



Mission Statement

Peabody Energy's mission is to be a world-wide supplier of low-cost energy, which contributes to economic prosperity and a better quality of life.

We believe in six fundamental principles:

- We will develop and manage safe, efficient, low-cost, world-class coal mining operations;
- We will provide customers with quality products, reliable supply and superior service;
- We will provide our employees with an entrepreneurial work environment that encourages initiative and creativity, safe working conditions, opportunities for job satisfaction and career advancement, and financial rewards commensurate with performance and dedication;
- We will reward shareholders with superior earnings performance and sustained earnings growth;
- We will interact with customers, employees, suppliers, government entities, the public and the communities in which we operate in a responsible, ethical and constructive manner; and
- When the mining is complete, we will leave the land in a condition equal to or better than we found it.

Peabody

Safety Statement

Peabody's vision is to operate safe workplaces that are incident free.

The following governing principles for safety and health apply to everyone at a Peabody Workplace:

- The safety and health of our most important asset, our employees, is a core value that is integrated into all areas of our business;
- All workplace incidents can be eliminated, including injuries, occupational illnesses, property damage and near misses;
- Management has the overall accountability for employee safety and health;
- Employees must be empowered with the skills and authority to perform their jobs in a safe manner;
- All employees must comply with established safety rules and regulations
- Open, honest and effective safety communication is essential;
- All safety and health efforts must be sustainable and will be continuously reviewed and improved; and
- The workplace is anywhere a Peabody employee is on the job.

Peabody

Who We Are

Currently Operating in these Countries:

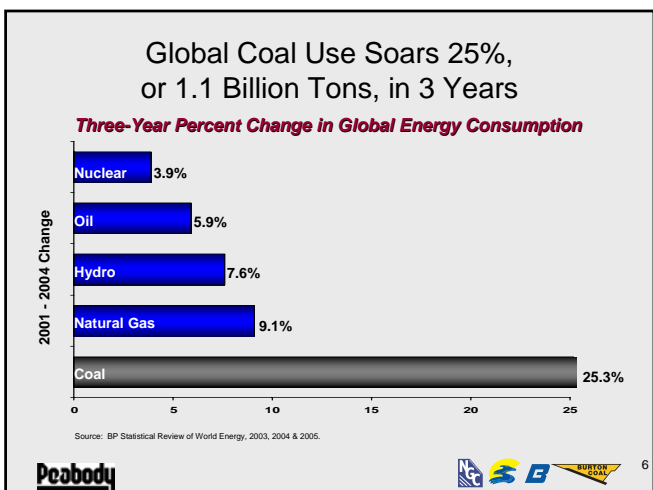
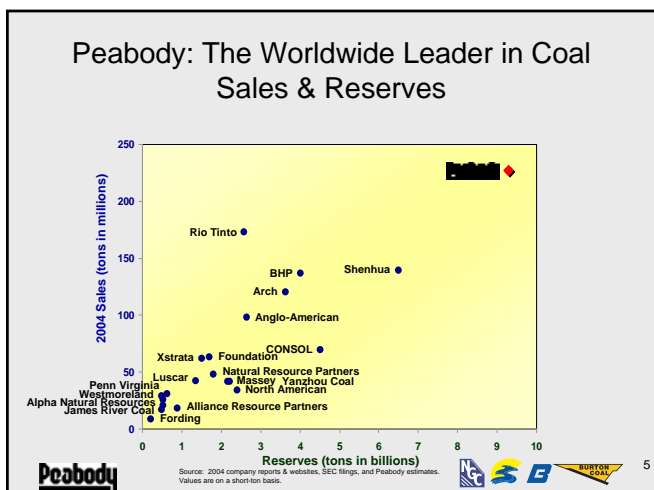
Market Position	Sales	Reserves
Wyoming PRB	#1 116	3,313
Midwest	#1 36	4,035
Southwest	#1 19	1,016
Colorado	#1 9	280
Appalachia	#6 16	651
Queensland	#5 8	218
Venezuela	#1 7	175

