

# **Peabody Energy Acquires More Than 100 Million Tons of Reserves in Western Kentucky**

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Peabody Energy today announced that a subsidiary has acquired more than 100 million tons of high Btu coal reserves and associated mining facilities from Alcoa Fuels, Inc., a subsidiary of Alcoa Inc., in Union and Webster counties in Kentucky.

The underground mineable reserves would be developed for the planned Dyson Creek Mine, which would produce up to 4 million tons of Kentucky No. 9 coal per year. Development timing will be dependent on market conditions. The transaction includes the purchase of the Caseyville Dock on the Ohio River, in addition to rail loading and other mining facilities. Alcoa Fuels, Inc. will receive a percentage of the mine's production and production adjusted cash payments.

"This acquisition represents one of the best remaining blocks of ultra-high Btu Illinois Basin coal with access to barge and rail transportation," said Gregory H. Boyce, Peabody's President and Chief Executive Officer Elect. "We're seeing strong demand for Illinois Basin coal thanks to investments in clean coal technologies."

Peabody is the largest coal company in the Illinois Basin, which is expected to experience strong growth over the next 10 years as existing coal-fueled generating plants install billions of dollars of emission control equipment and new plants are developed.

Peabody Energy is the world's largest private-sector coal company, with 2004 sales of 227 million tons of coal and \$3.6 billion in revenues. Its coal products fuel more than 10 percent of all U.S. electricity and 3 percent of worldwide electricity.

The use of the words "Peabody," "the company" and "our" relate to Peabody, our subsidiaries and our majority owned affiliates. Certain statements in this press release are forward looking as defined in the Private Securities Litigation Reform Act of 1995. These statements involve certain risks and uncertainties that may cause actual results to differ materially from expectations as of the date of this release. For detailed risk factors, please refer to the company's filings with the U.S. Securities and Exchange Commission. These factors are difficult to accurately predict and may be beyond the control of the company.

CONTACT:  
Beth Sutton  
(505) 287-2636

SOURCE: Peabody Energy

CONTACT: Beth Sutton of Peabody Energy, +1-505-287-2636

Web site: <http://www.peabodyenergy.com/>

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