

Peabody Energy Signs Agreement to Advance Major Mine and Coal Conversion Project in China

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Peabody Energy has entered into an agreement with the government of Inner Mongolia and other Chinese partners to explore development opportunities for a large surface mine and downstream coal gasification facility that would produce methanol, chemicals or fuel products. The majority of coal from the mine would be dedicated for fuel supply to the coal conversion plant.

The agreement was signed today in St. Louis with the Inner Mongolia Jitong Railway Group Limited Company, the People's Government of Inner Mongolia Autonomous Region and the Administrative Office of Xilinguole Region. An 11- member delegation participated in the signing ceremony, including Mr. Ren Yaping, Executive Vice Chairman of People's Government of Inner Mongolia Autonomous Region; Mr. Wang Zhiyuan, Deputy Chief Executive of Xilinguole League of Inner Mongolia Autonomous Region; and Mr. Su Nan, Vice Chairman of the Board, Inner Mongolia Jitong Railway Group Limited Company.

The project is expected to have an annual capacity of at least 1.2 million tonnes of methanol or equivalent fuel and chemical production, and is being planned for the Xilinguole League. In the coming months, the companies will begin a feasibility study to examine the potential for the project. Peabody is also continuing discussions with major global chemical companies as project partners. The major open-cut mine would be located on coal resources that, subject to additional confirmatory drilling, could total up to 3 billion tonnes.

"China's coal conversion initiatives are providing the vital energy security that China needs by using abundant domestic energy resources to reduce dependence on increasingly expensive oil and natural gas," said Peabody Energy Chairman and Chief Executive Officer Gregory H. Boyce. "Peabody is continuing our global leadership in advancing coal conversion projects. We are pleased to be working with our Chinese partners in cooperation with the Chinese government to develop a world-class coal-to-chemicals facility."

"Eastern Inner Mongolia, with total coal reserves of 210 billion tonnes, one fifth of the probable reserves in Inner Mongolia, is one of the large- scale bases in the 11th Five-Year Plan of China Coal Industry Development," said Mr. Su. "Jitong Group has made a commitment to the construction and operation of the railway network of Eastern Inner Mongolia. To accelerate energy development and railway network construction in this region, we will put all our efforts into our partnership with Peabody to build an advanced large-scale open-cut mine and down stream coal-chemical project in China, and make full use of our railway resources while being aligned with the Chinese government policies."

Coal has been the fastest-growing fuel in the world for the past five years, and China is the largest and fastest-growing coal market in the world. China is also emerging as a leading producer of coal-based chemical feedstocks, which are used in the manufacturing of plastics, paints and construction materials, and increasingly as transportation fuel additives.

Inner Mongolia has a vast reserve base and is China's fastest-growing coal region, expected to increase annual production more than 40 percent over the next three years, with coal seams ranging from 25 to 175 meters in height near the potential mine. Many of the region's deposits are suitable for large- scale surface mining projects.

China is the largest coal producing region in the world and uses coal to generate about 70 percent of its electricity. In the past two years alone China has added the equivalent of half of U.S. coal-fueled generating capacity. Several major coal conversion projects are in development in Inner Mongolia, including a large coal-to-liquids facility.

Jitong Railway Group is a joint venture railway company established by the Ministry of Railway of the Chinese Government, Inner Mongolia Government and North United Power, which owns four rail lines across Inner Mongolia.

Inner Mongolia, with the capital of Hohhot, has an area of 1.2 million square kilometers, spanning nearly 12 percent of the country's land area. The facility would be developed near the city of Xilinhaote.

Peabody is the only non-Chinese participant in GreenGen, China's signature carbon initiative, and the company has an office in Beijing and growing coal trading activities.

Peabody Energy is the world's largest private-sector coal company, with 2007 sales of 238 million tons and \$4.6 billion in revenues. Its coal products fuel approximately 10 percent of all U.S. electricity generation and 2 percent of worldwide electricity.

Certain statements regarding Peabody Energy 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 be beyond our control and may cause our actual future results to differ materially from expectations. We do not undertake to update our forward- looking statements. Factors that could affect our results include a number of risks including those detailed in the company's reports filed with the Securities and Exchange Commission.

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