Peabody ENERGY

2011 Corporate and Social

Responsibility Report

Peabody Energy's mission is to be a leading worldwide producer and supplier of sustainable energy solutions that enable economic prosperity and a better quality of life.

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Cover: Peabody Energy seeks to advance world-class sustainability everywhere the company operates, including by demonstrating global leadership in green coal technologies, pioneering techniques to restore prime farmland and giving back in the communities in which we live and work.

Documents posted at *PeabodyEnergy.com* include the company's mission statement, safety vision and policies that support the company's goals of social responsibility and sustainable development.

Values

- Peabody Energy's culture is driven by strong corporate governance and a continuous focus on safety, stewardship, sustainability and best-in-class performance.
- Safety is core to the company's mission, and all employees commit to a vision of an incident-free workplace.
- Peabody believes clean, affordable electricity improves quality of life and longevity.
- Peabody believes greater use of clean coal drives energy security, economic growth and environmental solutions.
- Peabody is the global leader in advancing low-carbon and near-zero emissions technologies.

2011 Results

- Delivered record safety performance for the fourth consecutive year with a global incidence rate of 1.92 per 200,000 work hours.
- Achieved a U.S. incidence rate that is less than half the industry average and set a new safety record in Australia.
- Achieved record financial results, including record marks in revenues, Adjusted EBITDA, operating profit, net income, earnings per share and operating cash flows.
- Operated the world's largest and most productive coal mine – the North Antelope Rochelle Mine in the U.S. Southern Powder River Basin.
- Advanced multiple expansions in Australia and joint ventures in Australia, China, Mongolia and Indonesia.
- Completed the purchase of Macarthur Coal Limited.
- Invested $9.5 million in charitable giving – a 37 percent increase from the prior year – to strengthen communities around the world.
- Earned more than 30 global awards for safety, corporate, environmental and social responsibility.
- Marked another year of environmental excellence, restoring more than 5,100 acres of mined lands and recycling more than 16,000 tons of materials.

The use of the words "Peabody," "the company," and "our" relate to Peabody, our subsidiaries and our majority-owned affiliates.

Peabody Energy's Reporting Process

Management believes that the company's external communications vehicles, including the annual report, Securities and Exchange Commission (SEC) filings, website, employee communications and the corporate and social responsibility report, give stakeholders a full portrayal of the company's commitments and progress.

This report provides information regarding responsibilities that, by design, are not as thoroughly discussed in other communication vehicles.

In compiling this report, Peabody reviewed Global Reporting Initiative guidelines for sustainability and incorporated appropriate reporting data. This report is reviewed by Peabody Energy's Health, Safety, Security and Environmental Committee and Nominating and Corporate Governance Committee of the Board of Directors. The board and the company's executive team are invested in advancing best practices in corporate and social responsibility.

Peabody Energy
Chairman and
Chief Executive Officer
Gregory H. Boyce

Dear Stakeholder:

A sustainable global future begins with energy access for all. Energy is essential to our modern world, the foundation of our global economy and an engine of progress for billions of people.

Our world has entered a sustained market expansion for coal and energy. By midcentury, global electricity generation is expected to rise 130 percent and steel production 275 percent. Our world's population is expected to reach 9 billion people, the vast majority living in cities. Sustaining this growth would require as much as 16 billion tons of coal, more than twice what the world uses today.

Coal is the only fuel with the low cost and abundance to meet enormous needs and advance energy security, economic stimulus and environmental solutions.

Peabody Energy is the world's largest private-sector coal company and the world leader in sustainable mining and clean coal solutions. The company's more than 8,300 employees produce and supply coal that enables economic prosperity, stronger societies and a better quality of life.

Results have earned Peabody its reputation as the global leader in safe, environmentally responsible large-scale surface and underground mining.

In 2011, Peabody expanded its global platform to serve the world's major demand centers. Following a major acquisition, the company became the world's largest seaborne supplier of low-volatile pulverized coal injection (PCI) coal used in steelmaking.

