Province, P.R.C. Mine production is to be accomplished using a hybrid ?C longwall/top-coal caving system capable of extracting greater than 80% of the in-place mineable reserves. Development work will be accomplished using road header machines, drill and blast mining, and state of the art continuous miner/bolter combination units capable of bolting the roof while development work continues. Coal haulage will be accomplished through a series of interlocked underground conveyors feeding a bunker at the skip loading station which will be brought to the surface with a multi-rope friction hoist system with two pairs of 25 tonnes capacity skips.

## 2007 Highlights

- Gaohe JV's construction complies with the original schedule, the first longwall is expected to be put into production in the first half of 2009.
- Safety performance was exceptional with no injury accidents reported for the entire year. Also, the number of methane over limit incidents was substantially reduced during the year by reducing the mining depth, improving the ventilation, replacing equipment and implementing strict penalty systems for the contractors.
- Three permitting milestones were achieved in 2007 - the approval of the revised Safety Chapter in June, the approval of the Gaohe Railroad Spur feasibility study in June, and the granting by the Railroad Ministry of the Rail Spur and Track Connection Administrative permit in September.



President of SGEC  
Mark Wayment



Board Members Visiting Gaohe Mine



Board Members Visiting Gaohe Mine



Gaohe Shaft



Raw Coal Silos



Raw Coal Silos

