



29 September 2011

The Manager  
Company Announcements Office  
ASX Limited  
Level 4, Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir/Madam

**Hunnu Coal Limited (ASX: HUN) – takeover bid by Banpu Minerals (Singapore) Pte Ltd  
Target's Statement**

We attach, by way of service pursuant to item 14 of subsection 633(1) of the *Corporations Act 2001* (Cth), a copy of the target's statement of Hunnu Coal Limited (**Hunnu**) in response to the off-market takeover bid by Banpu Minerals (Singapore) Pte Ltd for all of the ordinary shares in Hunnu.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Tim Flavel', written in a cursive style.

**Mr Tim Flavel**  
**Director and Company Secretary**  
**Hunnu Coal Limited**



# Hunnu Coal Limited

(ABN 83 138 962 124)

## Target's Statement

This Target's Statement has been issued in response to the off-market takeover bid made by Banpu Minerals (Singapore) Pte Ltd (Reg No. 199608046M), a subsidiary of Banpu Public Company Limited, for all the ordinary shares in Hunnu Coal Limited, which Banpu Public Company Limited does not already control.

**The directors of Hunnu Coal Limited unanimously recommend that you ACCEPT Banpu's Offer (in the absence of a Superior Proposal)**

**STEINPREIS PAGANIN**   
Lawyers & Consultants

Legal Adviser

### IMPORTANT INFORMATION

This is an important document that should be read in its entirety. If you do not understand it you should consult your professional advisers without delay.

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## KEY DATES

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Date of Banpu's Offer	Tuesday, 4 October 2011
Date of this Target's Statement	Thursday, 29 September 2011
Close of Offer Period (unless extended or withdrawn)	7:00pm (Sydney time) on Monday, 7 November 2011

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## HUNNU SHAREHOLDER INFORMATION

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Hunnu has established an Offer Information Line which Hunnu Shareholders may call if they have any queries in relation to Banpu's Offer. The telephone number for the Offer Information Line is 1300 664 413 (toll free, for calls made from within Australia) or +61 2 8022 7902 (not toll free, for calls made from outside Australia) between 9:00 am and 7:00 pm (Sydney time) Monday to Friday. Calls to the Offer Information Line may be recorded.

Further information relating to Banpu's Offer can be obtained from Hunnu's website at [www.hunnucoal.com](http://www.hunnucoal.com).

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## **IMPORTANT NOTICES**

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### **Nature of this document**

This document is a Target's Statement issued by Hunnu Coal Limited (ABN 83 138 962 124) under Part 6.5 Division 3 of the Corporations Act in response to the off-market takeover bid made by Banpu Minerals (Singapore) Pte Ltd (Reg No. 199608046M) for all the ordinary shares in Hunnu.

This Target's Statement is dated 29 September 2011 and was lodged with the ASIC and given to ASX on that date. Neither ASIC nor ASX nor any of their respective officers take no responsibility for the contents of this Target's Statement.

### **Defined terms**

A number of defined terms are used in this Target's Statement. These terms are explained in section 10 of this Target's Statement. In addition, unless the contrary intention appears or the context requires otherwise, words and phrases used in this Target's Statement and defined in the Corporations Act have the same meaning and interpretation as in the Corporations Act.

### **No account of personal circumstances**

This Target's Statement does not take into account your individual objectives, financial situation or particular needs. It does not contain personal advice. Your Hunnu Directors encourage you to seek independent financial and taxation advice before making a decision as to whether or not to accept the Offer.

### **Disclaimer as to forward looking statements**

Some of the statements appearing in this Target's Statement may be in the nature of forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which Hunnu operates as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement.

None of Hunnu, Hunnu's officers and employees, any persons named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement, makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement.

## **Disclaimer as to information**

The information on Banpu PCL, Banpu and the Banpu Group contained in this Target's Statement has been prepared by Hunnu using publicly available information. The information in the Target's Statement concerning Banpu PCL, Banpu and the Banpu Group, has not been independently verified by Hunnu. Accordingly Hunnu does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

## **Foreign jurisdictions**

The release, publication or distribution of this Target's Statement in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Target's Statement has been prepared in accordance with Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with the laws and regulations outside of Australia.

## **Privacy**

Hunnu has collected your information from the Hunnu register of shareholders and Hunnu Optionholders for the purpose of providing you with this Target's Statement. The type of information Hunnu has collected about you includes your name, contact details and information on your shareholding or option holding (as applicable) in Hunnu. Without this information, Hunnu would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the name and address of shareholders and Hunnu Optionholders to be held in a public register. Your information may be disclosed on a confidential basis to Hunnu's related bodies corporate and external service providers (such as the share registry of Hunnu and print and mail service providers) and may be required to be disclosed to regulators such as ASIC. If you would like details of information about you held by Hunnu, please contact the Offer Information Line. Calls to the Offer Information Line may be recorded.



29 September 2011

Dear Shareholders, and for information purposes only, Optionholders

### **Takeover bid by Banpu Minerals (Singapore) Pte Ltd**

On 12 September 2011, Hunnu announced it had entered into a bid implementation deed with Banpu Public Company Limited, through its Singaporean subsidiary, Banpu Minerals (Singapore) Pte Ltd, pursuant to which Banpu Minerals (Singapore) Pte Ltd would make offers for all of the Hunnu Shares on issue that it does not already own (**Offer**), and all Hunnu Options on issue (**Option Offer**).

Banpu PCL is a Thai stock exchange listed company that owns operating coal mines and power generating assets across Asia and in Australia.

### **Hunnu's Directors recommend you accept the Offer**

Banpu is offering A\$1.80 cash (**Offer Price**) for every Hunnu Share. The Offer Price represents a premium of:

- (a) 30% to the closing price of a Hunnu Share of A\$1.385 on 8 September 2011, being the last day Hunnu Shares traded prior to 12 September 2011 (**Announcement Date**);
- (b) 53% to the one month VWAP of A\$1.18 per Hunnu Share up to and including 8 September 2011; and
- (c) 41% to the three month VWAP of A\$1.28 per Hunnu Share up to and including 8 September 2011.

Your Hunnu Directors unanimously recommend that you accept the Offer, in the absence of a Superior Proposal. The principal reasons for your Hunnu Directors' recommendation are:

1. Hunnu's Directors have unanimously recommended the Offer.
2. The Offer Price represents a significant premium to recent trading prices of Hunnu Shares.
3. The Offer provides Hunnu Shareholders with certainty of cash.
4. There are risks in not accepting the Offer.
5. No Superior Proposal for Hunnu has emerged.

The detailed reasons for this recommendation are set out in section 2 of this Target's Statement.

All Hunnu Directors intend to accept the Offer and the Option Offer, in respect of the Hunnu Shares and Hunnu Options they own, or control, in the absence of Superior Proposal.

As at the date immediately before the date of this Target's Statement, Banpu is Hunnu's largest shareholder and has voting power of approximately 12.1% of Hunnu's issued share capital.

### **Accepting the Offer and next steps**

The Offer Period is scheduled to close at 7:00 pm (Sydney time) on Monday, 7 November 2011 (unless extended).

To accept the Offer, simply follow the instructions outlined in section 7.4 of the Bidder's Statement and printed on the Acceptance Form. To be valid, your acceptance must be received before the close of the Offer Period.

In considering whether to accept the Offer, the Hunnu Directors encourage you to:

- read the whole of this Target's Statement and the Bidder's Statement;
- have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances;
- consider the choices available to you as outlined in section 4.10 of this Target's Statement;
- carefully consider section 4.12 of this Target's Statement;
- carefully consider section 2.4 of this Target's Statement, including the risks of becoming a minority Hunnu Shareholder; and
- obtain personal advice from your broker, financial adviser, accountant, lawyer or other professional adviser on the effect of accepting the Offer.

### **Further information**

Hunnu will keep Hunnu Shareholders informed of any material developments in relation to the Offer through releases to the ASX (which will also be published on Hunnu's website).

I encourage you to read this document carefully. If you need any more information I recommend that you seek professional advice or call Hunnu's Offer Information Line between 9.00am and 7.00pm (Sydney time) Monday to Friday.

Yours sincerely



**Mr Matthew Wood**  
**Executive Chairman**  
**For and on behalf of**  
**Hunnu Coal Limited**

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## 1. FREQUENTLY ASKED QUESTIONS

This section answers some commonly asked questions about the Offer. It is not intended to address all relevant issues for Hunnu Shareholders. This section should be read together with all other parts of this Target's Statement.

Question	Answer
What is Banpu's Offer for my Hunnu Shares?	<p>Banpu is offering A\$1.80 cash for each Hunnu Share that you hold. You may accept the Offer only in respect of all, and not part, of the Hunnu Shares that you hold unless sections 7.3(b) or 7.3(c) of the Bidder's Statement applies to you.</p> <p>The Offer extends to Hunnu Shares that come into existence because you exercise your Hunnu Options during the Offer Period. You can accept the Offer in respect of the Hunnu Shares you are issued on exercise of the Hunnu Options. Banpu is also making a separate offer to all Hunnu Optionholders.</p>
What choices do I have as a Hunnu Shareholder?	<p>As a Hunnu Shareholder, you have the following choices in respect of your Hunnu Shares:</p> <ul style="list-style-type: none"><li>• accept the Offer;</li><li>• sell your Hunnu Shares on the ASX (unless you have previously accepted the Offer and you have not validly withdrawn your acceptance); or</li><li>• do nothing.</li></ul> <p>There are several implications in relation to each of the above choices. A summary of these implications is set out in section 4.10 of this Target's Statement.</p>
What are the Hunnu Directors recommending?	<p>Each Hunnu Director recommends that you accept the Offer (in the absence of a Superior Proposal). The reasons why the Directors are recommending that you accept the Offer are set out in section 2 of this Target's Statement.</p>

Question	Answer
<p>What do the Directors of Hunnu intend to do with any Hunnu Shares that they hold?</p>	<p>Each Hunnu Director has advised that they intend to accept the Offer in respect of any Hunnu Shares that they own or control, in the absence of a Superior Proposal.</p> <p>Further, each Hunnu Director has advised that they intend to accept the Option Offer in respect of any Hunnu Options that they own or control, in the absence of a Superior Proposal.</p>
<p>How many Hunnu Shares does Banpu already own?</p>	<p>As at the date immediately before the date of this Target's Statement, Banpu had a relevant interest in 30,000,000 Hunnu Shares and had no relevant interest in Hunnu Options. Banpu PCL's voting power is 12.1% as at the date of this Target's Statement. See section 6.7 of the Bidder's Statement for further details on Banpu PCL's interest in Hunnu.</p>
<p>How do I accept the Offer?</p>	<p>You may only accept the Offer for all of your Hunnu Shares (unless sections 7.3(b) and 7.3(c) of the Bidder's Statement apply to you).</p> <p>How you may accept the Offer depends on whether your Hunnu Shares are held in an Issuer Sponsored Holding, a CHES Holding or whether you are a Controlling Participant.</p> <p><b>Issuer Sponsored Holdings of Hunnu Shares (Securityholder Reference Number prefixed with an "I")</b></p> <p>If your Hunnu Shares are held in an Issuer Sponsored Holding, you can accept the Offer by completing, signing and returning the Acceptance Form in accordance with the instructions on the form, so that your acceptance is received before the end of the Offer Period.</p> <p><b>CHES Holdings of Hunnu Shares (Holder Identification Number prefixed with an "X")</b></p> <p>If your Hunnu Shares are held in a CHES Holding, you can accept the Offer by either:</p> <ul style="list-style-type: none"> <li>(a) instructing your Controlling Participant (usually your stockbroker) to accept the Offer on your behalf; or</li> <li>(b) completing, signing and returning the Acceptance Form in accordance with the instructions on the form,</li> </ul>

**Question****Answer**

so that your acceptance is received before the end of the Offer Period.

**Controlling Participants**

If you are a Controlling Participant, acceptance of the Offer must be initiated in accordance with rule 14.14 of the ASX Settlement Operating Rules before the end of the Offer Period.

Full details of how to accept the Offer are set out in the section of the Bidder's Statement entitled "How Do I Accept The Offer?" on page 3 of the Bidder's Statement, section 7.4 of the Bidder's Statement and on the Acceptance Form.

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What are the consequences of accepting the Offer now?

If you accept the Offer, unless withdrawal rights are available (see below), you will give up your right to sell your Hunnu Shares on the ASX or otherwise deal with your Hunnu Shares while the Offer remains open.

The effect of acceptance is set out in section 7.5 of the Bidder's Statement. Hunnu Shareholders should read this section in full to understand the effect that acceptance will have on their ability to exercise rights attaching to their Hunnu Shares and the representations and warranties they give by accepting the Offer.

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If I accept the Offer, can I withdraw my acceptance?

Under the terms of the Offer, you may only withdraw your acceptance if the Offer terminates in accordance with section 7.8(e) of the Bidder's Statement; Banpu varies the Offer in a way that postpones the time when Banpu is required to satisfy its obligations by more than one month; or as described in sections 7.8(a)(i)(C) and 7.8(a)(i)(D) of the Bidder's Statement. See section 5.8 of this Target's Statement and "Can I Withdraw My Acceptance?" on page 10 of the Bidder's Statement and section 7.5(b) of the Bidder's Statement for further details.

**Question****Answer**

When does the Offer close?

The Offer is scheduled to close at 7:00 pm (Sydney time) on Monday, 7 November 2011, but the Offer Period can be extended in certain circumstances.

Please be aware that there is no guarantee that Banpu will extend the Offer Period beyond Monday, 7 November 2011. Accordingly, your Hunnu Directors recommend that you should assume that the Offer Period will not be extended beyond this date. See section 5.5 of this Target's Statement for details of the circumstances in which the Offer Period can be extended.

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Can the Offer Period be extended?

Yes. While the Offer is subject to the Offer Conditions, Banpu may extend the Offer Period at any time before giving the Notice of Status of Conditions and otherwise only in limited circumstances. However, if the Offer is unconditional (that is all of the Offer Conditions are fulfilled or freed), Banpu may extend the Offer Period at any time before the end of the Offer Period. In addition, there will be an automatic extension of the Offer Period if, within the last 7 days of the Offer Period Banpu improves the consideration offered under the Offer, or Banpu's voting power in Hunnu increases to more than 50%. If this occurs, the Offer Period is automatically extended so that it ends 14 days after the relevant event.

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What are the conditions to the Offer?

