



MACARTHUR COAL LIMITED (ASX: MCC) RESPONSE TO PEABODY'S FURTHER PROPOSAL

18 May 2010

On 10 May 2010 Macarthur advised that it had received a further proposal from Peabody Energy Corporation ("Peabody") under which Peabody would acquire all the shares in Macarthur by way of a scheme of arrangement with Macarthur shareholders receiving A\$15 cash for each Macarthur share on issue ("Peabody's Further Proposal").

Peabody was also willing to provide any or all of Macarthur's three major shareholders (CITIC, ArcelorMittal and POSCO) the opportunity to retain their economic interest in Macarthur had they chosen to do so.

The Macarthur Board has met today and considered Peabody's Further Proposal and formed the view that based on the price and the conditions of the proposal, that it cannot reasonably be recommended to shareholders.

In addition, the Macarthur Board has also consulted with its two largest shareholders and based on feedback received, considers that a scheme of arrangement in the form proposed (which requires the approval of 75% of shares voted and 50% of shareholders voting at a scheme meeting) is unlikely to be approved.

In particular, Macarthur has received the following advice from CITIC (its largest shareholder with a 22.4% interest in Macarthur) in relation to that proposal:

"CITIC does not find the [Peabody Further Proposal] attractive. CITIC believes that the long-term strategic value of Macarthur Coal exceeds by a significant margin the cash offer price contained in [Peabody's Further Proposal]."

Furthermore, the terms of the shareholders agreement to govern a privatised Macarthur Coal will be critical in any assessment by CITIC. The proposed terms of a shareholder agreement tabled by Peabody in March 2010 are not acceptable to CITIC."

The Macarthur Board considers there is no basis for further engagement with Peabody on the terms of its current proposal.

The Macarthur Board reminds shareholders to not have any regard to public statements issued by any third party. Should you have any queries, please contact Macarthur's shareholder enquiry line on 1300 160 409 (or +61 3 9415 4147).

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About Macarthur Coal

Macarthur Coal (ASX: MCC) is the world's largest producer of seaborne low volatile pulverized coal injection coal (LV PCI) used for steel making. As a supplier to the world's leading steel producers, Macarthur exports its entire product around the globe.

The Company currently operates two mines in Queensland's Bowen Basin and plans to double its production capacity in the next five years through the development of the Middlemount Mine project and an additional mine from its extensive project portfolio.