



MACARTHUR COAL (ASX: MCC) RESPONSE TO REVISED INDICATIVE PROPOSAL

7 April 2010

On 6 April 2010, the Board of Macarthur advised that its shareholders should TAKE NO ACTION in regard to a revised non-binding, indicative and highly conditional proposal from Peabody Energy Corporation ("Peabody") offering to acquire all the shares in Macarthur for cash consideration of A\$14.00 per share by way of scheme of arrangement ("Revised Indicative Proposal"). Shareholders were advised that the Board of Macarthur would be meeting to consider the merits of the Revised Indicative Proposal and would provide an update to the market shortly after that meeting.

The Board of Macarthur met this morning and unanimously determined that:

- the Revised Indicative Proposal does not represent an adequate premium for control of the company, being priced at:
 - a 1.5% discount to Macarthur's average broker price target of A\$14.21 per share¹; and
 - a 15.8% premium to Macarthur's closing share price of A\$12.09 per share on 30 March 2010²
- the highly conditional and uncertain nature of the Revised Indicative Proposal means that the Board of Macarthur can have no reasonable confidence of the proposal being ultimately put to shareholders as an offer.

Accordingly, and in view of its fiduciary obligations to shareholders, the Board continues to recommend that shareholders vote in favour of the resolution at the Macarthur Shareholders' Meeting scheduled for 12 April 2010 and has determined not to defer that meeting. The meeting is to approve the proposed issue of Macarthur Coal shares to Noble Group Limited ("Noble") under the takeover of 100% of Gloucester Coal Ltd, the acquisition of Noble's interest in the Middlemount Coal joint venture and the acquisition of marketing rights for Middlemount coal.

The Board notes that Peabody has advised in writing that "if Macarthur proceeds with its shareholders' meeting on 12 April 2010 and the resolution is approved, it will mean [Macarthur's takeover offer for Gloucester and the associated transactions with Noble Group] are likely to proceed, in which case Peabody's proposal will lapse".

Mr Keith De Lacy, Chairman of Macarthur, said: "Peabody's revised proposal remains highly conditional and does not fully value Macarthur and its significant growth prospects. The Board have recommended the Gloucester takeover and Middlemount acquisition to shareholders and continue to believe these transactions are in the best interests of Macarthur and its shareholders."

Shareholders are encouraged to contact Macarthur's shareholder enquiry line on 1300 160 409 (or +61 3 9415 4147 for international callers) if they have any questions relating to the Gloucester takeover and Middlemount acquisition or Peabody's Revised Indicative Proposal.

Shareholders are also reminded that proxies must be submitted in accordance with the instructions on the proxy form no later than 11.00 am this Saturday 10 April 2010.

The Directors will keep shareholders fully informed of any further developments.

¹ Source: Citi (1 April 2010), Credit Suisse (1 April 2010), Macquarie (31 March 2010), RBC Capital Markets (31 March 2010), Deutsche Bank (31 March 2010), Morgan Stanley (31 March 2010), Wilson HTM (31 March 2010) and RBS Morgans (8 Jan 2010)

² Last day of trading prior to announcement of Peabody's Initial Indicative Proposal



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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.