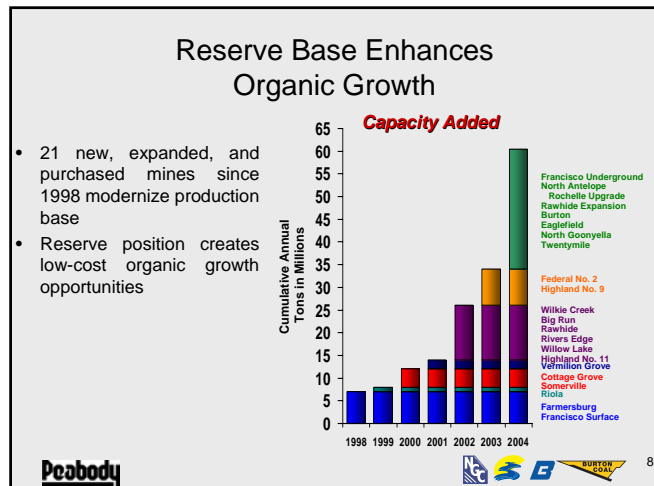
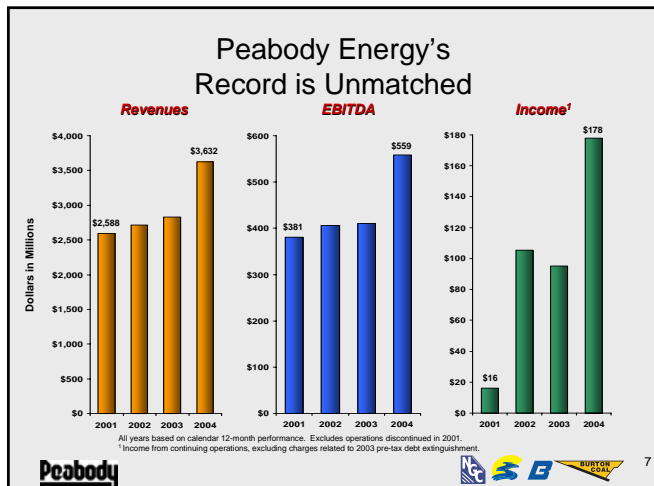
Millions of short tons

9688

Market position as of December 31, 2004. 2004 sales volume in millions of short tons. Venezuela sales volume for Paso Diablo Mine, of which Peabody owns a 25.0% interest. Sales volume for Colorado, Venezuela and Queensland are pro forma for 2004. Reserves based on 2004 proven and probable for areas shown, adjusted for 2005 reserve acquisitions. Queensland market position represents met coal only. Source: Peabody analysis & industry reports.

Peabody





Who We Are In Australia Our History

Peabody established the first major Australian export coal mine

1962 Theiss Peabody Mitsui open Moura Mine the first major export mine in QLD
 1977 Peabody's Australian interests sold due to US Federal Trade Commission order

Growth through the 1990s in NSW & QLD

1993 Acquisition of Warkworth, Ravensworth & Narama NSW
 1998 Opening of Bengalla Mine, Hunter Valley
 1999 Acquisition of Moura Mine with Mitsui
 2001 Peabody Australian assets sold to Coal & Allied to reduce debt prior to successful float on the New York Stock Ex.

Rapidly expanding in Australia in the 2000s

2002 Acquisition of Wilkie Creek Mine in Surat Basin
 2004 Acquisition of North Goonyella & Burton Mines in Bowen Basin
 2004 Opening of Eaglefield Open Cut Mine at North Goonyella
 2005 Opening of Baralaba Mine in Bowen Basin

Peabody Bowen Basin Coal Mines

- North Goonyella Underground Mine**
 - Hard coking coal
 - 332 employees
 - 1.7 Mtpa
- Eaglefield Open Cut Mine**
 - Hard coking coal
 - MacMahon Contractors
 - 1.0 Mtpa
- Burton Open Cut Mine**
 - Hard coking & thermal coal
 - Theiss Contractors
 - 3.5 Mtpa
- Baralaba Open Cut Mine**
 - PCI & thermal coal
 - GMC Contractors
 - 0.5 Mtpa – started 4 July 2005

