



MACARTHUR COAL (ASX: MCC) NOTES FURTHER PROPOSAL FROM PEABODY ENERGY CORPORATION

MACARTHUR BOARD ADVISES SHAREHOLDERS TO TAKE NO ACTION

15 April 2010

The Board of Macarthur Coal Limited ("Macarthur") advises that it has 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\$16 cash for each Macarthur share on issue ("Peabody's Further Proposal"). A copy of Peabody's Further Proposal is set out in the Attachment.

Under Peabody's Further Proposal, Peabody is prepared to offer cash to all shareholders; however is 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 should they choose to do so.

Peabody's Further Proposal is conditional upon:

- satisfactory results to the due diligence review described in Peabody's Further Proposal;
- the Gloucester/Noble transactions not proceeding;
- the negotiation and entry into a scheme implementation agreement; and
- FIRB and other required regulatory approvals.

Peabody's Further Proposal requires approval by Macarthur shareholders under a scheme of arrangement (75% of votes cast and 50% of shareholders voting by number at a scheme meeting, in each case excluding any of the three major shareholders who wish to retain their economic interest in Macarthur).

In addition, Peabody has advised that Peabody's Further Proposal will lapse "if Macarthur holds the EGM to approve the issue of shares to Noble Group in connection with the Gloucester takeover offer and related transactions, or, in any event, if the Gloucester and Noble Group transactions proceed".

The Macarthur Directors will assess the merits of Peabody's Further Proposal. Shareholders are advised to **Take No Action** in relation to it or any documentation received from Peabody until they receive the Directors' formal recommendation. The Directors will meet tomorrow, Friday 16 April 2010 to consider Peabody's Further Proposal and to consider whether there is any basis for postponing the extraordinary general meeting (EGM) scheduled for 11.00 am on Monday 19 April 2010.

Macarthur notes that in respect of the EGM scheduled for 11 am on Monday, 19 April 2010:

- shareholders are entitled to amend their proxies at any time up to 11 am on Saturday, 17 April 2010 and even if the proxies have been lodged, shareholders can still attend in person or by corporate representative and vote at the meeting; and
- should the shareholder meeting be postponed or adjourned for any reason, shareholders would be given an opportunity to withdraw or replace their proxies.

The Macarthur Board is committed to being in regular contact with shareholders and will keep you informed of future developments. In the interim, the Macarthur Board urges 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).



For further information, please contact:

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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.



Attachment

Letter from Peabody dated 15 April 2010



PEABODY ENERGY

701 Market Street
St. Louis, Missouri 63101-1826

GREGORY H. BOYCE
Chairman and
Chief Executive Officer

15 April 2010

Mr. Keith De Lacy
Chairman
Macarthur Coal Limited
100 Melbourne Street
South Brisbane QLD 4101
Australia

RE: Definitive Proposal for Macarthur Coal Limited

Dear Keith:

Further to our letters dated 30 March 2010 and 6 April 2010, we are pleased to submit this definitive proposal for Peabody to acquire a controlling interest in Macarthur Coal Limited (“Macarthur”). We have noted your concerns set out in the press release dated 8 April 2010 and are delivering a superior proposal which we believe the Macarthur Board can utilize to invoke its fiduciary carve-out under the Gloucester and Noble agreements and engage with Peabody. We are confident this proposal could quickly be put forward for consideration by your shareholders, thereby allowing them the opportunity to realize a substantial premium for their investment.

Pursuant to our proposal, Peabody is offering a cash price for each Macarthur share in issue of A\$16.00 per share to be implemented pursuant to a scheme of arrangement (the “Offer”). The Offer price represents:

- a 39.4% premium to A\$11.48 per share, the 30-day volume-weighted average share price up to 30 March 2010, being the day prior to the date Macarthur announced Peabody’s initial proposal;
- a 36.2% premium to A\$11.75 per share, the average Net Asset Value per share as determined by the Macarthur research analysts that Macarthur referenced in its announcement on 7 April 2010;
- a 59.4% premium to A\$10.04 per share, the closing share price of Macarthur on 25 February 2010, being the day prior to the release of the Lonergan Edwards Independent Expert’s Report; and
- up to a 62.6% premium to the valuation range for Macarthur that was prepared by the Independent Expert on behalf of Macarthur.