In summary, the key outstanding conditions to the Offer, as at the date of this Target's Statement, are:

- Banpu acquiring a relevant interest in at least 90% of all the Hunnu Shares on issue and 90% of all Hunnu Options on issue, and becomes entitled to compulsorily acquire all outstanding Hunnu Shares and Hunnu Options;
- Banpu obtaining FIRB Approval;
- there is no prescribed occurrence, as that term is defined in Annexure A to this Target's Statement;
- there is no action by a Government Agency that adversely affects the Takeover Bids;
- Banpu receives all approvals which

**Question****Answer**

are required by law or by a Government Agency to permit the Offers, and acquisition of the Hunnu Shares and Hunnu Options contemplated by the Takeover Bids;

- certain conduct of business requirements are not breached;
- there are no material failings in filings by Hunnu;
- no person having any rights as a result of Banpu acquiring Hunnu Shares with respect to any material assets, material agreements or other legal arrangements;
- there are no force majeure events;
- there is no Hunnu Material Adverse Change;
- there are no Mining Interests that are revoked, terminated or expire without there being a reasonable likelihood of such Mining Interest being promptly renewed or extended on terms which are no less favourable to the relevant member of the Hunnu Group;
- there is no direct or indirect disposal of, or Encumbrance over, the Mining Interests;
- no litigation is threatened in writing or commenced against any member of the Hunnu Group which may reasonably result in a judgement of \$5 million or more;
- the S&P/ASX 200 index does not fall below 3,500; and
- the PPS Act Condition being satisfied.

Unless all of the Offer Conditions are freed or fulfilled, the Offer will not proceed. See section 5.2 of this Target's Statement for further details.

Question	Answer
<p>What happens if the conditions of the Offer are not satisfied or waived?</p>	<p>If the conditions are not fulfilled or freed (that is, if any of the Offer Conditions are not satisfied or waived) before the Offer closes (or in the case of the conditions in section 7.7(c) of the Bidder's Statement, within 3 Business Days after the end of the Offer Period), the Offer will lapse. You would then be free to deal with Hunnu Shares even if you had accepted the Offer.</p>
<p>Can Banpu withdraw the Offer?</p>	<p>Banpu may not withdraw the Offer if you have already accepted it. Before you accept the Offer, Banpu may withdraw the Offer with the written consent of ASIC and subject to conditions (if any) specified in such consent.</p>
<p>When will I be sent my consideration if I accept the Offer?</p>	<p>In the usual case, you will be issued your consideration on or before the earlier of:</p> <ul style="list-style-type: none"> <li>• the day that is one month after the date of your acceptance or, if at the time of your acceptance the Offer is subject to an Offer Condition, one month after the Offer becomes, or is declared, unconditional; and</li> <li>• the day that is 21 days after the end of the Offer Period.</li> </ul> <p>Full details of when you will be issued consideration are set out in section 7.6 of the Bidder's Statement.</p> <p>See section 5.9 of this Target's Statement for further details on when you will be sent your consideration.</p>
<p>What are the tax implications of accepting the Offer?</p>	<p>A general outline of the tax implications of accepting the Offer is set out in section 5 of the Bidder's Statement, as supplemented by section 8 of this Target's Statement.</p> <p>As the outline is a general outline only, Hunnu Shareholders are encouraged to seek their own specific professional advice as to the taxation implications applicable to their circumstances.</p>

**Question****Answer**

What happens if Banpu improves the consideration under its Offer?

If Banpu improves the consideration offered under its Offer, all Hunnu Shareholders who have accepted the Offer will be entitled to the benefit of that improved consideration (whether they accepted the Offer before or after the consideration is improved).

What will happen to Hunnu following the end of the Offer Period?

Banpu has said that, whether Hunnu becomes wholly or partly owned by Banpu, its present intention in relation to Hunnu is to continue the current management team's strategy for Hunnu and continue the exploration and development of Hunnu's existing Mongolian operations.

Banpu intends that the operations of Hunnu will be integrated with those of Banpu PCL. This may involve future investment by Banpu PCL in Mongolia focused around both further exploration and capital expenditure to further progress mine development. Banpu Group intends to utilise its collective mining experiences in similar operating circumstances and markets to further expand and develop Hunnu's business.

See section 3 of the Bidder's Statement for further details.

What will happen to the price of Hunnu Shares if the Offer is withdrawn or lapses before Banpu acquires 100% of the Relevant Interest in the Hunnu Shares?

If the Offer is withdrawn or lapses before Banpu acquires a Relevant Interest in 100% of the Hunnu Shares (and no Superior Proposal is received by Hunnu), the Hunnu Directors believe that Hunnu's share price may fall to levels significantly below the Offer price.

Can I participate in the Offer in respect of my Hunnu Options?

Banpu is making a simultaneous off-market takeover offer for all Hunnu Options. Hunnu Optionholders will be sent an Option Bidder's Statement and Option Target's Statement containing information in respect of the Option Offer.

Further information regarding the Option Offer is included in section 6.3 of the Bidder's Statement.

The Offer extends to Hunnu Shares that come into existence during the Offer Period, including Hunnu Shares issued on the exercise of Hunnu Options. Therefore you can either accept the Option Offer or exercise your Hunnu Options and accept the Offer.

**Question****Answer**

Do I have to pay any fees?

You will not pay stamp duty on the disposal of your Hunnu Shares if you accept the Offer.

If your Hunnu Shares are registered in an Issuer Sponsored Holding in your name and you deliver them directly to Banpu, you will not incur any brokerage in connection with your acceptance of the Offer.

If your Hunnu Shares are registered in a CHES Holding, or if you are a beneficial owner whose Hunnu Shares are registered in the name of a broker, bank, custodian or other nominee, you should ask your Controlling Participant (usually your stockbroker) or the relevant nominee whether it will charge any transaction fees or service charges in connection with acceptance of the Offer.

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Is there a number that I can call if I have further queries in relation to the Offer?

If you have any further queries in relation to the Offer, you can call 1300 664 413 (toll free, for calls made from inside Australia) or +61 2 8022 7902 (not toll free, for calls made from outside Australia). Calls to these numbers may be recorded.

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**2. WHY YOU SHOULD ACCEPT THE OFFER**

In summary, the key reasons why the Hunnu Directors have recommended Hunnu Shareholders accept the Offer, in the absence of a Superior Proposal, are:

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1. Hunnu's Directors have unanimously recommended the Offer.

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2. The Offer Price represents a significant premium to recent trading prices of Hunnu Shares.

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3. The Offer provides Hunnu Shareholders with certainty of cash.

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4. There are risks in not accepting the Offer.

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5. No superior proposal for Hunnu has emerged.

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## 2.1 Introduction

The consideration being offered by Banpu under the Offer is A\$1.80 cash for each Hunnu Share. The Offer is subject to a number of conditions. Those conditions are summarised in section 5.2 of this Target's Statement.

The Hunnu Board has carefully considered the Offer and unanimously recommends that Hunnu Shareholders accept the Offer promptly to ensure their acceptance is received before 7:00 pm (Sydney time) on Monday, 7 November 2011 of the Offer, in the absence of a Superior Proposal. All Hunnu Directors intend to accept the Offers in respect of the Hunnu Shares that they own or control, in the absence of a Superior Proposal. The Hunnu Directors' reasons for their recommendation are set out below.

## 2.2 The Offer Price represents a significant premium to recent trading prices of Hunnu Shares

The cash consideration to be received by Hunnu Shareholders who accept the Offer represents a significant premium to the levels that Hunnu's Shares traded prior to the announcement of the Offer.

The Offer of A\$1.80 per Hunnu Share represents a premium of:

- (a) 30% to the closing price of a Hunnu Share of A\$1.385 on 8 September 2011, being the last trading day prior to the Announcement Date;
- (b) 53% to the one month VWAP of A\$1.18 per Hunnu Share up to and including 8 September 2011; and
- (c) 41% to the three month VWAP of A\$1.28 per Hunnu Share up to and including 8 September 2011.

## 2.3 The Offer provides Hunnu Shareholders with certainty of cash

The Offer is to acquire all of your Hunnu Shares for cash.

By accepting the Offer:

- (a) you will receive A\$1.80 cash for each Hunnu Share in respect of which you accept the Offer (subject to the Offer becoming, or being declared, wholly unconditional);
- (b) in the usual case, you will be paid within one month after the later of the date of receipt of your acceptance and the date on which the Offer becomes, or is declared, wholly unconditional, and, in any event, within 21 days after the end of the Offer Period (subject to the Offer becoming, or being declared, wholly unconditional).

If your Hunnu Shares are registered in an Issuer Sponsored Holding in your name and you deliver them directly to Banpu, you will not incur any brokerage in connection with your acceptance of the Offer.

If your Hunnu Shares are registered in a CHESS Holding, or if you are a beneficial owner whose Hunnu Shares are registered in the name of a broker, bank, custodian or other nominee, you should ask your Controlling Participant (usually your stockbroker) or the relevant nominee whether it will charge any transaction fees or service charges in connection with acceptance of the Offer.

The Offer provides you with the opportunity to receive a certain cash return relative to retaining your Hunnu Shares. If you retain your Hunnu Shares, you will continue to be exposed to risks associated with, amongst other things:

- (a) Hunnu Share price volatility;
- (b) regulatory, sovereign and policy risk;
- (c) commodity price risk, in particular coal price;
- (d) foreign exchange risk;
- (e) funding risk;
- (f) exploration, development and operational risks; and
- (g) risks surrounding the development and/or access to infrastructure.

These (and other) risk factors are discussed in section 4.12 of this Target's Statement.

#### **2.4 There are risks in not accepting the Offer**

If Banpu does not acquire all of the Hunnu Shares, and no Superior Proposal is received by Hunnu, your Hunnu Directors believe that Hunnu's share price may fall to levels significantly below the Offer Price.

The Offers are subject to the Offer Conditions, including the Minimum Acceptance Condition, and Banpu has indicated that if it acquires a Relevant Interest in at least 90% of the Hunnu Shares and 90% of the Hunnu Options by the end of the Offer Period, it intends to:

- (a) proceed with compulsory acquisition of the outstanding Hunnu Shares and Hunnu Options in accordance with section 661B of the Corporations Act; and
- (b) arrange for Hunnu be removed from the official list of ASX. Under the ASX Listing Rules, a listed company must maintain a spread of share holdings which, in ASX's opinion, is sufficient to ensure there is an orderly and liquid market in securities. ASX may suspend and de-list a company that does not meet its spread requirements. It is possible that, whether or not Banpu intends for Hunnu to be de-listed, ASX may de-list Hunnu if Banpu acquires 90% or more of the Hunnu Shares.

Banpu has indicated that it does not currently intend to waive the Minimum Acceptance Condition (but reserves the right to do so). This means that if the Minimum Acceptance Condition is waived, there is a risk that, if you do not accept the Offer by the end of the Offer Period (and the other Offer Conditions are satisfied or waived), you may end up being a minority Hunnu Shareholder. This will have a number of possible implications, including:

- (a) Banpu may be in a position to cast the majority of votes at a general meeting of Hunnu. This will enable it to control the composition of the Hunnu Board and senior management, determine Hunnu's dividend policy and control the strategic direction of the business;
- (b) the liquidity of Hunnu Shares may be lower than at present;

- (c) there may be limited institutional support for Hunnu Shares;
- (d) if the number of Hunnu Shareholders is less than that required by the Listing Rules to maintain an ASX listing, then the ASX may suspend and/or de-list Hunnu. If this occurs, any remaining Hunnu Shareholders will not be able to sell their Hunnu Shares on market;
- (e) if Banpu acquires 75% or more of the Hunnu Shares, Banpu will be able to pass a special resolution of Hunnu. This will enable Banpu to, among other things, change Hunnu's constitution; and
- (f) if Banpu acquires a majority of the Hunnu Shares, your Hunnu Directors believe that it is unlikely that a subsequent takeover bid for Hunnu will emerge at a later date from a Third Party.

Hunnu Shareholders should take these possible implications into account in considering whether to accept the Offer.

The Hunnu Directors recommend that Hunnu Shareholders should accept the Offer promptly to ensure their acceptance is received before 7:00 pm (Sydney time) on Monday, 7 November 2011, in the absence of a Superior Proposal.

## **2.5 No Superior Proposal for Hunnu has emerged**

Your Hunnu Directors consider the Offer to be the best proposal available to Hunnu Shareholders and unanimously recommend that Hunnu Shareholders accept the Offer, in the absence of a Superior Proposal.

As at the last Business Day prior to the date of this Target's Statement, no competing proposal or Superior Proposal had been received by the Hunnu Board.

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### **3. DIRECTORS' RECOMMENDATION**

#### **3.1 Summary of Offer**

The consideration being offered by Banpu under the Offer is A\$1.80 cash for each Hunnu Share. The Offer is subject to a number of Offer Conditions. Those Offer Conditions are summarised in section 5.2 of this Target's Statement.

#### **3.2 Directors' recommendations**

After taking into account each of the matters in this Target's Statement and in the Bidder's Statement, each of the Hunnu Directors recommends that you accept the Offer (in the absence of a Superior Proposal).

The Hunnu Directors' reasons for their above recommendation are set out in section 2 of this Target's statement.

In considering whether to accept the Offer, the Hunnu Directors encourage you to:

- (a) read the whole of this Target's Statement and the Bidder's Statement;
- (b) have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances;
- (c) consider the choices available to you as outlined in section 4.10 of this Target's Statement;
- (d) carefully consider section 4.12 of this Target's Statement;
- (e) carefully consider section 2.4 of this Target's Statement, including the risks of becoming a minority Hunnu Shareholder;
- (f) obtain financial advice from your broker or financial adviser upon the Offer and obtain taxation advice on the effect of accepting the Offer.

#### **3.3 Intentions of the Hunnu Directors in relation to the Offer**

Each Hunnu Director has advised that they intend to, accept the Offer in respect of any Hunnu Shares that they own or control, in the absence of a Superior Proposal.

Details of the previously announced direct and indirect holdings of each Hunnu Director in Hunnu Shares are set out in section 7.1 of this Target's Statement.

#### **3.4 No brokerage payable**

If your Hunnu Shares are registered in an Issuer Sponsored Holding in your name and you deliver them directly to Banpu, you will not incur any brokerage in connection with your acceptance of the Offer.

If your Hunnu Shares are registered in a CHESS Holding, or if you are a beneficial owner whose Hunnu Shares are registered in the name of a broker, bank, custodian or other nominee, you should ask your Controlling Participant (usually your stockbroker) or the relevant nominee whether it will charge any transaction fees or service charges in connection with acceptance of the Offer.