Peabody Surat Basin Coal Mines

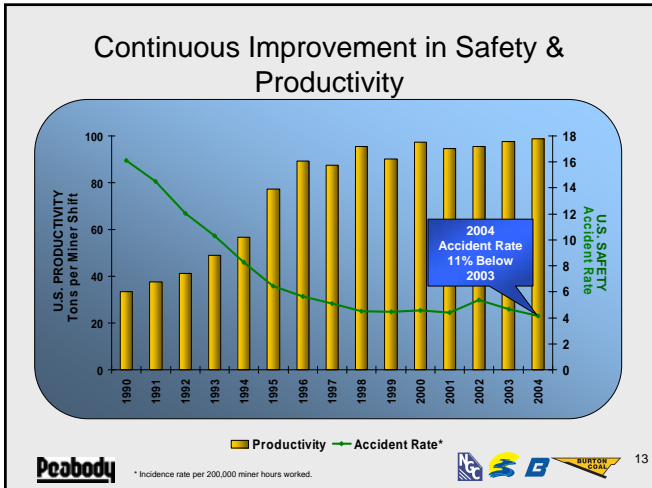
- Wilkie Creek Open Cut Mine**
 - Surat Premium thermal coal
 - 49 employees
 - 1.6 Mtpa ramping to 2.4 Mtpa
- Horse Creek Resource**
 - Thermal coal
 - 295 Mt reserve
 - Future Mine

What We Are About

Creating a Continuous Improvement Culture

- Top management leadership
- Teamwork
- Everyone is involved – hourly, salaried, all functions including corporate support
- Processes are measured, monitored and benchmarked
- Defined standards for all processes

You know you have created the right culture when everyone in the organization is anticipating change and driving continuous improvement



- ### Peabody Approach to Continuous Improvement
- **Top-level commitment**
 - Clear corporate mission, strategy, goals and expectations communicated to the entire company
 - Senior management involvement and follow-up
 - Provide resources: people, time, tools and dollars
 - **Right organization**
 - Locally developed program – each mining operation develops a program for continuous improvement with basic requirements
 - Mine steering committee and coordinator at every operation
 - Clear roles and responsibilities at all levels
 - Team-based improvement projects – involvement of all employment levels and functions impacted by project
- Peabody NGC S G BURTON COAL 14

- ### Peabody Approach to Continuous Improvement
- **Right approach, tools and training**
 - Define, measure, analyze, improve and control – systematic approach
 - Data – drive improvements with benchmarking, process mapping, time studies, utilization analysis, early warning indicators, KPIs, etc.
 - **Share and recognize experience and results**
 - **Corporate support to guide and advise continuous improvement**
 - **Experimentation, don't be afraid to make mistakes**
- Peabody NGC S G BURTON COAL 15

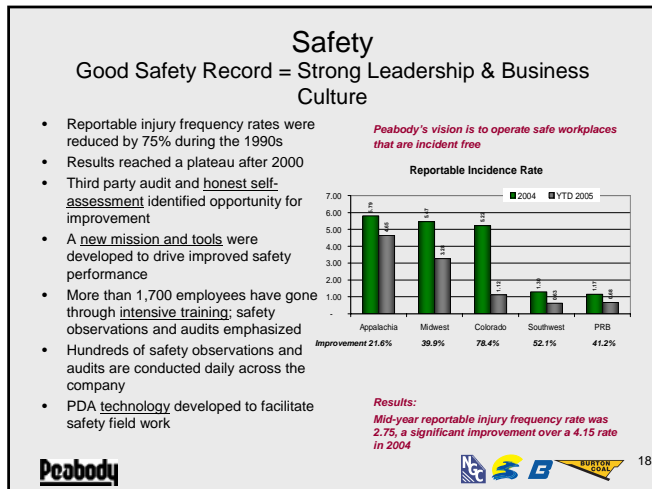
- ### What We Have Achieved
- Continuous Improvement Examples
- Environment
 - Safety
 - Team based improvement
 - Business sustainability
- This is really about safety, productivity, costs and growth*
- Peabody NGC S G BURTON COAL 16