Peabody delivered its safest performance results in 2011, with a nearly 30 percent incidence rate improvement. We expanded our workforce by 600 jobs. We converted more than 5,100 acres of mined lands into thriving forests, farm fields and prairie. The company invested more than $9.5 million into communities around the world through strategic philanthropic partnerships. And the company's efforts continue to be commended on the global stage.

The company's reach extends to metallurgical and thermal coal customers in more than 25 countries across six continents. From 30 mining operations across Australia and the Americas, as well as our global sales and trading platform, Peabody provides a product that is vital for electricity and steelmaking.

Our business aligns with fundamental societal needs. Affordable energy fuels a remarkable rise in standards of living as developing nations industrialize and urbanize. However, 3.6 billion people today lack adequate energy to meet basic needs.

Peabody seeks to achieve global energy access through greater use of coal. Our path forward – the Peabody Plan – sets a goal of providing universal energy access by 2050 through increased coal use and deployment of advanced coal technologies to meet economic and environmental objectives.

Peabody is a leader in clean and green coal solutions. Across multiple continents, Peabody is pioneering nearly a dozen advanced coal and low-carbon projects and partnerships toward near-zero emissions.

Chief among these is China's signature GreenGen initiative. At full build, GreenGen will be the world's largest near-zero emissions coal plant. Peabody is the only non-Chinese equity partner.

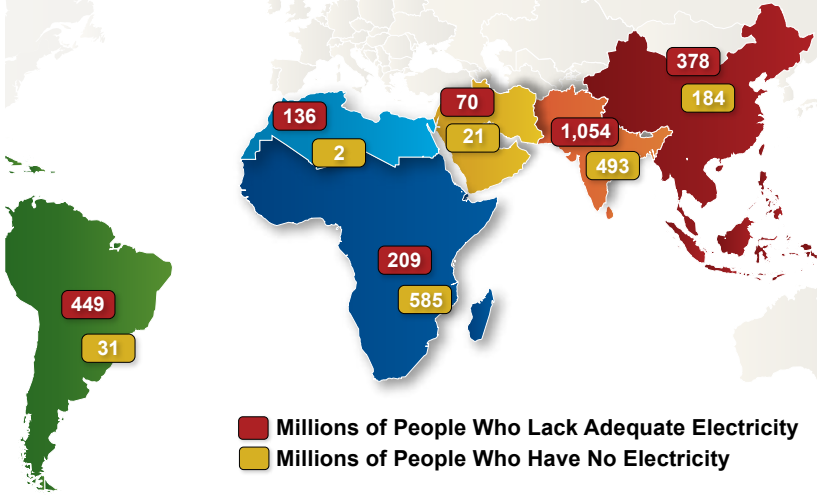
Peabody also is an equity participant in the Prairie State Energy Campus, which features the largest new U.S. coal plant developed in the past two decades and a model of advanced supercritical coal technology.

The company is focused on improving lives and livelihoods through social investments that empower communities; educate the next generation; restore, conserve and beautify the environment; and engage employees to give back. Through philanthropic investments, community outreach and robust employee volunteerism, Peabody provides significant support to charitable, community and educational organizations.

For more than 129 years, Peabody Energy has powered prosperity. We extend our gratitude to the company's employees who deliver sustainable energy solutions around the world.

Peabody Plan Calls for Proper Global Energy Access

3.6 Billion People Have No or Only Partial Access to Electricity



Source: International Energy Agency World Energy Outlook 2011 and World Bank Development Indicators, 2011.

More than half the world's population lacks proper electricity. Unless substantial progress is made to improve energy inequality, the first United Nations Millennium Development Goal of eradicating extreme poverty and hunger by 2015 will not be achieved.