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## **4. IMPORTANT MATTERS FOR HUNNU SHAREHOLDERS TO CONSIDER**

### **4.1 Banpu's Offer**

Banpu announced its intention to make the Takeover Bids for Hunnu on 12 September 2011. A summary of the Offer is contained in section 5 of this Target's Statement.

Banpu's Offer is open for acceptance until 7:00 pm (Sydney time) on Monday, 7 November 2011, unless it is extended or withdrawn (sections 5.5 and 5.6 of this Target's Statement describe the circumstances in which Banpu can extend or withdraw its Offer).

### **4.2 Information about Banpu and the Banpu Group**

Banpu PCL is a pan-Asian coal focused energy group with a diverse portfolio of coal mining and power assets in Thailand, Laos, Indonesia, Australia, China and Mongolia.

The shares of Banpu PCL are listed on the Stock Exchange of Thailand (SET: BANPU). As a result, Banpu PCL is subject to the disclosure obligations of the Stock Exchange of Thailand. These include obligations to disclose material information which may affect shareholders' rights, share price or investors' decisions whether to invest in Banpu PCL. Information concerning Banpu PCL is publicly available and may be accessed at [www.banpu.com](http://www.banpu.com).

Section 1 of the Bidder's Statement contains further information regarding Banpu.

### **4.3 Value of Banpu's Offer**

At a value of A\$1.80 per Hunnu Share, the Offer represents a:

- (a) 30% premium to the closing price of a Hunnu Share of A\$1.385 on 8 September 2011, being the last day Hunnu Shares traded prior to the Announcement Date;
- (b) 53% premium to the one month VWAP of A\$1.18 per Hunnu Share up to and including 8 September 2011; and
- (c) 41% premium to the three month VWAP of A\$1.28 per Hunnu Share up to and including 8 September 2011.

For further information on the value of the Offer, see section 2 of this Target's Statement.

### **4.4 Sources of consideration**

Information relating to the sources of consideration for the Offer are set out in section 4 of the Bidder's Statement.

### **4.5 Minority ownership consequences**

Banpu's Offer is presently subject to a Minimum Acceptance Condition. Banpu has the right to free its Offer from the Minimum Acceptance Condition. If Banpu waives the Minimum Acceptance Condition and acquires more than 50% but less than 90% of the Hunnu Shares then, assuming all other Offer Conditions are fulfilled or freed, Banpu will acquire a majority shareholding in Hunnu.

Accordingly, Hunnu Shareholders who do not accept the Offer may become minority shareholders in Hunnu. This has a number of possible implications, including:

- (a) Banpu will be in a position to cast the majority of votes at a general meeting of Hunnu. This will enable it to control the composition of Hunnu's Board and senior management, determine Hunnu's dividend policy and control the strategic direction of the businesses of Hunnu and its subsidiaries;
- (b) the liquidity of Hunnu Shares may be lower than at present;
- (c) there may be limited institutional support for Hunnu Shares;
- (d) if the number of Hunnu Shareholders is less than that required by the Listing Rules to maintain an ASX listing then the ASX may suspend and/or de-list Hunnu. If this occurs, any remaining Hunnu Shareholders will not be able to sell their Hunnu Shares on market;
- (e) if Banpu acquires 75% or more of the Hunnu Shares, Banpu will be able to pass a special resolution of Hunnu. This will enable Banpu to, among other things, change Hunnu's constitution;
- (f) if the number of Hunnu Shareholders is less than that required by the ASX Listing Rules to maintain an ASX listing then Banpu may seek to have Hunnu removed from the official list of the ASX. If this occurs, Hunnu Shares will not be able to be bought or sold on the ASX;
- (g) if Banpu acquires a majority of the Hunnu Shares on issue, your Hunnu Directors believe that it is unlikely that a subsequent takeover bid for Hunnu will emerge at a later date from a Third Party.

However, Banpu does not currently intend to waive the Minimum Acceptance Condition (but reserves the right to do so). See section 3.3 of the Bidder's Statement for further details of Banpu's intentions if it acquires more than 50% but less than 90% of the Hunnu Shares under the Offer.

#### **4.6 Dividend issues for Hunnu Shareholders**

Hunnu has never paid a dividend and the Board does not expect this to change in the short to medium term.

#### **4.7 Other alternatives to the Offer**

The Board is not aware of any alternatives to the Offer in order to maximise value for Hunnu Shareholders.

At this stage, the Board is not in a position to provide Hunnu Shareholders with information in relation to the probability of an alternative transaction arising but will keep Hunnu Shareholders informed of any material developments.

#### **4.8 Hunnu Share price absent the Offer**

While there are many factors that influence the market price of Hunnu Shares, your Hunnu Directors anticipate that, following the close of the Offer, the market price of Hunnu Shares may fall if Banpu's Offer fails or if the takeover is otherwise unsuccessful.

## 4.9 Taxation consequences of a change in control in Hunnu

The taxation consequences of accepting the Offer depend on a number of factors and will vary depending on your particular circumstances. A general outline of the Australian taxation considerations of accepting the Offer are set out in section 5 of the Bidder's Statement.

You should carefully read and consider the taxation consequences of accepting the Offer. The outline provided in the Bidder's Statement is of a general nature only and you should seek your own specific professional advice as to the taxation implications applicable to your circumstances.

## 4.10 Your choices as an Hunnu Shareholder

**Your Hunnu Directors unanimously recommend that you accept the Offer (in the absence of a Superior Proposal).**

However, as an Hunnu Shareholder you have two choices currently available to you:

### (a) **Accept the Offer**

Hunnu Shareholders may elect to accept the Offer. Details of the consideration that will be received by Hunnu Shareholders who accept the Offer are set out in section 5.1 of this Target's Statement and in the Bidder's Statement.

Hunnu Shareholders should be aware that if they accept the Offer Banpu they may be liable for CGT on the disposal of their Hunnu Shares. However, they will not incur a brokerage charge (see section 7.11(a) of the Bidder's Statement).

The Bidder's Statement contains details of how to accept the Offer in section 7.4 of the Bidder's Statement. Such details are also included on page 9 of this Target's Statement.

### (b) **Do not accept the Offer**

Hunnu Shareholders who do not wish to accept the Offer should do nothing.

Hunnu Shareholders should note that if Banpu and its associates have a Relevant Interest in at least 90% of the Hunnu Shares during or at the end of the Offer Period, Banpu will be entitled to compulsorily acquire the Hunnu Shares that it does not already own (see section 5.12 of this Target's Statement for further details).

If Banpu acquires more than 50% but less than 90% of the Hunnu Shares then, assuming all other Offer Conditions are fulfilled or freed, Banpu will acquire a majority shareholding in Hunnu. In these circumstances, shareholders who do not accept the Offer will become minority shareholders in Hunnu. The potential implications of becoming a minority shareholder in Hunnu are discussed in section 4.5 of this Target's Statement.

However, Banpu does not currently intend to waive the Minimum Acceptance Condition (but reserves the right to do so). See section 3.3 of the Bidder's Statement for further details of Banpu's intentions if it

acquires more than 50% but less than 90% of the Hunnu Shares under the Share Offer.

(c) **Sell your Hunnu Shares on market**

During a takeover, shareholders of a target company who have not already accepted the bidder's offer may still sell these shares on market for cash.

On 28 September 2011, the day prior to the date on which this Target's Statement was lodged with ASIC, Hunnu's share price was A\$1.69, being a discount to the Offer Price. The latest price for Hunnu's Shares may be obtained from the ASX website.

Hunnu Shareholders who sell their Hunnu Shares on market may be liable for CGT on the sale (see section 5 of the Bidder's Statement and section 8 of the Target's Statement) and may incur a brokerage charge.

Hunnu Shareholders who wish to sell their Hunnu Shares on market should contact their broker for further information on how to effect that sale.

#### **4.11 Hunnu employees and Hunnu Optionholders**

If you are a Hunnu employee and are a participant in the Hunnu's Incentive Option Plan, please refer to section 9.7 of this Target's Statement for information regarding the effect of the Takeover Bids on your interest in Hunnu Shares and Hunnu Options.

If you are a holder of Hunnu Options you will be sent an Option Bidder's Statement and Option Target's Statement, which sets out the alternatives available to you with respect of your Hunnu Options in connection with the Takeover Bids. Your Hunnu Directors encourage you to read the information regarding the Option Offer sent to you.

#### **4.12 Risk factors**

(a) **Introduction**

In considering this Target's Statement, Hunnu Shareholders should be aware that there are a number of risks, general and specific, which may affect the future operating and financial performance of Hunnu and the value of Hunnu Shares. Many of these risks are relevant to Hunnu Shareholders today and will be relevant to Hunnu Shareholders who remain as Hunnu Shareholders following the completion of the Takeover Bids.

Many of these risks are outside the control of Hunnu and the Hunnu Board. There can be no certainty that Hunnu will achieve its stated objectives or that any forward looking statements will eventuate.

Additional risks and uncertainties not currently known to Hunnu may have a material adverse effect on Hunnu's business and the information set out below does not purport to be, nor should it be construed as representing, an exhaustive list of the risks that may affect Hunnu.

Hunnu Shareholders should read this Target's Statement in its entirety and carefully consider the following risk factors in deciding whether to accept the Offer.

(b) **Share price**

There is a risk that the Hunnu Share price may fall if the Offer is unsuccessful.

(c) **Exploration and production risks**

The future viability and profitability of Hunnu as an exploration company, and production company if it commences production at its Mining Interests, in particular the Tsant Uul Coal Project which it intends to enter into production at the end of 2011, will be dependent on a number of factors, including, but not limited to, the following:

- (i) commodity prices fluctuations, including the price of coal, which the demand for, and price of, is highly dependent on a variety of factors, including international supply and demand, the quality and tonnages produced, the price and availability of alternative fuels, actions taken by governments, and global economic and political developments;
- (ii) exchange rate fluctuations in particular in the A\$, US\$ and MNT may have a material effect on the cash flow and earnings which Hunnu will realise from its operations;
- (iii) risks inherent in exploration and mining including, among other things, successful exploration and exploitation of ore resources, satisfactory performance of mining operations and competent management;
- (iv) increases in the capital costs of project development and price of inputs to the production process, occurring as a consequence of global economic conditions, delays, demand for resources and other factors;
- (v) resource estimates, including those contained in this Target's Statement are expressions of judgment based on knowledge, experience and industry practice. Often these estimates were appropriate when made but may change significantly when new information becomes available. There are risks associated with such estimates, including that coal mined may be of a different quality, tonnage or strip ratio from the estimates. Resource estimates are necessarily imprecise and depend to some extent upon interpretations, which may ultimately prove to be inaccurate and require adjustment. Adjustments to Hunnu resources could affect Hunnu's development and mining plans;
- (vi) insurance against all risks associated with mineral exploration and production is not always available or affordable. Hunnu will maintain insurance where it is considered appropriate for its needs however it will not be insured against all risks either because appropriate cover is not available or because the Hunnu Directors consider the required premiums to be excessive having regard to the benefits that would accrue;

- (vii) Hunnu will be competing with other companies in the resource sector many of which will have access to greater resources than Hunnu and may be in a better position to compete for future business opportunities. There can be no assurance that Hunnu can compete effectively with these companies;
- (viii) there can be no assurance that exploration of the Mining Interests, or any other tenements that may be acquired in the future, will result in the discovery of an economic ore deposit or JORC Code resource classification. Little exploration has taken place on some of Hunnu's Mining Interests. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited;
- (ix) the prospects of Hunnu must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of exploration and development, particularly in the mineral exploration sector which has a high level of inherent uncertainty;
- (x) interests in mining projects in Mongolia are governed by the respective Mongolian law, regulation and policy and are evidenced by the granting of licences or leases. Each Mining Interest or lease is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, Hunnu could lose title to or its interest in Mining Interests if licence conditions are not met or if insufficient funds are available to meet expenditure commitments;
- (xi) Hunnu faces sovereign risk associated with operating in Mongolia, and its operations being subject to the jurisdiction of Mongolia's courts. Mongolia is a young democratic country which is experiencing a transition to a market economy, and its legal system, policies and judicial procedure and policies are developing, which presents a certain level of uncertainty and risk;
- (xii) some of the Mining Interests that Hunnu holds an interest in, or has a right to acquire an interest in, are limited to the right to explore and mine coal. This means that other entities may have the right to explore and mine other minerals on the Mining Interests and such activities may adversely impact on Hunnu's exploration on those Mining Interests;
- (xiii) Hunnu intends to move into coal production at the Tsant Uul Coal Project at the end of 2011. It is common in new mining operations, to experience unexpected problems and delays during development, construction and mine start-up which might delay the commencement of coal production. Accordingly, there is no assurance that Hunnu's future exploration and development activities will develop into profitable mining operations;
- (xiv) in the event of the successful development of coal deposits, the marketing of Hunnu's prospective production of coal from such deposits will be dependent on market fluctuations and the

availability of processing, storage and transportation infrastructure, including access to transportation infrastructure, which Hunnu may have limited or no control over. The right to export coal may depend on obtaining licences, the granting of which may be at the discretion of the relevant regulatory authorities. There may be delays in obtaining such licences leading to the income receivable by Hunnu being adversely affected, and it is possible that from time to time export licences may be refused;

- (xv) several of Hunnu's projects are located in regions within Mongolia that are poorly serviced by infrastructure, including roads, electricity, running water and health and emergency services. The lack of infrastructure may impact negatively on the economic viability of any deposits discovered by Hunnu in other regions and may require Hunnu to negotiate access to existing infrastructure and/or invest substantial amounts on the upgrade of existing infrastructure or development of new infrastructure;
- (xvi) retention of key employees and key technical personnel to continue to develop and manage Hunnu's projects. The loss of senior management, Directors and key technical personnel could have a material adverse effect on the business of Hunnu; and
- (xvii) environmental management issues with which Hunnu may be required to comply from time to time and the potential risk that regulatory environmental requirements or circumstances could impact on the economic performance of Hunnu's operations.