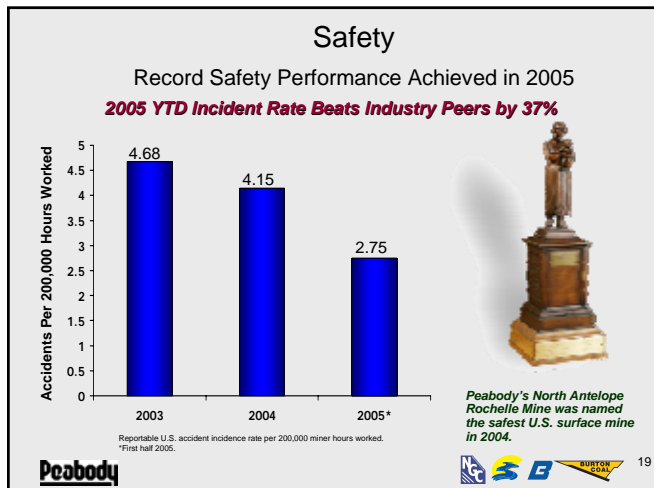
Environment

When the mining is complete we will leave the land in a condition equal to or better than we found it

- Peabody takes environmental stewardship very seriously
- 2003 – 5 Major Awards
- 2004 – 7 Major Awards
- 2005 YTD – 11 Major Awards
- Australia: Member of Greenhouse Challenge Plus
- Feasibility study at NGC for gas to power

Peabody NGC S G BURTON COAL 17





Team Based Improvement Dragline Performance Improvement

- Peabody moves a billion yards of overburden a year
- Mines with draglines move two-thirds of overburden
- Peabody operates nine large draglines
- 2003 benchmark study and honest self-assessment identified
 - Potential to improve payloads, dig time and cycle time
 - Issues with data collection and performance reporting
- Corporate and mine teams formed to improve dragline system performance
- Implemented best practices in training, upgraded monitoring technology, established standard operating procedures and better KPIs

Results:
 2004 benchmark study improvement over 100 draglines surveyed world-wide

- Marion 8200 was highest performing machine of all classes of draglines
- Highest performing BE 2570 in the world
- Good improvements at other draglines

Peabody

Team Based Improvement Maintenance Practices

Sound maintenance practices are as important as good mine planning:

Peabody Initiatives:

- Retrofitting older equipment with latest diagnostic systems
- Equipment monitoring technology
 - Early warning
 - 3% Inc in major component life
 - Condition Based Maintenance
 - Planning / Scheduling
 - Non destructive testing
 - 15 – 25% Dec. in cost
 - 10 – 15 % Inc. in mean time between failure

Peabody

2004 Productivity Results

Southern PRB Operations						Midwest Operations					
Rank	Company	M Tons	% of Industry	TPES	% of Industry	Rank	Company	M Tons	% of Industry	TPES	% of Industry
1	Peabody Energy	115.8	30.4%	413.0	17.5%	1	Triad Mining	3.4	3.7%	48.4	39.6%
2	Kiewit	29.3	8.3%	403.4	16.8%	2	Star Services	3.6	3.9%	49.6	37.9%
3	Arch Coal	87.6	22.9%	360.0	2.4%	3	Peabody Energy	34.4	38.0%	39.2	13.1%
4	Black Hills	4.8	1.3%	328.3	1.9%	4	Alliance Resource Partners	13.6	14.9%	35.4	2.9%
5	Foundation	41.7	10.9%	323.4	-8.0%	5	ICI (Kinross)	5.6	6.2%	34.3	-1.0%
6	Kennecott	107.0	29.0%	314.8	-10.4%	6	Moroney Coal	3.1	3.4%	33.9	-2.1%
	Industry	381.4	100.0%	351.6	0.0%	7	Murray Energy	9.1	10.0%	31.0	-10.4%
						8	Freeman (Wabash)	3.3	3.7%	27.6	-20.4%
							Industry	90.7	100.0%	14.6	0.0%

