

26 February 2010

MACARTHUR CONFIRMS RECOMMENDATION TO PROCEED WITH ACQUISITION OF GLOUCESTER COAL LTD AND OTHER NOBLE ASSETS

About Macarthur Coal

Macarthur Coal Limited is the world's largest producer of seaborne low Volatile pulverized injection coal (LVPC) used for steel making. As a supplier to the world's leading steel producers, Macarthur Coal 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.

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Following receipt of the Independent Expert's Report, the Macarthur Coal board today confirmed its recommendation that shareholders approve the issue of Macarthur Shares to Noble entities for the Gloucester and Middlemount transaction, said Keith De Lacy, Macarthur Chairman.

Macarthur has today lodged with ASIC its off-market takeover offer for all of the shares in Gloucester Coal Ltd ("Gloucester") and its Bidder's Statement in relation to that offer and has served these documents on Gloucester.

Macarthur has also released its notice of meeting and explanatory memorandum for shareholder approval of the issue of shares to Noble entities.

An Independent Expert, Lonergan Edwards & Associates Limited ("Lonergan Edwards") was appointed by the Macarthur Board in December 2009 to prepare an independent expert's report for Macarthur shareholders to determine whether the issue of Macarthur shares to Noble entities under the Gloucester Offer and Middlemount transaction is fair and reasonable to Macarthur shareholders. The transactions contemplated are:

- **Gloucester Offer** - a conditional proposal by which Macarthur will acquire 100% of Gloucester via an off-market takeover by an all-scrip offer with cash alternative
- **Middlemount transaction** - the conditional acquisition by Macarthur from Noble Group Limited ("Noble") of its interest in the Middlemount JV, to take Macarthur's ownership to 100% of Middlemount including all marketing rights for Middlemount product and associated transactions.

Lonergan Edwards has provided its Independent Expert Report to Macarthur for despatch to Macarthur shareholders with the notice of meeting.

Lonergan Edwards concludes that:

- because the value of the Macarthur shares issued (based on a value of Macarthur shares incorporating a full control premium as required by RG 111) exceeds the value of the assets acquired from Noble, the proposed transactions with Noble are not fair when assessed under RG 111 but are reasonable
- Lonergan Edwards has concluded that when a valuation of Macarthur shares which reflects the commercial reality of the transactions as a whole is applied, the value of the assets acquired from Noble is consistent with the value of the consideration payable by Macarthur, and therefore the proposed issue of shares to Noble is reasonable.

Consequently, the Macarthur board has confirmed its recommendation that Macarthur shareholders approve the proposed issue of shares to Noble under the Gloucester Offer and the Middlemount transaction. Macarthur and Noble have both waived the condition in the Middlemount transaction documents which requires a "fair and reasonable" expert's report to be obtained.



Fairness

Under the relevant ASIC policy (RG 111), in determining whether the issue of shares to Noble is fair to Macarthur shareholders, the strict requirements of RG 111 require Lonergan Edwards to use a value for Macarthur shares which includes a full control premium, even though Lonergan Edwards recognises that it is not commercially realistic to expect that Noble would pay a full control premium as Noble's maximum interest under the transactions is no more than 24.6%.

Reasonableness

In assessing the test of reasonableness, as defined in RG 111, Lonergan Edwards was however able to consider the broader context of the transaction, in particular whether the value of the assets to be acquired from Noble is consistent with the value of the shares to be issued by Macarthur as consideration (when the value of those shares is assessed on a basis which reflects the fact that Noble is not obtaining control of Macarthur as a result of the transactions).

Macarthur shareholders should read the full report of Lonergan Edwards which accompanies the notice of meeting, as well as the explanatory memorandum prepared by Macarthur, in considering how to vote at the meeting.

It is expected that the notice of meeting, the explanatory memorandum and the accompanying report will be despatched on or about 4 March 2010, with the expected meeting date being Monday 12 April 2010.

Gloucester Directors

Under the terms of the Bid Implementation Agreement between Macarthur and Gloucester relating to the Gloucester Offer, Macarthur has agreed to appoint two Gloucester directors nominated by the Gloucester board as directors of Macarthur as soon as practicable after Macarthur acquires more than 50% of Gloucester and the Gloucester Offer has become unconditional.

The Gloucester directors have indicated that they will nominate Mr James MacKenzie and either Mr Ricardo Leiman or Mr William Randall to become Macarthur directors.

Mr MacKenzie is currently the chairman and independent director of Gloucester.

Both Mr Leiman and Mr Randall are employees of Noble Group, being the Noble Group Chief Operating Officer and Noble Group Head of the Coal & Coke division respectively.

Information Session

Nicole Hollows, CEO and MD and Craig Edwards from Lonergan Edwards (Macarthur's Independent Expert) will be available at 11.30am Brisbane time on Monday 1 March 2010 to answer questions on the proposed Gloucester Offer and Middlemount transaction. The call details are as follows:

Dial-In numbers: 1800 838 758 Australia Free Call
 +61 7 3107 0210 International / Metered Number