(d) **General risks**

The future viability and profitability of Hunnu is also dependent on a number of other factors affecting performance of all industries and not just the exploration and mining industries, including, but not limited to, the following:

- (i) the strength of the equity and debt markets in Australia and throughout the world;
- (ii) risks associated with the current global economic environment;
- (iii) general economic conditions in Australia, Mongolia and their major trading partners and, in particular, inflation rates, interest rates, commodity supply and demand factors and industrial disruptions;
- (iv) the need to obtain additional fundraising on terms acceptable to Hunnu. Any additional equity financing may be dilutive to Hunnu Shareholders and any debt financing, if available, may involve restrictive covenants, which may limit Hunnu's operations and business strategy;
- (v) financial failure or default by a participant in contractual relationship to which Hunnu is, or may become, a party;

- (vi) insolvency or other managerial failure by any of the contractors or service providers used by Hunnu in its activities; and
  - (vii) industrial or other disputes in Mongolia and elsewhere in the world.
- (e) **Risk relating to effect of a change of control on Hunnu's financing arrangements and material agreements**

One of Hunnu's material agreements contains a change of control provision. Hunnu Shareholders should read section 9.2 of this Target's Statement which sets out the effect of a change of control in Hunnu on Hunnu's financing arrangements and material agreements.

#### **4.13 Other factors to consider - why you might not wish to accept the Offer**

The Hunnu Directors consider that Hunnu Shareholders should also be aware of the following factors in making their decision in relation to the Offer:

- (a) you may disagree with the Hunnu Directors, and believe that the Offer is not in the interests of Hunnu Shareholders;
- (b) there is a possibility that international economic conditions will materially improve in the future. Any such improvement may have a positive impact on the demand for coal and the price that Hunnu receives for the coal it produces;
- (c) Hunnu is one of only a limited number of independent, exclusively coal-focused, ASX-listed resource companies. By accepting the Offer for all of your Hunnu Shares, you will no longer have any economic exposure to Hunnu's future operations, results and performance; and
- (d) you may consider that you will have the opportunity to dispose of your Hunnu Shares at a price in excess of A\$1.80 per Hunnu Share in the future.

Despite these factors, the Hunnu Directors unanimously recommend that you accept the Offer, and each Director of Hunnu intends to accept, the Offer in respect of any Hunnu Shares that they own or control, in the absence of a Superior Proposal.

The Hunnu Directors also encourage Hunnu Shareholders to carefully read the risk factors in section 4.12 of this Target's Statement associated with retaining an investment in Hunnu and the potential effects on Hunnu's financing arrangements and material agreements in section 9.2 of this Target's Statement.

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## 5. KEY FEATURES OF BANPU'S OFFER

### 5.1 Consideration payable to Hunnu Shareholders who accept the Offer

The consideration being offered by Banpu is A\$1.80 cash for each Hunnu Share that Banpu does not already own.

### 5.2 Offer Conditions

Banpu's Offer is subject to a number of Offer Conditions. The Offer Conditions are set out in full in section 7.7 of the Bidder's Statement and Annexure A of this Target's Statement.

In summary, the outstanding Offer Conditions to the Offer, as at the date of this Target's Statement, are:

- (a) Banpu acquiring a Relevant Interest in at least 90% of all the Hunnu Shares on issue and 90% of all Hunnu Options on issue, and becomes entitled to compulsorily acquire all outstanding Hunnu Shares and Hunnu Options;
- (b) Banpu obtaining FIRB Approval;
- (c) there is no prescribed occurrence, as that term is defined in Annexure A to this Target's Statement;
- (d) there is no action by a Government Agency that adversely affects the Takeover Bids;
- (e) Banpu receives all approvals which are required by law or by a Government Agency to permit the Offers, and acquisition of the Hunnu Shares and Hunnu Options contemplated by the Takeover Bids;
- (f) certain conduct of business requirements are not breached;
- (g) there are no material failings in filings by Hunnu;
- (h) no person has any rights as a result of Banpu acquiring Hunnu Shares with respect to any material assets, material agreements or other legal arrangements;
- (i) there are no force majeure events;
- (j) there is no Hunnu Material Adverse Change;
- (k) there are no Mining Interests that are revoked, terminated or expire without there being a reasonable likelihood of such Mining Interest being promptly renewed or extended on terms which are no less favourable to the relevant member of the Hunnu Group;
- (l) there is no direct or indirect disposal of, or Encumbrance over, the Mining Interests;
- (m) no litigation is threatened in writing or commenced against any member of the Hunnu Group which may reasonably result in a judgement of \$5 million or more;
- (n) the S&P/ASX 200 index does not fall below 3,500; and

- (o) the PPS Act Condition being satisfied.

As at the date of this Target's Statement, Hunnu is not aware of any act, omission, event or fact that would result in the failure of any of the Offer Conditions.

Subject to the Corporations Act, Banpu may declare the Offer to be free from any Offer Condition or to extend the Offer at any time.

### **5.3 Notice of Status of Conditions**

Section 7.8(d) of the Bidder's Statement provides that Banpu will give a Notice of Status of Conditions to the ASX and Hunnu on Friday, 28 October 2011 (subject to variation in accordance with section 630(2) of the Corporations Act if the Offer Period is extended).

Banpu is required to set out in its Notice of Status of Conditions:

- (a) whether the Offer is free of any or all of the conditions;
- (b) whether, so far as Banpu knows, any of the Offer Conditions have been fulfilled; and
- (c) Banpu's voting power in Hunnu.

If the Offer Period is extended by a period before the time by which the Notice of Status of Conditions is to be given, the date for giving the Notice of Status of Conditions will be taken to be postponed for the same period. In the event of such an extension, Banpu is required, as soon as practicable after the extension, to give a notice to the ASX and Hunnu that states the new date for the giving of the Notice of Status of Conditions.

If a condition is fulfilled (so that the Offer becomes free of that condition) during the Offer Period but before the date on which the Notice of Status of Conditions is required to be given, Banpu must, as soon as practicable, give the ASX and Hunnu a notice that states that the particular condition has been fulfilled.

### **5.4 Offer Period**

Unless Banpu's Offer is extended or withdrawn, it is open for acceptance from Tuesday, 4 October 2011 until 7:00 pm (Sydney time) on Monday, 7 November 2011.

The circumstances in which Banpu may extend or withdraw its Offer are set out in section 5.5 and section 5.6 respectively of this Target's Statement.

### **5.5 Extension of the Offer Period**

Banpu may extend the Offer Period at any time before giving the Notice of Status of Conditions (referred to in section 6.3 in this Target's Statement) while the Offer is subject to conditions. However, if the Offer is unconditional (that is, all the Offer Conditions are fulfilled or freed), Banpu may extend the Offer Period at any time before the end of the Offer Period.

In addition, there will be an automatic extension of the Offer Period if, within the last 7 days of the Offer Period:

- (a) Banpu improves the consideration offered under the Offer; or

- (b) Banpu's voting power in Hunnu increases to more than 50%.

If either of these two events occurs, the Offer Period is automatically extended so that it ends 14 days after the relevant event occurs.

## **5.6 Withdrawal of Offer**

Banpu may not withdraw the Offer if you have already accepted it. Before you accept the Offer, Banpu may withdraw the Offer with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

## **5.7 Effect of acceptance**

The effect of acceptance of the Offer is set out in section 7.5 of the Bidder's Statement. Hunnu Shareholders should read these provisions in full to understand the effect that acceptance will have on their ability to exercise the rights attaching to their Hunnu Shares and the representations and warranties which they give by accepting of the Offer.

## **5.8 Your ability to withdraw your acceptance**

You only have limited rights to withdraw your acceptance of the Offer.

You may only withdraw your acceptance of the Offer if:

- (a) as described in section 7.8(a)(i)(C) or 7.8(a)(i)(D) of the Bidder's Statement;
- (b) the Offer terminates in accordance with section 7.8(e) of the Bidder's Statement; or
- (c) Banpu varies the Offer in a way that postpones, for more than one month, the time when Banpu needs to meet its obligations under the Offer. This will occur if Banpu extends the Offer Period by more than one month and the Offer is still subject to conditions.

## **5.9 When you will receive your consideration if you accept the Offer**

In the usual case, you will be issued your consideration on or before the later of:

- (a) one month after the date the Offer becomes, or is declared, unconditional; and
- (b) one month after the date you accept the Offer if the Offer is, at the time of acceptance, unconditional,

but, in any event (assuming the Offer becomes, or is declared, unconditional), no later than 21 days after the end of the Offer Period.

However, there are certain exceptions to the above timetable for the issuing of consideration. Full details of when you will be issued your consideration are set out in section 7.6 of the Bidder's Statement.

## **5.10 Effect of an improvement in consideration on Hunnu Shareholders who have already accepted the Offer**

If Banpu improves the consideration offered under the Offer, all Hunnu Shareholders, whether or not they have accepted the Offer before that

improvement in consideration, will be entitled to the benefit of that improved consideration.

## **5.11 Lapse of Offer**

The Offer will lapse if the Offer Conditions are not freed or fulfilled by the end of the Offer Period (or in the case of the conditions in section 7.7(c) of the Bidder's Statement, within 3 Business Days after the end of the Offer Period), in which case, all contracts resulting from acceptance of the Offer and all acceptances that have not resulted in binding contracts are void. In that situation, you will be free to deal with your Hunnu Shares as you see fit.

## **5.12 Compulsory acquisition**

### **(a) Introduction**

Banpu has indicated in section 3.2 of its Bidder's Statement that, if it satisfies the required thresholds, it intends to compulsorily acquire any outstanding Hunnu Shares in accordance with the Corporations Act. Accordingly, Hunnu Shareholders should assume that, if Banpu becomes entitled to exercise its right to compulsorily acquire any outstanding Hunnu Shares, Banpu will exercise that right.

### **(b) Compulsory acquisition within one month after the end of the Offer Period**

Banpu will be entitled to compulsorily acquire any Hunnu Shares in respect of which it has not received an acceptance of its Offer on the same terms as the Offer if, during or at the end of the Offer Period:

- (i) Banpu and its Related Bodies Corporate acquire Relevant Interests in at least 90% (by number) of the Hunnu Shares; and
- (ii) Banpu and its Related Bodies Corporate have acquired at least 75% (by number) of the Hunnu Shares that Banpu offered to acquire (excluding Hunnu Shares in which Banpu or its Related Bodies Corporate had a Relevant Interest at the date of the Offer and also excluding Hunnu Shares issued to an associate of Banpu during the Offer Period).

If these thresholds are met and Banpu wishes to exercise its right to compulsorily acquire any outstanding Hunnu Shares, Banpu will have one month after the end of the Offer Period within which to give compulsory acquisition notices to Hunnu Shareholders who have not accepted the Offer. Hunnu Shareholders have certain rights under the Corporations Act to challenge a compulsory acquisition pursuant to the procedure outlined in the Corporations Act, but a successful challenge will require the relevant Hunnu Shareholder to establish to the satisfaction of a court that the terms of the Offer do not represent 'fair value' for their Hunnu Shares. If compulsory acquisition occurs, Hunnu Shareholders who have their Hunnu Shares compulsorily acquired are likely to be sent their consideration approximately five to six weeks after the compulsory acquisition notices are dispatched to them.

### **(c) Alternative compulsory acquisition regime**

It is also possible that Banpu will, at some time during or after the end of the Offer Period, either alone or with a Related Body Corporate, hold full

beneficial interests in at least 90% (by number) of all the Hunnu Shares. Banpu would then have rights to compulsorily acquire all of the Hunnu Shares that it does not own within six months of becoming the holder of 90% (by number) of all the Hunnu Shares. The price which Banpu would have to pay to compulsorily acquire all of the remaining Hunnu Shares under this alternative compulsory acquisition regime would have to be considered in a report of an independent expert.

Hunnu Shareholders would have certain rights under the Corporations Act to challenge a compulsory acquisition pursuant to the procedures outlined in the Corporations Act, but a challenge would require people who hold at least 10% of the Hunnu Shares that are proposed to be the subject of the compulsory acquisition to object to the compulsory acquisition. If people holding such number of Hunnu Shares object to the compulsory acquisition, and Banpu still wishes to proceed with the compulsory acquisition, Banpu would be required to establish to the satisfaction of a court that the terms of the compulsory acquisition represent 'fair value' for the Hunnu Shares. In the absence of a challenge by people holding the requisite number of Hunnu Shares, Hunnu Shareholders who have their Hunnu Shares compulsorily acquired under this procedure are likely to be sent their consideration approximately five to six weeks after the compulsory acquisition notices are dispatched to them.

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## 6. INFORMATION REGARDING HUNNU

### 6.1 Background information on Hunnu

Hunnu was incorporated on 19 August 2009 and was formed with the aim of acquiring and exploring coal projects in Mongolia. Hunnu operates in Mongolia through its subsidiary company Hunnu Coal Resources LLC, a Mongolian incorporated company.

Hunnu has established interests in a portfolio of thermal and coking coal projects in the world class basin of southern Mongolia.

Hunnu's strategy is to discover and develop high quality coking and thermal coal deposits located proximal to existing or planned transport infrastructure and/or within proximal distance to Chinese border crossing points.

### 6.2 Directors of Hunnu

As at the date of this Target's Statement, the directors of Hunnu are:

<b>Name</b>	<b>Position</b>
Matthew Wood	Executive Chairman
Lkhagvadorj (George) Tumur	Managing Director
Daniel Crennan	Non Executive Director
Timothy Flavel	Executive Director

### 6.3 Publicly available information about Hunnu

Hunnu is a listed disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a listed company, Hunnu is subject to the ASX Listing Rules which require continuous disclosure of any information Hunnu has that a reasonable person would expect to have a material effect on the price or value of its securities.

Copies of ASX announcements made by Hunnu are available on ASX's website.

### 6.4 Principal activities of Hunnu

Hunnu's principal coking and thermal coal projects are located in South and Middle Gobi regions and the Gobi-Altai region.

#### *Tsant Uul Coal Project (Hunnu 80%)*

The Tsant Uul Coal Project is located 40 km south of the Tavan Tolgoi coal deposit and covers over 69,233 ha. In July 2011, the Mineral Authority of Mongolia granted mining licence MV - 016872 over part of the area of the project. The mining licence has an initial term of 30 years with an option for two twenty year extensions, providing for a potential of 70 years of mining operations.

Hunnu has a total JORC Resource for this project of 167.1Mt with 93.8Mt classified as Measured (40.9Mt) and Indicated (52.9Mt). In addition to this, there has been a new coal discovery 7km north of the main deposit.

Hunnu is targeting commencement of mining in the last quarter of 2011.

TABLE 1: TSANT UUL DEPOSIT JORC RESOURCE SUMMARY TONNES

Resource Category	Mt
Measured	40.9
Indicated	52.9
Inferred	73.3
TOTAL	167.1

*Altai Nuurs Project (Hunnu 80%/70%)*

Hunnu has a controlling interest in the Altai Nuurs Project comprising: 80% of 8 licences (including four mining licences) are held by Hunnu Gobi Altai LLC (formerly Rio Gobi LLC); and 70% of 2 licences are held by Rio AD LLC, being subsidiaries of Rio Tinto Development (now known as Hunnu Altai LLC) incorporated in Mongolia.

