Peabody Energy and Shanxi Lu'an Mining Group Co., Ltd. Agree to Pursue Joint Development of Open-Cut Mine in Xinjiang

PRNewswire-FirstCall
ST. LOUIS

Peabody Energy and Shanxi Lu'an Mining Group Company Ltd. (Lu'an) have announced that their subsidiaries have entered into an agreement to explore joint development and operation of Lu'an's Shaxi Mine in the Xinjiang Uygur Autonomous Region in Northwestern China.

The Shaxi Mine, which is under construction, has access to a large dedicated thermal resource. The mine has the potential to expand to 15 million tonnes or more per year in line with the development of a new rail project that would serve electricity customers and other industrial users in Central and Eastern China.

"China is leading the world in industrial growth and fueling its progress with coal," said Peabody Energy Chairman and Chief Executive Officer Gregory H. Boyce. "Peabody has a growing presence in Asia, and seeks to partner in world-class coal projects to fuel long-term energy needs using our state-of-the-art safety, mining and environmental practices that are recognized around the world."

In the coming months, the companies will conduct a feasibility study to evaluate technical requirements for next phases of development, which also includes other coal reserves in the region owned by Lu'an.

"We look forward to working with our colleagues at Peabody on the joint development opportunities in China, which would bring mutual benefit to both companies," said Mr. Ren Runhou, Chairman of the Lu'an Group.

Peabody has an expanding presence in China and is the only non-Chinese partner in GreenGen, a near-zero emissions power project in Tianjin. The company is pursuing multiple partnerships in Asia that include a large surface mine and downstream coal conversion facility with the government of Inner Mongolia, China and other partners; and projects in Mongolia, which include the Peabody-Polo Resources joint venture.

China is the fastest-growing coal market in the world, using coal to fuel 80 percent of its electricity. China is expected to nearly double its electricity consumption by 2015. More than 700 million Chinese residents have gained access to electricity over the past several decades as China has grown to become the world's third-largest economy.

Lu'an is an energy and chemical enterprise. In 2008, Lu'an produced 42 million tonnes of coal and had US$5 billion in revenues. Lu'an is one of China's top 500 enterprises, ranked 155, and was named among "The Top 10 Most Influential Enterprises" by China Enterprise Association.

Peabody Energy is the world's largest private-sector coal company, with 2008 sales of 256 million tons and $6.6 billion in revenues. Its coal products fuel 10 percent of all U.S. electricity generation and 2 percent of worldwide electricity.

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