Southern PRB Operations						Appalachia Operations						
Rank	Company	Mine	M Tons	% of Industry	TPES	% of Industry	Rank	Company	M Tons	% of Industry	TPES	% of Industry
1	Peabody Energy	Rainbow	8.9	1.8%	488.0	38.3%	1	CON/CL Energy	64.4	18.9%	42.4	52.1%
2	Peabody Energy	NARMI	82.6	21.6%	411.4	17.8%	2	Murray Energy	28.0	11.5%	33.7	16.6%
3	Kiewit	Backsien	20.3	5.3%	403.4	14.8%	3	Arch Coal	23.8	18.9%	33.3	17.2%
4	Peabody Energy	Catalina	26.5	6.9%	402.8	14.4%	4	Foundation	17.1	5.0%	33.0	16.1%
5	Arch Coal	Black Thunder	73.2	18.9%	371.8	5.7%	5	ICI (Horizon)	10.7	3.2%	32.8	16.3%
6	Kennecott Energy	Arctope	29.7	7.8%	370.9	5.5%	6	Peabody Energy	13.7	4.9%	27.8	-5.2%
						7	Alpha Natural Resources	14.3	4.2%	25.3	-11.1%	
							Industry	340.7	100.0%	28.4	0.0%	

Colorado Operations						Western Four Corners Operations					
Rank	Company	M Tons	% of Industry	TPES	% of Industry	Rank	Company	M Tons	% of Industry	TPES	% of Industry
1	Chloride Carbon	8.9	33.7%	141.5	33.9%	1	Peabody Energy	18.6	46.3%	70.7	2.2%
2	Peabody Energy	16.1	25.7%	77.4	6.1%	2	P&M Coal	9.8	14.2%	70.7	2.2%
3	Moroney	3.9	13.9%	75.8	5.2%	3	BHP Minerals	15.7	38.4%	70.2	1.5%
4	Kennecott Energy	5.4	13.9%	73.2	0.3%						
5	Arch Coal	6.5	16.6%	70.6	-3.2%						
6	Dissault Generation	2.6	6.9%	62.6	-14.2%						
	Industry	39.2	100.0%	73.0	0.0%						

Peabody

Business Sustainability

Generating Plants Provide Long-Term Growth Opportunities

Two 1,500 MW Generating Stations Under Development

- 20% to 40% cost advantage vs. plants served by rail
- Agreement with partners for 47% of plant & output
- Preliminary agreement with Fluor as EPC contractor
- Final air quality permit from state & EPA in January 2005
- Provides model for others considering new plants

The State of Illinois issued the air permit for the Prairie State Energy Campus on January 14, 2005.

Peabody www.PrairieStateEnergyCampus.com

Our Challenge:

To attract and retain people who can assist us to maintain the momentum of continuously improving our business.

Peabody

Cultural Differences

“It is more than driving on the other side of the road”

- We look the same...but
- We speak the same language...but
- Patriotism / Loyalty / Work Ethic / Sense of Pride
- Respect : Position vs Person
: Mister & Sir
- East vs West
- Australians:
 - More worldly
 - Outward looking
 - “World Series Baseball”
- Mining:
 - Regulation
 - Training
 - Technology (e.g. PRB)

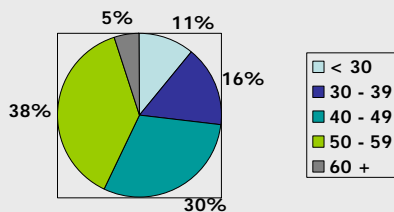
Ageing Workforce & Skills Shortages

- Both countries face the problems associated with an ageing workforce.
- Our belief is that many people will be looking to reduce their working hours while remaining employed.
- Solutions are similar in both countries:
 - Mining / resource related subjects in both countries
 - Scholarships / cadetships
 - Support university mining schools
 - Internal mining campus

“A Great Time to be Graduating”

Peabody's Employee Age Groups

Age Distribution by State and Australia



Take Away Comments

- Peabody is the world's largest private sector coal company.
- We have demonstrated consistent growth in a challenging environment.
- We take great pride in our environmental, safety and fiscal performance.
- The adoption of a well defined and structured continuous improvement strategy is fundamental to our continued success.
- Attracting and retaining the next generation of employees remains one of our biggest challenges.

Message to Students:

- You have picked a great time to join the resources industry
- Go bush: get your hands dirty
- Your degree is a key to the door, now you start to learn
- You can learn from people at all levels of any organisation
- Don't be afraid to move around and get in over your head – mistakes are healthy
- Don't let greed dictate your future
- Back yourself in, don't take no for an answer










For information on careers with Peabody contact:

Janette Woodham
 (General Manager – Human Resources)
 07 3225 5500
careers@peabodyenergy.com.au

Peabody    42