The project comprises six exploration licenses totalling 46,212ha and four mining licenses totalling 202ha. Hunnu is in the process of modelling data for JORC Code reporting purposes. This modelling suggests a low strip ratio of 3.5:1 for an open cut mine. Hunnu has also commenced an extensive drill programme. Preliminary test work previously undertaken indicates the coking coal parameters compare favourably with similar coking coal projects elsewhere in the world.

TABLE 2: COMPARISON OF KEY PARAMETERS OF COAL FROM RC DRILLING AT ALTAI NUURS TO OTHER COAL DEPOSITS.

Parameter	Altai Nuurs (Hunnu)	Tavan Tolgoi	Moatize (BHPB)	Peak Downs (BHPB)
Moisture (% ad)	1.6	n/a	n/a	1.0
Ash (% ad)	10.7	7.8	10.5	9.7
Volatile Matter (% ad)	18.0	26.5	22-25	20.5
Cal. Val. (kcal/kg, ad)	7,460	7,770	~7,400	n/a
Crucible Swelling No.	8.5	8	8	8.5
Total Sulphur (% ad)	0.48	0.39	0.8- 0.9	0.6
Phosphorous (% ad)	0.017	0.06	0.08-0.10	0.04
Alkalinity Index	0.56	0.65	n/a	0.66
Coke Strength Ratio	>70 (est)	65 (est)	> 65	74

As a number of the mining licences for this project have already been granted, and given the close proximity of this project to sale points (either at the mine gate, or at the Chinese border point at Burgastai in Western China which is only 250km by road) Hunnu intends to fast track the development of this project.

*Unst Khudag Coal Project (Hunnu 80%)*

The Unst Khudag Coal Project is located in Dundgobi province, and is 290km from Ulaanbaatar, the capital and largest city of Mongolia, and approximately

180km from existing Mongolian railway infrastructure. The project consists of two exploration licenses and one mining license covering over 59,000 ha.

This project has a total JORC Resource of 676Mt with 600.8Mt classified as Measured (540.9Mt) and Indicated (59.9Mt).

Hunnu has completed construction of a rail loading spur at the Choir railway station, and secured 3Mt per annum of capacity on the existing Trans-Mongolian Railway. A feasibility study on building a railway from the mine site to access the Trans-Mongolian Railway via the Choir railway station is currently being finalised and it is envisaged that this would enable 10-20Mt of +5,000Kcal coal to be transported to the Chinese border per annum.

TABLE 3: UNST KHUDAG DEPOSIT JORC RESOURCE SUMMARY TONNES

Resource Category	Mt
Measured	540.9
Indicated	59.9
Inferred	75.6
TOTAL	676.4

*Tenuun-2 Coal Project (Hunnu 60%)*

Hunnu has acquired a 60% interest in the coal rights to the Tenuun-2 Coal Project and has committed to staged payments and expenditure. The project covers approximately 30,360 ha and has two main areas of interest in the southern and northwest parts of the project area. Extensive drilling, geological mapping and geophysical survey studies were undertaken during 2010. A JORC Resource estimate is currently being calculated for this project.

*Buyan Coal Project (Hunnu 60%)*

The Buyan Coal Project is located within the giant Tavan Tolgoi Coking Coal Field and is within 10km of existing exporting coking coal mines in the South Gobi region. The project covers approximately 76 ha. It is expected to benefit from existing infrastructure in place. A detailed exploration program is planned to commence on the project from 2012.

*Baruun Tsokhio Coal Project (Hunnu 60%)*

The Baruun Tsokhio Coal Project is prospective for both coking and thermal coals. The project covers 38,600 ha and exploration is planned to commence on the project from 2012.

*Khuree-2 Coal Project (Hunnu 60%)*

The Khuree-2 Coal Project is located in the South Gobi coal province. The project covers approximately 28,823 ha and Hunnu has acquired a 60% interest in the coal rights and has a commitment of staged payments and expenditure.

*Tsagaan Delger Coal Project (Hunnu 70%)*

The Tsagaan Delger Coal Project is located in Middle Gobi province and the project covers approximately 10,454 ha. The project is at an early stage with minimal exploration to date. Drilling has commenced at the project.

#### *Delgerekh Coal Project (Hunnu 70%)*

The Delgerekh Coal Project is located in Middle Gobi province. The project covers approximately 10,943 ha with exploration planned for the third quarter of 2011. Hunnu has the right to earn an 85% interest in the project through expenditure and staged payments.

#### *Ar Zuun Gol and Zuun Gol Coal Projects (Hunnu 70%)*

Hunnu has a 70% interest in the Zuun Gol and Ar Zuun Gol Coal Projects and Hunnu intends to commence exploration on these projects from 2012. The projects consist of 2 contiguous exploration licences covering over 25,640 ha.

#### *Munkhhaan, Nariin Khudgiin Khundii & Havtsaliin Khudgiin Khundii Projects (Hunnu 60%/70%)*

Hunnu has either a 60 or 70% interest in the coal rights associated with the Munkhhaan Nariin Khudgiin Khundii & Havtsaliin Khudgiin Khundii Projects and has a commitment of staged payments and expenditure. The projects cover over 36,233 ha and exploration drilling has commenced. .

### **6.5 Financial information and related matters**

Hunnu's last published audited financial statements are for the financial year ended 31 December 2010 and were lodged with ASX on 17 March 2011.

Details of Hunnu's operational, financial and exploration activities for the intervening periods are provided in Hunnu's quarterly and half year reports lodged with the ASX on:

- (a) 29 April 2011 (for the quarter ending 31 March 2011);
- (b) 29 July 2011 (for the quarter ending 30 June 2011); and
- (c) 9 September 2011 (for the half year ended 30 June 2011).

Copies of these reports may be obtained from Hunnu's website at [www.hunnucoal.com](http://www.hunnucoal.com).

So far as the Hunnu Directors are aware:

- (a) the financial position of Hunnu has not materially changed since the date of the half year report dated 9 September 2011 for the half year ending 30 June 2011 other than a reduced cash position in the normal course of operating its business; and
- (b) there has not been any matter or circumstances, other than those referred to in the half year report dated 9 September 2011 and this Target's Statement that has significantly affected, or may significantly affect the operations or the financial position of Hunnu, the results of operations of Hunnu, or the state of affairs of Hunnu in future financial years.

Hunnu Shareholders should consider section 9.2 of the Bidder's Statement in connection with the potential effect of the Offer and Option Offer on Hunnu's financing arrangements and material contracts.

## 6.6 Forecast financial information for the Hunnu Group

Hunnu has given careful consideration as to whether a reasonable basis exists to produce reliable and meaningful forecast financial information. The Hunnu Directors have concluded that, as at the date of this Target's Statement, it would be misleading to provide forecast financial information for the Hunnu Group, as a reasonable basis does not exist for providing forecasts that would be sufficiently meaningful and reliable as required by applicable law, policy and market practice.

The financial performance of the Hunnu Group in any period will be influenced by various factors that are outside the control of the directors and that cannot, at this time, be predicted with a high level of confidence. In particular, the financial performance of the Hunnu Group will be materially affected by:

- (a) prevailing exchange rates, especially between the A\$/US\$/MNT exchange rate, which are subject to material change from time to time; and
- (b) costs related to exploration, development and operating activities.

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## 7. INFORMATION RELATING TO THE HUNNU DIRECTORS

### 7.1 Interests and dealings in Hunnu securities

#### (a) Interests in Hunnu securities

As at the date of this Target's Statement, the Hunnu Directors had the following Relevant Interests in Hunnu Shares and Hunnu Options:

Director	Hunnu Shares	Hunnu Options – exercisable at \$0.20 each on or before 31 December 2014	Hunnu Options – exercisable at \$1.00 each on or before 30 June 2015	Hunnu Options – exercisable at \$2.00 each on or before 31 May 2014
Matthew Wood	7,725,001	500,000	Nil	2,500,000
Timothy Flavel	4,922,500	500,000	Nil	1,500,000
Lkhagvadorj (George) Tumur	6,012,501	500,000	Nil	4,000,000
Daniel Crennan	215,000	Nil	500,000	500,000

#### (b) Dealings in Hunnu Shares and Options

No Hunnu Director has acquired or disposed of a Relevant Interest in any Hunnu Shares or Hunnu Options in the 4 month period ending on the date immediately before the date of this Target's Statement, other than the acquisition by each Hunnu Director of Hunnu Options exercisable at \$2.00 each on or before 31 May 2014, issued to Hunnu Directors on 13 June 2011.

### 7.2 Interests and dealings in Banpu securities

#### (a) Interests in Banpu Group securities

As at the date immediately before the date of this Target's Statement, no Hunnu Director had a Relevant Interest in any Banpu Group securities.

#### (b) Dealings in Banpu securities

No Hunnu Director has acquired or disposed of a Relevant Interest in any Banpu Group securities in the 4 month period ending on the date immediately before the date of this Target's Statement.

### 7.3 Benefits and agreements

#### (a) Benefits in connection with retirement from office

As a result of the Offer, no person has been or will be given any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that

person, or someone else, from a board or managerial office of Hunnu or related body corporate of Hunnu.

(b) **Agreements connected with or conditional on the Offer**

There are no agreements made between any Hunnu Director and any other person in connection with, or conditional upon, the outcome of the Offer other than in their capacity as a holder of Hunnu Shares or Hunnu Options.

(c) **Benefits from Banpu Group**

None of the Hunnu Directors have agreed to receive, or are entitled to receive, any benefit from any member of the Banpu Group which is conditional on, or is related to, the Offer, other than in their capacity as a holder of Hunnu Shares or Hunnu Options.

(d) **Interests of directors in contracts with Banpu**

None of the Hunnu Directors have any interest in any contract entered into by any member of the Banpu Group.

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## **8. AUSTRALIAN TAXATION CONSEQUENCES**

### **8.1 Introduction**

This section 8 provides a summary of the Australian income tax, GST and stamp duty consequences relating to the acceptance of the Offer by Australian resident and Foreign Resident Hunnu Shareholders who hold their Hunnu Shares on capital account.

This section does not consider the Australian income tax, GST and stamp duty consequences that arise for:

- (a) Hunnu Shareholders who hold their Hunnu Shares as trading stock or revenue assets;
- (b) financial institutions, insurance companies, partnerships, tax exempt organisations, superannuation funds or temporary residents (unless expressly stated);
- (c) dealers in securities;
- (d) Australian residents who hold their Hunnu Shares as part of an enterprise carried on, at or through a permanent establishment in a foreign country; and
- (e) Hunnu Shareholders who change their tax residence while holding Hunnu Shares.

The information contained in this section is intended to provide a general outline of the Australian tax consequences based on the Australian tax laws as at the date of this Target's Statement and is not intended to be a complete analysis of all the potential tax consequences that could arise for Hunnu Shareholders. Accordingly, this information should not be relied upon as advice and Hunnu Shareholders should seek their own advice to confirm the tax consequences that may arise in relation to the Offer.

The information contained in this section is based on the Income Tax Assessment Act 1936 (Cth), the Income Tax Assessment Act 1997 (Cth), the GST Act, relevant stamp duty legislation, applicable case law and published Australian Taxation Office and State/Territory Revenue authority rulings, determinations and statements of administrative practice at the date of this Target's Statement. Australian tax laws may be amended at any time and therefore the tax consequences discussed in this section may change if there is a change in the tax laws after the date of this Target's Statement.

The commentary in this section is confined to tax issues which are only one part of the many matters that investors need to consider when making a decision about their investments. Under the Corporations Act, the commentary in this section is not required to be provided by a holder of an Australian Financial Services Licence (**AFSL**). Hunnu Shareholders should consider taking advice from the holder of an AFSL.

### **8.2 Current Hunnu employees**

If you are a current Hunnu employee please note that this section does not consider the Australian tax consequences that will arise for current Hunnu employees who acquired Hunnu Shares or Hunnu Options under any one of

Hunnu's employee incentive plans. These tax consequences will be addressed in the tax summaries included in the Option Target's Statement and Option Bidder's Statement that have been separately provided to relevant Hunnu employees.

### **8.3 Former Hunnu employees**

If you are a former Hunnu employee and have acquired your Hunnu Shares under the Incentive Option Plan, you should be aware that your acquisition date for CGT purposes may not necessarily be the date the shares were first acquired or allocated to you. Your acquisition date for CGT purposes will determine whether or not you are eligible for the CGT discount concession (refer to section 8.4(c) below). It is suggested that you refer to the documentation provided to you when you were invited to participate in any of the above plans and/or seek your own independent tax advice. You should note that your tax outcome will be dependent upon choices or elections made by you at the time your interests were acquired under the above plans. Subject to the comments above, the remainder of this section should apply to you.

### **8.4 Hunnu Shareholders who accept the Offer**

#### **(a) Disposal of Hunnu Shares**

The acceptance of the Offer will give rise to a CGT event for Hunnu Shareholders, being the disposal of Hunnu Shares.

Hunnu Shareholders will make a capital gain if the capital proceeds received on disposal of the Hunnu Shares is greater than the cost base of those shares and a capital loss if the reduced cost base of the Hunnu Shares is greater than the capital proceeds.

Under the terms of the Offer, Hunnu Shareholders who accept the Offer will receive A\$1.80 for each Hunnu Share tendered under the Offer. This should generally be the capital proceeds amount for the purposes of calculating any capital gain or loss that arises on disposal of Hunnu Shares under the Offer.

The cost base or reduced cost base of Hunnu Shares should include the acquisition cost of the Hunnu Shares and certain incidental costs.

If the Hunnu Share was acquired as a result of exercising a Hunnu Option, the cost base and reduced cost base of the Hunnu Share should generally include the amount paid to acquire the Hunnu Option and the exercise price of the Hunnu Option.

Any capital gain or loss that arises as a result of the disposal of Hunnu Shares will arise in the income year in which the CGT event occurs. The time of the CGT event should be as follows:

- (i) If the Offer is accepted by the Hunnu Shareholder on or before the date when the Offer becomes or is declared unconditional, the time of the CGT event should be the date the Offer becomes or is declared unconditional.
- (ii) If the Offer is accepted by the Hunnu Shareholder between the date the Offer becomes or is declared unconditional and the date the Offer closes, the time of the CGT event should be the date the Hunnu Shareholder accepts the Offer.