Additional information about the Offer is set out below.

Peabody's proposal is superior

Peabody believes the Offer is superior to the takeover offer for Gloucester Coal and associated transactions with Noble Group. In particular:

- The A\$16.00 per share offer price represents a material premium on all metrics to the value at which the proposed transaction with Gloucester Coal and Noble Group would be consummated;
- The Offer is capable of being put to your shareholders for their approval within a short period of time;
- The Offer has had nearly all conditionality removed from it; and
- Peabody is prepared to offer cash to all shareholders; however, we are 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 should they so wish. We believe our willingness to consider this outcome further increases the likelihood of securing the requisite shareholder approvals under the proposed scheme of arrangement.

1. Transaction structure

It is our intention that the Offer be implemented by way of a court approved scheme of arrangement on customary terms, including receipt of FIRB and any other required regulatory approvals, under which Macarthur shareholders would receive a cash payment for their shares. As mentioned above, we are also prepared to offer the three major shareholders the ability to retain their existing economic interest in a privatized Macarthur, should they wish to do so. We are prepared to provide this flexibility to the extent this helps to accommodate the strategic objectives of the three major shareholders.

2. Transaction financing

The Offer is not conditioned on financing. We remain highly confident in our ability to finance this transaction through a combination of cash on hand, available capacity under Peabody's existing credit facilities, interim bridge financing (as may be required) and issuance of debt and equity securities. An internationally recognized investment bank has provided us with a letter stating that it is also "highly confident" that Peabody has access to sufficient funds to consummate the proposed transaction. A copy of the letter will be provided to you separately on a confidential basis.

3. Internal approvals

Peabody's Board of Directors has approved this Offer and authorized the management team to enter into a Scheme Implementation Agreement on behalf of Peabody.

4. Limited, confirmatory due diligence

We have carefully reviewed publicly available information about Macarthur and its business and assets. However, certain critical information is not available to us. For this reason, we would require satisfactory results to a limited, confirmatory due diligence review, which would include (i) a review of the joint venture agreements, the marketing agreements and other material agreements (e.g. port and rail agreements) to understand the material terms, including potential change in control provisions; (ii) verification of the current committed sales position of the Macarthur Group; and (iii) verification of certain information contained in the Independent Expert Report dated 26 February 2010. We anticipate being able to complete this review within five (5) business days assuming the availability and full cooperation of Macarthur's management team. Peabody is prepared to enter into an appropriate confidentiality agreement with Macarthur prior to commencing this review.

The requested scope of our due diligence review is significantly less than what would normally be anticipated in a board supported scheme of arrangement. It is our intention to work with you to deliver a superior outcome for your shareholders.

5. Other

We believe the Offer addresses the key concerns previously raised by you and further believe it represents a superior proposal that allows the Macarthur Board to engage with Peabody to enable it to put the Offer to your shareholders for their approval. In this regard, with very limited engagement from Macarthur over a short period of time, the Offer is readily capable of being put to Macarthur shareholders for consideration and completed on a timely basis.

Peabody confirms that the Offer will lapse if Macarthur holds the EGM to approve the issue of shares to Noble Group in connection with the Gloucester takeover offer and related transactions, or, in any event, if the Gloucester and Noble Group transactions proceed.

We look forward to working with you to progress our Offer, and would appreciate receiving a response within the next 24 hours. Any communications relating to this proposal should be directed to me or Rick Navarre.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Gregory H. Boyce', with a stylized flourish at the end.

Gregory H. Boyce
Chairman and Chief Executive Officer