(iii) Should the Hunnu Shareholder not accept the Offer by the date the Offer closes and the Hunnu Shares are compulsory acquired, the time of the CGT event should be the date ownership of the Hunnu Shareholders' Hunnu Shares passes to Banpu in accordance with the compulsory acquisition.

(b) **Capital losses**

Australian tax law requires that capital gains and capital losses are aggregated to determine the net capital gain for the income year. The net capital gain amount is included in assessable income and subject to income tax at the applicable marginal tax rate.

Capital losses may only be offset against capital gains and may not be offset against other types of income, but may be carried forward to offset future capital gains in certain circumstances.

(c) **CGT discount**

Certain Hunnu Shareholders may be eligible for the CGT discount concession in respect of any capital gain arising on the disposal of Hunnu Shares where the Hunnu Shares have been held for at least 12 months prior to the time of the CGT event, excluding the days of acquisition and disposal.

The CGT discount percentage is applied to the amount of the capital gain after offsetting any current year or carried forward capital losses. The CGT discount percentage is 50% for individuals and trusts, and 33<sup>1</sup>/<sub>3</sub>% for complying superannuation funds. For example, if an individual is entitled to the CGT discount concession, then only 50% of the capital gain would be included in assessable income and taxed at marginal rates.

The CGT discount is not available to companies.

## **8.5 Foreign Resident Hunnu Shareholders who accept the Offer**

Any capital gain or loss that is made by a Foreign Resident Hunnu Shareholder on the disposal of Hunnu Shares should be disregarded if:

- (a) the Foreign Resident Hunnu Shareholder (together with their associates) did not hold 10% or more of the Hunnu Shares on issue at the time of the CGT event or at any time throughout a 12 month period occurring within 24 months before the CGT event; and
- (b) the Foreign Resident Hunnu Shareholder does not hold Hunnu Shares at any time in carrying on a business at or through a permanent establishment in Australia.

Capital gains derived by a Foreign Resident are generally only subject to income tax in Australia to the extent that they relate to relevant direct and indirect interests in taxable Australian property, which includes interests in Australian real property. Where a Foreign Resident Hunnu Shareholder indirectly holds an interest in Australian real property through Hunnu Shares, any capital gains may trigger a CGT liability.

Based on the current assets and liabilities of Hunnu, it is considered unlikely that the Hunnu Shares would currently constitute an interest in taxable Australian

property. However, the analysis of whether the Hunnu Shares do constitute an interest in taxable Australian property must be undertaken at the time of a disposal of the Hunnu Shares. Accordingly, Foreign Resident Hunnu Shareholders who (together with their associates) hold an interest of 10% or more of Hunnu Shares on issue over the relevant period should seek further independent advice in relation to these matters.

To the extent that a Foreign Resident Hunnu Shareholder is subject to income tax in Australia on a capital gain, the tax consequences discussed in section 8.4 above should apply.

## **8.6 GST and stamp duty**

No Australian stamp duty or GST is payable by you on the sale of your Hunnu Shares to Banpu pursuant to the Offer. You may be charged GST on incidental costs incurred in acquiring or disposing of your Hunnu Shares. You may be entitled to input tax credits or reduced input tax credits for such costs, but should seek independent professional advice in relation to your own particular circumstances.

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## 9. ADDITIONAL INFORMATION

### 9.1 Bid Implementation Deed

#### (a) The agreement

On 12 September 2011, Hunnu and Banpu entered into a bid implementation deed (**BIA**) in relation to the Takeover Bids. The key terms of the BIA are summarised below.

#### (b) Exclusivity arrangements

The BIA contains certain exclusivity arrangements in favour of Banpu. Those exclusivity arrangements are set out in full in Attachment 1 to Hunnu's ASX announcement dated 12 September 2011 relating to the Takeover Bids.

In summary, Hunnu has granted the following exclusivity rights during the term of the BIA in favour of Banpu:

##### (i) No shop and no talk restriction

Hunnu must ensure that neither it nor any of its representatives:

- (A) directly or indirectly solicit, initiate or encourage any inquiries, expressions of interest, offers, proposals or discussions regarding, or that may reasonably be expected to lead to, any Competing Proposal or any other transaction that may reduce the likelihood of success of the Takeover Bids (whether from a person with whom Hunnu has previously been in discussions or not);
- (B) directly or indirectly negotiate or enter into, continue or participate in negotiations or discussions with any other person regarding, or that may reasonably be expected to lead to, a Competing Proposal, even if:
  - (I) that person's Competing Proposal was not directly or indirectly solicited, initiated, or encouraged by Hunnu or any of its representatives; or
  - (II) that person has publicly announced their Competing Proposal;
- (C) accept or enter into, or offer to accept or enter into, any agreement, arrangement or understanding regarding a Competing Proposal or any other transaction that may reduce the likelihood of success of the Takeover Bids;
- (D) approve or recommend a Competing Proposal or any other transaction that may reduce the likelihood of success of the Takeover Bids or announce an intention to do so;

- (E) disclose any information about the businesses or affairs of Hunnu to a third party with a view to obtaining a Competing Proposal; or
- (F) communicate to any third party any intention to do any of the things referred to in paragraphs (A) to (E) above.

(ii) Cease existing discussions

Hunnu must cease any existing discussions or negotiations relating to any Competing Proposal, or any transaction that may reduce the likelihood of the success of the Takeover Bids, and request the immediate return or destruction of any confidential information provided in relation to a possible Competing Proposal in the 12 months before the date of the BIA.

(iii) No due diligence

Hunnu and its representatives must not without Banpu's prior written consent, make available to any person (other than to Banpu or its representatives), permit the disclosure to any third party of any non-public information relating to any member of the Hunnu Group, or directly or indirectly solicit, facilitate or encourage any such person to undertake a due diligence investigation on any member of the Hunnu Group or any joint venture to which a member of the Hunnu Group is a party.

(iv) Notification of approaches

If Hunnu is approached to engage in an activity which would breach its obligations set out in sections 9.1(b)(i) and 9.1(b)(iii) of this Target's Statement, but not for the operation of matters set out in section 9.1(b)(vi) of this Target's Statement, it must immediately inform Banpu.

(v) Matching right

If Hunnu is approached in relation to a Competing Proposal, Hunnu is restricted for a period of 3 business days from entering into, or agreeing to enter into, any binding documentation to effect or implement the Competing Proposal; or making any public statement recommending the Competing Proposal to Hunnu Shareholders or Hunnu Optionholders. During this period, Banpu will have the right (but not the obligation) to make a revised offer to Hunnu or Hunnu Shareholders and Hunnu Optionholders (a **Banpu Counter Proposal**) that Banpu reasonably considers would provide an equivalent or a superior outcome for Hunnu or Hunnu Shareholders and Hunnu Optionholders when compared to the Competing Proposal.

The Hunnu Directors are required to consider any such Banpu Counter Proposal in good faith, and, if the Hunnu Directors acting in good faith determine that the terms and conditions of Banpu Counter Proposal taken as a whole are no less favourable than those in the applicable Competing Proposal,

then Hunnu and Banpu must agree and enter into such documentation as is necessary to give effect to and implement the Banpu Counter Proposal, and Hunnu must procure that each Hunnu Director makes a public statement to Hunnu Shareholders and Hunnu Optionholders recommending the Banpu Counter Proposal to Hunnu Shareholders and Hunnu Optionholders.

(vi) **Fiduciary carve out**

The matters referred to in sections 9.1(b)(i)(B) and 9.1(b)(i)(E) (inclusive) and 9.1(b)(iii) of this Target's Statement do not apply to the extent that they restrict Hunnu or the Hunnu Board from taking any action in respect of a bona fide Competing Proposal which was not encouraged, solicited, invited, facilitated or initiated by Hunnu, if to do so would be likely to constitute a breach of the Hunnu Directors' fiduciary or statutory obligations.

(c) **Break fee arrangements**

The BIA includes a cost reimbursement arrangement under which Hunnu agrees to pay Banpu a break fee of A\$4.2 million in certain circumstances. Those circumstances are set out in full in Attachment 1 to Hunnu's ASX announcement dated 12 September 2011.

(d) **Conduct of business**

Hunnu has agreed to conduct its business in the ordinary and usual course consistent with the manner in which the business was conducted before the Announcement Date, and neither it nor its Related Bodies Corporate may undertake certain actions without the consent of Banpu.

## **9.2 Effect of the takeover on Hunnu's financing and material agreements**

To the best of each Hunnu Director's knowledge, except as set out below in connection with the RTM Agreement, none of the material contracts or financing arrangements to which Hunnu is a party contains change of control provisions which may be triggered as a result of, or as a result of acceptances of, the Offer.

In May 2011, Hunnu, through its subsidiary, Hunnu Singapore, entered into the RTM Agreement pursuant to which Hunnu Singapore acquired from Rio Tinto Development, all of the fully paid ordinary shares in the capital of Rio Tinto Mongolia LLC, a company incorporated under laws of Mongolia. Under the RTM Agreement, Hunnu Singapore agreed to pay to Rio Tinto Development an amount of US\$40,000,000 (subject to adjustment in accordance with the RTM Agreement for inflation).

The RTM Agreement contains a change of control provision which provides that in the event that there is a Change in Control in relation to Hunnu Singapore or Hunnu, then Hunnu Singapore must pay Rio Tinto Development the outstanding portion of the consideration payable under the RTM Agreement by wire transfer in immediately available funds within 10 business days of such Change in Control.

If a Change in Control occurs as a result of the Takeover Bids, the Hunnu Directors anticipate that Hunnu Singapore may be required to pay approximately US\$17,000,000 (subject to adjustments in accordance with the RTM Agreement for interest and inflation), being the outstanding consideration payable to Rio Tinto Development under the RTM Agreement.

If Banpu acquires 20% or more of Hunnu, but Hunnu does not become a wholly owned subsidiary of Banpu, then a Hunnu Shareholder whose Hunnu Shares have not been acquired pursuant to the Offer will be exposed to the requirement of Hunnu to arrange for payment of the outstanding consideration payable under the RTM Agreement to Rio Tinto Development as a result of the Change in Control, and its effect on the Hunnu Group's finances. Hunnu may also need to arrange finance and funding for the purposes of paying the outstanding consideration if required.

### 9.3 Material litigation

As far as the Hunnu Directors are aware, Hunnu is not involved in any ongoing litigation which is material in the context of Hunnu and its Related Bodies Corporate taken as a whole.

### 9.4 Hunnu's issued securities

As at the date of this Target's Statement, Hunnu's issued equity securities consisted of:

- (a) 248,100,002 Hunnu Shares on issue;
- (b) the following 28,300,000 Hunnu Options on issue being:

Expiry date	Option number
31 December 2014	15,000,000
31 December 2012	1,000,000
31 December 2012	1,000,000
31 May 2014	9,000,000
30 June 2015	2,000,000
28 February 2016	300,000
<b>Total</b>	<b>28,300,000</b>

There are no other shares or other securities (including equity securities, debt securities or convertible securities) or options or performance rights or other instruments which are convertible into securities in Hunnu nor has it offered or agreed to issue any such shares, securities, options or performance rights or other instruments to any Third Party.

### 9.5 Substantial holders

As at the date of this Target's Statement, Hunnu is aware from notices filed with the ASX that the following persons have substantial holdings in Hunnu:

	<b>Name of substantial holder</b>	<b>Number of Hunnu Shares held</b>	<b>% of total Hunnu Shares</b>
1.	Banpu Minerals (Singapore) Pte Ltd	30,000,000	12.1
2.	L1 Capital Pty Limited	17,252,289	7.0
3.	Deutsche Bank Group	13,885,768	5.6

## 9.6 Effect of Offer on Hunnu Options

The Offer extends to any new Hunnu Shares that are issued during the Offer Period as a result of the exercise of Hunnu Options. Accordingly, Hunnu Optionholders may elect to exercise their Hunnu Options before the expiry date of their Hunnu Options, pay the relevant exercise price to Hunnu and accept the Offer in respect of the Hunnu Shares issued following the exercise of their Hunnu Options.

Banpu has made an off-market takeover offer for all the Hunnu Options. Hunnu Optionholders will be sent an Option Bidder's Statement and Option Target's Statement containing information on the Option Offer.

Accordingly, Hunnu Optionholders also have the opportunity to accept the Option Offer. Hunnu Optionholders will be sent an Option Bidder's Statement and Option Target's Statement, which contain detailed information regarding the alternatives available to them in respect of their Hunnu Options in connection with the Option Offer, including information on the tax consequences of those alternatives.

## 9.7 Effect of Offer on Hunnu's employee Incentive Option Plan

Hunnu has adopted the Incentive Option Plan. Pursuant to the terms of the Incentive Option Plan, upon the occurrence of a "Trigger Event", the Hunnu Directors may determine, despite any other rule of the Incentive Option Plan:

- (a) that the Hunnu Options may be exercised at any time from the date of such determination, and in any number until the date determined by the Hunnu Directors acting bona fide so as to permit the holder to participate in any change of control arising from a Trigger Event, provided that the Directors will forthwith advise in writing each holder of such determination. Thereafter, the Hunnu Options shall lapse to the extent they have not been exercised; or
- (b) to use their reasonable endeavours to procure that an offer is made to holders of Hunnu Options on like terms (having regard to the nature and value of the Hunnu Options) to the terms proposed under the Trigger Event in which case the Hunnu Directors shall determine an appropriate period during which the holder may elect to accept the offer and, if the holder has not so elected at the end of that period, the Hunnu Options shall immediately become exercisable and if not exercised within 10 days, will lapse.

The "**Trigger Event**" for the purposes of the rules of the Incentive Option Plan includes:

- (a) the announcement of a takeover bid or receipt by Hunnu of a bidder's statement in respect of Hunnu; or
- (b) the date upon which a person or a group of associated persons becomes entitled, subsequent to the date of grant of the Hunnu Option, to sufficient Hunnu Shares to give it or them the ability, in general meeting, to replace all or allow a majority of Hunnu's Board in circumstances where such ability was not already held by a person associated with such person or group of associated persons.

The Hunnu Board regards the announcement of the Takeover Bids on the Announcement Date as a Trigger Event. The Board has determined that subject to, and upon the Offer being declared unconditional, all Hunnu Options issued under the Incentive Option Plan shall vest and become exercisable. This will permit Hunnu Optionholders issued Hunnu Options under the Incentive Option Plan to participate in the Offer in respect of any Hunnu Shares issued upon exercise of the Hunnu Options.

## **9.8 JORC Code reporting of Hunnu's exploration results and ore reserves and mineral resources**

The information in this Target's Statement that relates to Exploration Results, Mineral Resources and Ore Reserves is based on information compiled by Mr Lkhagvadorj (George) Tumor, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Tumor is a full time employee of Hunnu, as its Managing Director. Mr Tumor 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 Tumor consents to the inclusion in the Target's Statement of the matters based on his information in the form and context in which it appears.

## **9.9 Consents**

Steinepreis Paganin has given, and has not withdrawn before the lodgement of this Target's Statement with ASIC, its written consent to be named in the Target's Statement as Hunnu's Australian legal advisers in the form and context in which it is so named. Steinepreis Paganin has not advised on the laws of any foreign jurisdiction, and has not provided tax advice in relation to any jurisdiction. Steinepreis Paganin has not caused or authorised the issue of this Target's Statement, does not make or purport to make any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based, and takes no responsibility for any part of this Target's Statement other than any reference to its name.

This Target's Statement includes statements which are made in, or based on statements made in, documents lodged with ASIC or given to the ASX. Under the terms of ASIC Class Order 01/1543, the parties making those statements are not required to consent to, and have not consented to, inclusion of those statements in this Target's Statement. If you would like to receive a copy of any of these documents, or the relevant parts of the documents containing the statements (free of charge), during the Offer Period, please contact the Offer Information Line. Calls to the Offer Information Line may be recorded.

As permitted by ASIC Class Order 03/635, this Target's Statement may include or be accompanied by certain statements:

- (a) fairly representing a statement by an official person; or
- (b) from a public official document or a published book, journal or comparable publication.

## **9.10 Regulatory and other approval, consent or waiver requirements**

### **(a) FIRB Approval**

The Offer is conditional on Banpu, being a foreign person for the purposes of the FATA, receiving notice from, or on behalf of, the Australian Treasurer to the effect that there is no objection under the Commonwealth Government's foreign investment policy or under the FATA to the acquisition by Banpu of the Hunnu Shares and Hunnu Options under the Offers, and that notice is not subject to any condition.

Banpu has stated in section 6.4 of its Bidder's Statement that Banpu has lodged a notice with FIRB seeking this approval. Banpu believes that these transactions are consistent with the Government's foreign investment policy and anticipates that a statement of non-objection to the proposals will be issued in due course.

### **(b) Modifications of Corporations Act**

Banpu has stated in section 6.6 of its Bidder's Statement that Banpu has obtained modifications of the Corporations Act from ASIC so that the Hunnu Options comprise one class of security notwithstanding their exercise prices and expiry dates, to offer different consideration for certain Hunnu Options, and to allow Banpu to cancel any non-transferable Hunnu Options.

### **(c) Approval from Bank of Thailand**

The Offer is conditional on Banpu obtaining all legal and regulatory approvals, authorisations and consents required under any laws, regulations or policies relevant to Banpu and necessary to enable Banpu to acquire Hunnu Shares under the Offer, and Hunnu Options under the Option Offer. Banpu is required to receive approval from the Bank of Thailand for Banpu to remit foreign currency to pay the consideration under the Offer.

Banpu has stated in section 6.4 of its Bidder's Statement that Banpu has pursued, and will continue to vigorously pursue, all relevant Bank of Thailand Approvals as expeditiously as possible and undertakes not to withdraw any application for such approvals or any other Approval which would be relevant to the Offer Condition described in section (f) of Annexure A to this Target's Statement.

### **(d) ASX Listing Rule waivers and consents**

Hunnu has sought the following consents and waivers from ASX:

- (i) ASX's consent, pursuant to ASX Listing Rule 9.17, to the removal of a holding lock applied in respect of certain Hunnu Shares which are restricted securities, provided the applicable conditions in ASX Listing Rule 9.18 are met;

- (ii) ASX's consent, pursuant to ASX Listing Rule 9.17, to the removal of a holding lock in respect of certain Hunnu Options which are restricted securities, provided the applicable conditions in ASX Listing Rule 9.18 are met; and
- (iii) a waiver of ASX Listing Rule 6.23.2 in respect of the proposed acquisition or cancellation of Hunnu Options, subject to the satisfaction of any conditions the ASX may impose.

ASX has provided its consent to the removal of the holding locks applied to certain Hunnu Options and Hunnu Shares which are restricted securities, provided the applicable conditions in ASX Listing Rule 9.18 are met.

#### **9.11 No other material information**

This Target's Statement is required to include all the information that Hunnu Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, but:

- (a) only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
- (b) only if the information is known to any director of Hunnu.

The Hunnu Directors are of the opinion that the information that Hunnu Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer is:

- (a) the information contained in the Bidder's Statement (to the extent that the information is not inconsistent or superseded by information in this Target's Statement);
- (b) the information contained in Hunnu's releases to the ASX, and in the documents lodged by Hunnu with ASIC before the date of this Target's Statement; and
- (c) the information contained in this Target's Statement.

The Hunnu Directors have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, the Hunnu Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all statements contained in it.

In deciding what information should be included in this Target's Statement, the Hunnu Directors have had regard to:

- (a) the nature of the Hunnu Shares;
- (b) the matters that shareholders may reasonably be expected to know;
- (c) the fact that certain matters may reasonably be expected to be known to shareholders' professional advisers; and
- (d) the time available to Hunnu to prepare this Target's Statement.

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## 10. GLOSSARY AND INTERPRETATION

### 10.1 Glossary

Where the following terms are used in this Target's Statement they have the following meanings:

**A\$** or **\$** means an Australian dollar.

**Acceptance Form** means the acceptance form for the Offer accompanying the Bidder's Statement or, as the context requires, any replacement or substitute acceptance form provided by or on behalf of Banpu, which forms part of the Bidder's Statement.

**Announcement Date** means the date of announcement of the Offer, Monday 12 September 2011.

**Approvals** means a licence, authority, consent, approval, order, exemption, waiver, ruling, decision or similar approval.

**ASIC** means Australian Securities & Investments Commission.

**ASX** means ASX Limited (ACN 008 624 691) or the financial market operated by it, as the context requires.

**ASX Listing Rules** or **Listing Rules** means the official listing rules of ASX.

**ASX Settlement Operating Rules** means the operating rules of the settlement facility provided by ASX.

**Banpu** means Banpu Minerals (Singapore) Pte Ltd, (Reg No. 199608046M) of 1 Marina Boulevard, # 28-00, Singapore 018989.

**Banpu Group** means Banpu PCL and its Related Bodies Corporate.

**Banpu PCL** means Banpu Public Company Limited, a company incorporated in Thailand.

**Bidder's Statement** means the statement of Banpu under Part 6.5 of Division 2 of the Corporations Act issued in relation to the Offer.

**Bid Implementation Deed** or **BIA** means the bid implementation deed dated 12 September 2011 between Hunnu and Banpu.

**Business Day** means a day on which banks are open for business in Sydney, Australia, Thailand and Singapore, excluding a Saturday, Sunday or public holiday.

**CGT** means capital gains tax.

**Change in Control** means, for the purposes of the RTM Agreement, a situation where:

- (a) at any time, the power, whether held directly or indirectly and by whatever means:
  - (i) to exercise or control the right to vote attached to not less than 20% of the common shares of Hunnu Singapore or Hunnu;

- (ii) to dispose of or exercise a right of disposal (including by encumbrance) over not less than 20% of the common shares of Hunnu Singapore or Hunnu;
- (iii) to exercise or control the right to vote attached to not less than 20% of the votes that may be cast at board meetings or shareholder meetings of Hunnu Singapore or Hunnu; or
- (iv) to determine substantially the conduct of Hunnu Singapore's or Hunnu's business activities,

resides in any person or persons other than the person or persons holding that power as at the date of the RTM Agreement; or

- (b) any person (whether alone or together with any other person pursuant to any arrangement or understanding, whether written or oral, to exercise control over Hunnu Singapore or Hunnu) acquires, directly or indirectly, more than 20% of the common shares in Hunnu Singapore or Hunnu.

**CHES Holding** means a number of shares which are registered on Hunnu's share register being a register administered by ASX Settlement and Transfer Corporation Pty Limited and which records uncertificated holdings of shares.

**Competing Proposal** means any expression of interest, offer or proposal pursuant to which a person (other than Banpu or another entity in the Banpu Group), whether alone or together with one or more associates, would, if the proposal were implemented substantially in accordance with its terms:

- (c) directly or indirectly, acquire an interest in all or a substantial part of the assets of Hunnu or the Hunnu Group;
- (d) directly or indirectly, acquire or hold a legal, equitable or economic interest in, a Relevant Interest in, or become the holder of, more than 15% of the Hunnu Shares (including by way of issue of new Hunnu Shares);
- (e) acquire control of Hunnu, within the meaning of section 50AA of the Corporations Act; or
- (f) otherwise acquire or merge with Hunnu (including by way of a scheme of arrangement, reverse takeover bid, stapled security structure, dual listed companies structure or other economic merger).

**Control** has the meaning given in section 50AA of the Corporations Act.

**Controlling Participant** in relation to Your Shares has the same meaning as in the ASX Settlement Operating Rules.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Encumbrance** means in relation to any asset:

- (a) a mortgage, charge, pledge, lien, hypothecation or a title retention arrangement;

- (b) a notice under section 255 of the Income Tax Assessment Act 1936 (Cth), subdivision 260-A in schedule 1 to the Taxation Administration Act 1953 (Cth) or any similar legislation;
- (c) any other interest in or right or power over property (including a right to set off or withhold payment of a deposit or other money);
- (d) any other thing that prevents, restricts or delays the exercise of a right over property, the use of property, the continued ownership or interest in the property, or the registration of an interest in or dealing with property; or
- (e) an agreement to create anything referred to above or to allow any of them to exist.

**FATA** means *Foreign Acquisitions and Takeovers Act 1975* (Cth).

**FIRB** means Foreign Investment Review Board.

**FIRB Approval** means approval from, or on behalf of, the Australian Treasurer to the effect that there is no objection under the Commonwealth Government's foreign investment policy or under the FATA to the acquisition by Banpu of the Hunnu Shares under the Offer.

**FIRB Condition** means the condition of the Offer set out in section (b) of Annexure A.

**Foreign Resident** means a person that is not a resident of Australia within the meaning of section 6(1) of the *Income Tax Assessment Act 1936* (Cth).

**Government Agency** means any government or representative of a government or any governmental, semi-governmental, administrative, fiscal, regulatory or judicial body, department, commission, authority, tribunal, agency, competition authority or entity whether foreign, federal, state, territorial or local in any part of the world in which a party is domiciled or holds any of its assets. It includes ASIC and ASX (and any other stock exchange), and the Bank of Thailand.

**GST** means Australian goods and services tax.

**GST Act** means the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

**Hunnu** means Hunnu Coal Limited, (ABN 83 138 962 124) of Level 1, 33 Richardson Street, West Sydney, Western Australia.

**Hunnu Board** or **Board** means the board of directors of Hunnu.

**Hunnu Director** means a director of Hunnu.

**Hunnu Group** means Hunnu and its Related Bodies Corporate.

**Hunnu Material Adverse Change** means any matter, event, change, condition, information or thing (**Change**) which individually, or when aggregated with all other such Changes, results in or could reasonably be likely to result in:

- (a) the value of the consolidated net assets of the Hunnu Group being reduced by at least A\$5 million against what they would reasonably have been expected to have been but for the Change or Changes (as the case may be); or

- (b) a material adverse effect on the business, assets, liabilities, financial position or performance, profitability or prospects of the Hunnu Group taken as a whole, or the status or terms of any of the exploration or mining tenements owned by the Hunnu Group.

**Hunnu Option** means an option to subscribe for a Hunnu Share.

**Hunnu Optionholder** means a person who holds one or more Hunnu Options.

**Hunnu Shares** means fully paid ordinary share in the issued capital of Hunnu.

**Hunnu Shareholder** means a person who is recorded in Hunnu's register of members as the holder of one or more Hunnu Shares.

**Hunnu Singapore** means Hunnu Investments Pte. Ltd, a company incorporated under the laws of Singapore with registered number 201110484H and a subsidiary of Hunnu.

**Incentive Option Plan** means the employee incentive option plan to issue options to full or part time employees of Hunnu and its Related Bodies Corporate adopted by Hunnu in January 2010.

**Issuer Sponsored Holding** means a holding of Hunnu Shares on Hunnu's issuer sponsored subregister.

**JORC Code** means 2004 Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.

**JORC Resource** has the meaning given to that term pursuant to the JORC Code.

**Minimum Acceptance Condition** means at or before the end of the Offer Period, Banpu has a relevant interest in such number of:

- (a) Hunnu Shares which represents at least 90% of the aggregate of all the Hunnu Shares on issue and becomes entitled to compulsorily acquire all outstanding Hunnu Shares under Part 6A.1 of the Corporations Act; and
- (b) Hunnu Options which represents at least 90% of the aggregate of all the Hunnu Options on issue and becomes entitled to compulsorily acquire all outstanding Hunnu Options under Part 6A.1 of the Corporations Act.

**Mining Interests** mining or exploration agreement, tenement, permit, license, lease, concession, grant, permission, authorisation, renewal or right of any kind held by any member of the Hunnu Group at the Announcement Date.

**MNT** means Mongolian National Tugrik.

**Notice of Status of Conditions** means Banpu's notice disclosing the status of the conditions to the Offer which is required to be given by section 630(3) of the Corporations Act.

**Offer** or **Banpu's Offer** means the offer to acquire Hunnu Shares to be made by Banpu in connection with the Takeover Bid.

**Offer Conditions** means the conditions to the Offers set out in Annexure A.

**Offer Information Line** means:

- (a) 1300 664 413 (for calls made from within Australia); or
- (b) +61 2 8022 7902 (not toll free, for calls made from outside Australia),

between 9.00 am and 7.00 pm (Sydney time) Monday to Friday.

**Offer Price** means A\$1.80 for each Hunnu Share.

**Offer Period** means the period with respect to the Offer during which the Offer is open for acceptance.

**Offer Periods** means the period with respect to either the Offer or the Option Offer during which the relevant Offer is open for acceptance.

**Offers** means the Offer and the Option Offer.

**Officer** means, in relation to an entity, its directors, officers and employees.

**Option Bidder's Statement** means the statement of Banpu under Part 6.5 Division 2 of the Corporations Act issued in relation to the Option Offer;

**Option Offer** means the offer by Bidder or a wholly owned subsidiary to acquire or enter into cancellation deed polls in respect of each Hunnu Option in connection with the Takeover Bids.

**Option Target's Statement** means the statement of Hunnu under Part 6.5 Division 3 of the Corporations Act issued in relation to the Option Offer.

**Offer Period** means the period during which the Offer will remain open for acceptance in accordance with 7.2 of the Bidder's Statement.

**PPS Act Condition** means the condition of the Offer set out in section (p) of Annexure A.

**Related Bodies Corporate** has the meaning given in the Corporations Act.

**Relevant Interest** has the meaning given in section 608 and section 609 of the Corporations Act.

**Rio Tinto Development** means Rio Tinto Minerals Development Limited, a company incorporated in England with registered number 281218 and recently renamed Hunnu Altai LLC.

**RTM Agreement** means the agreement entered into in May 2011 made between Rio Tinto Development as the vendor, Hunnu Singapore as the purchaser, and Hunnu as the purchaser's guarantor.

**Superior Proposal** means a written bona fide Competing Proposal which the Hunnu Directors have determined, acting in good faith and after having first obtained written advice from Hunnu's external legal advisers and, if appropriate, Hunnu's external financial advisers, is:

- (c) reasonably capable of being valued, taking into account all aspects of the Competing Proposal and the person making it;
- (d) reasonably capable of being completed on a timely basis; and

- (e) is more favourable to Hunnu Shareholders and Hunnu Optionholders than the Offers, taking into account all the terms and conditions of the Competing Proposal.

**Sydney time** means time as observed in Sydney, New South Wales, Australia.

**Takeover Bids** means the off-market takeover bids made by Banpu for all the Hunnu Shares and Hunnu Options that Banpu PCL does not currently own or control and **Takeover Bid** means either bid, as appropriate.

**Target's Statement** means this document (including the attachments and annexures), being the statement of Hunnu under Part 6.5 Division 3 of the Corporations Act issued in relation to the Offer.

**Third Party** means a party other than Hunnu and any subsidiary of Hunnu, and Banpu PCL and any subsidiary of Banpu PCL.

**US\$ or US Dollar** means United States dollar.

**VWAP** means volume weighted average price.

## 10.2 Interpretation

In this Target's Statement:

- (a) other words and phrases have the same meaning (if any) given to them in the Corporations Act.
- (b) words of any gender include all genders.
- (c) words indicating the singular include the plural and vice versa.
- (d) an expression indicating a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa.
- (e) a reference to a section, clause, attachment and schedule is a reference to a section of, clause of and an attachment and schedule to this Target's Statement as relevant.
- (f) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them.
- (g) headings and bold type are for convenience only and do not affect the interpretation of this Target's Statement.
- (h) a reference to time is a reference to Sydney time.
- (i) a reference to dollars, \$, A\$, AUD, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia unless otherwise stated.

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**11. AUTHORISATION**

This Target's Statement has been approved by a resolution passed by the directors of Hunnu. All Hunnu Directors voted in favour of that resolution.

Signed for and on behalf of Hunnu:

A handwritten signature in black ink, appearing to read 'Matthew Wood', with a stylized flourish extending to the right.

**Mr Matthew Wood  
Executive Chairman  
For and on behalf of  
Hunnu Coal Limited**

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## ANNEXURE A – OFFER CONDITIONS

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(a) **Minimum acceptance**

At or before the end of the Offer Period, Banpu has a Relevant Interest in such number of:

- (i) Hunnu Shares which represents at least 90% of the aggregate of all the Hunnu Shares on issue and becomes entitled to compulsorily acquire all outstanding Hunnu Shares under Part 6A.1 of the Corporations Act; and
- (ii) Hunnu Options which represents at least 90% of the aggregate of all the Hunnu Options on issue and becomes entitled to compulsorily acquire all outstanding Hunnu Options under Part 6A.1 of the Corporations Act.

(b) **FIRB Approval**

Before the end of the Offer Period, the Treasurer of the Commonwealth of Australia (**Treasurer**) either:

- (i) ceases to be empowered to make an order under the Foreign Acquisitions and Takeovers Act 1975 (Cth) in relation to the proposed acquisition by Banpu of up to all of the Hunnu Shares and Hunnu Options it does not already hold; or
- (ii) gives written advice of a decision by or on behalf of the Treasurer stating (either unconditionally or on the basis of conditions which are reasonably acceptable to Banpu) that there is no objection to the proposed acquisition by Banpu of up to all of the Hunnu Shares and Hunnu Options it does not already hold.

(c) **No prescribed occurrences**

During the period from the date of the Bidder's Statements to the day that is 3 Business Days after the end of the Offer Period (each inclusive), none of the following occurrences (being the prescribed occurrences listed in section 652C of the Corporations Act) happens:

- (i) Hunnu converts all or any of its shares into a larger or smaller number of shares under section 254H of the Corporations Act;
- (ii) Hunnu or a subsidiary of Hunnu resolves to reduce its share capital in any way;
- (iii) Hunnu or a subsidiary of Hunnu enters into a buy-back agreement or resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;
- (iv) Hunnu or a subsidiary of Hunnu issues shares (other than as a result of the exercise of Hunnu Options) or grants an option over its shares, or agrees to make such an issue or grant such an option;
- (v) Hunnu or a subsidiary of Hunnu issues, or agrees to issue, convertible notes;
- (vi) Hunnu or a subsidiary of Hunnu disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;

- (vii) Hunnu or a subsidiary of Hunnu charges, or agrees to charge, the whole, or a substantial part, of its business or property;
- (viii) Hunnu or a subsidiary of Hunnu resolves to be wound up;
- (ix) a liquidator or provisional liquidator of Hunnu or of a subsidiary of Hunnu is appointed;
- (x) a court makes an order for the winding up of Hunnu or of a subsidiary of Hunnu;
- (xi) an administrator of Hunnu or of a subsidiary of Hunnu is appointed under sections 436A, 436B or 436C of the Corporations Act;
- (xii) Hunnu or a subsidiary of Hunnu executes a deed of company arrangement; or
- (xiii) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of Hunnu or a subsidiary of Hunnu.

(d) **No prescribed occurrences between Announcement Date and service**

None of the events listed in sub-sections (i) to (xiii) of paragraph (c) happens during the period beginning on the Announcement Date and ending at the end of the day before the Bidder's Statements are given to Hunnu.

(e) **No action by Government Agency adversely affecting the Takeover Bids**

During the period from the date of the Bidder's Statements to the end of the Offer Period:

- (i) there is not in effect any preliminary or final decision, order or decree issued by a Government Agency;
- (ii) no action or investigation is instituted, or threatened by any Government Agency with respect to Hunnu or any subsidiary of Hunnu; or
- (iii) no application is made to any Government Agency (other than an application by Banpu or any company within the Banpu Group, an application under section 657G of the Corporations Act, or an application commenced by a person specified in section 659B(1) of the Corporations Act in relation to either of the Takeover Bids),

in consequence of, or in connection with, the Takeover Bids, which restrains or prohibits or threatens to restrain or prohibit, or may otherwise materially adversely impact upon, the making of the Takeover Bids or the completion of any transaction contemplated by the Bidder's Statements (including implementing the intentions expressed therein) or seeks to require the divestiture by Banpu of any Hunnu Shares, or the divestiture of any assets by Hunnu or by any subsidiary of Hunnu or by any company within the Banpu Group.

(f) **Approvals by Government Agencies**

During the Offer Period, Banpu receives all approvals which are required by law or by any Government Agency:

- (i) to permit the Offers to be made to and accepted by Hunnu Shareholders and Hunnu Optionholders and to permit Banpu to acquire any or all of the Hunnu Shares it does not already hold; or
- (ii) as a result of the Offers, or the successful acquisition of the Hunnu Shares and Hunnu Options (or cancellation of the Hunnu Options), and which are necessary for the continued operation of the business of Hunnu and its subsidiaries or of Banpu and its subsidiaries,

and those Approvals are on an unconditional basis and remain in force in all respects and there is no notice or indication of intention to revoke, suspend, restrict, modify or not renew those Approvals.

(g) **Conduct of business**

Except for any proposed transaction publicly announced by Hunnu before the Announcement Date, none of the following events occur during the period from that date to the end of the Offer Period:

- (i) Hunnu, or any subsidiary of Hunnu, acquires, offers to acquire or agrees to acquire one or more companies, businesses, trusts or assets (or an interest in one or more companies, businesses, trusts or assets) for an amount in aggregate greater than \$500,000 or makes an announcement about such an acquisition, other than the proposed acquisition of mining equipment disclosed to Banpu prior to the date of the BIA;
- (ii) Hunnu, or any subsidiary of Hunnu, disposes, offers to dispose or agrees to dispose of, or creates, or offers to create an equity interest in one or more companies, trusts or assets (or an interest in one or more companies, trusts or assets) for an amount in aggregate greater than \$500,000 or makes an announcement about such a disposal;
- (iii) Hunnu, or any subsidiary of Hunnu, enters into, offers to enter into or announces that it proposes to enter into any joint venture or partnership involving a commitment of (or foregoing of revenue of) greater than \$500,000 or dual listed company structure, or makes an announcement about such a commitment;
- (iv) Hunnu, or any subsidiary of Hunnu, incurs or commits to, or grants to another person a right the exercise of which would involve Hunnu or any subsidiary of Hunnu incurring or committing to any capital expenditure or liability for one or more related items of greater than \$1,000,000 or makes an announcement about such a commitment; or
- (v) Hunnu, or any subsidiary of Hunnu, declares, pays or distributes any dividend, bonus or other share of its profits or assets.

(h) **No material failings in filings**

Banpu does not become aware, during the Offer Period, that any document filed by or on behalf of Hunnu with ASX or ASIC contains a statement which is incorrect or misleading in any material respect or from which there is a material omission.

(i) **Non-existence of certain rights**

No person has any right (whether subject to conditions or not) as a result of Banpu acquiring Hunnu Shares to:

- (i) acquire, or require Hunnu or a subsidiary of Hunnu to dispose of, or offer to dispose of, or alter the terms of its holding of, any material asset of Hunnu or a subsidiary of Hunnu;
- (ii) terminate or vary any material agreement with Hunnu or a subsidiary of Hunnu; or
- (iii) accelerate or adversely modify the performance of any obligations of Hunnu or any of its subsidiaries in a material respect under any material agreements, contracts or other legal arrangements.

(j) **No force majeure event**

During the Offer Period:

- (i) no outbreak of hostilities (whether war is declared or not) or terrorism, mobilisation of armed forces, civil or political unrest or labour disturbance, fire or natural disaster, material increase in the intensity of any of the above events or other event beyond the control of Hunnu or the relevant subsidiary occurs which affects or is likely to affect the assets, liabilities, financial position, performance, profitability or prospects of Hunnu or any of its subsidiaries and;
- (ii) there is no amendment made (or proposed to be made) to any law, regulation or similar applying to Hunnu or any of its subsidiaries that is reasonably likely to have an adverse affect on the assets, liabilities, financial position, performance, profitability or prospects of the Hunnu Group; and
- (iii) there is no widespread disruption to global financial markets, or the financial markets of Australia or Thailand.

(k) **No material adverse change to Hunnu**

Between the Announcement Date and the end of the Offer Period, no matter, event, change, condition, circumstance, information or thing (**Change(s)**) occurs, is announced, becomes likely to occur or becomes known to Banpu (in any such case, individually or when aggregated with all such Change(s) and whether or not becoming public) that discloses (or could reasonably be inferred from the disclosure that), would result in and/or would reasonably be likely to result in:

- (i) the value of the consolidated net assets of the Hunnu Group being reduced by at least A\$5 million against what they would reasonably have been expected to have been but for the Change(s) (as the case may be); or
- (ii) a material adverse effect on the business, assets, liabilities, financial position or performance, profitability or prospects of the Hunnu Group taken as a whole, or the status or terms of any of the exploration or mining tenements owned by the Hunnu Group.

(l) **Renewal of Mining Interests**

Between the Announcement Date and the end of the Offer Period (each inclusive), no Mining Interests, or any interest in any Mining Interest, is revoked, terminated or expires (excluding for the avoidance of doubt relinquishment of parts of tenements in the ordinary course of business) without there being a reasonable likelihood of such Mining Interest being promptly renewed or extended on terms which are no less favourable to the relevant member of the Hunnu Group.

(m) **No direct or indirect disposal of, or Encumbrance over, Mining Interests**

Between the Announcement Date and the end of the Offer Period (each inclusive), no member of the Hunnu Group enters into, announces an intention or proposal to enter into, discloses the existence of, or becomes subject to, any obligation or arrangement, whether conditional or otherwise, to:

- (i) dispose of all or any of, or any interest in, any Mining Interest; or
- (ii) grant, permit, or agree to grant or permit, any Encumbrance over all or any part of any interest in a Mining Interest.

(n) **No litigation**

Between the Announcement Date and the end of the Offer Period (each inclusive), no litigation against any member of the Hunnu Group which may reasonably result in a judgment or \$5 million or more is commenced, threatened in writing to be commenced, announced, or is made known to Hunnu or Banpu (whether or not becoming public).

(o) **Index Fall**

During the period from the Announcement Date to the end of the Offer Period, the S&P/ASX 200 Index does not fall below 3,500 at any time on any ASX trading day.

(p) **Amendment of the Personal Property Securities Regulations 2010 (Cth)**

The *Personal Property Securities Regulations 2010* (Cth) are amended to the effect that section 32(1)(a) of the *Personal Property Securities Act 2009* (Cth) does not apply to the compulsory acquisition of securities under Part 6A.1 or 6A.2 of the Corporations Act, or as at the end of the Offer Period, the commencement date of the new PPSA regime under that Act is after the date on which compulsory acquisition of all securities in Hunnu is reasonably likely to be completed.

(q) **ASIC option relief**

ASIC granting, on the basis of conditions which are reasonably acceptable to Banpu, modifications to:

- (i) section 605(2) of the Corporations Act, to allow Banpu to treat the different classes of Hunnu Options as one class for the purpose of the Option Offer;
- (ii) section 619(2) of the Corporations Act, to allow Banpu to offer different consideration for each class of Hunnu Option under the Option Offer; and

(iii) section 618(1) and Chapter 6A of the Corporations Act, to allow Banpu to cancel non-transferable Hunnu Options under the Option Offer and as part of the compulsory acquisition process.

(r) **Restricted Hunnu Shares and Hunnu Options**

ASX and Hunnu grant waivers of all escrow and other restrictions on the transfer of all Hunnu Options and restricted Hunnu Shares.