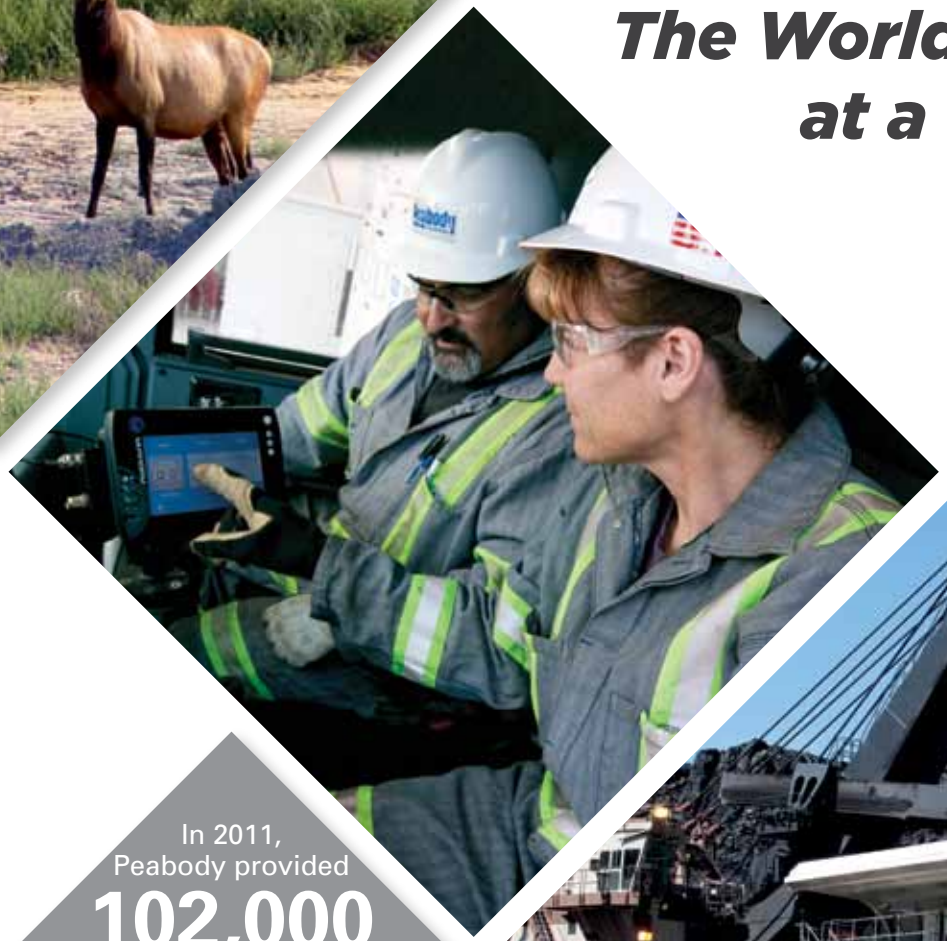
This report shares great strides made this past year in the areas of corporate and economic, employee, environmental and public responsibility. Peabody is energizing our communities and our world. We look forward to updating you on future progress.

Sincerely,

Gregory H. Boyce
Chairman and Chief Executive Officer

Energizing

The World One BTU at a Time



Peabody earned **30 awards** for safety, financial and environmental excellence in 2011

Peabody restored **5,100 acres** of mined lands in 2011

Peabody's Australian operations set a 2011 safety record improving **30%** over 2010

Peabody added more than **$19 Billion** in total economic benefits around the world in 2011

In 2011, Peabody provided **102,000** hours of training to more than 8,000 employees and vendors

2011 recycling volumes exceeded **16,000** tons of materials

Every day, the world uses

19 million

metric tons of coal

Peabody contributed

$9.5 million

to support charitable and community organizations in 2011

Peabody Energy (NYSE: BTU) ships nearly 30,000 tons of coal an hour to fuel economies in more than 25 nations across six continents. Peabody is the only global pure play coal investment and a global leader in clean coal solutions.

Coal is poised for future growth and is undergoing the early stages of a sustained market expansion. This global supercycle for coal is alive and well, as Asian economies industrialize and urbanize at an unprecedented pace.

A major corporate responsibility is to deliver strong financial results. Peabody achieved record financial results in 2011, marked by $8 billion in revenues, $1.59 billion in operating profit, $2.13 billion in Adjusted EBITDA and new records for net income, earnings per share and operating cash flows.

The company also completed a series of strategic actions that has set the stage for long-term growth. This included the purchase of what is now the Peabody Energy Australia PCI business. Peabody is the world's leading seaborne supplier of low-volatile pulverized coal injection (PCI) product.

Peabody is a *Fortune* 500 company and is featured in the 2011 *Forbes* Global 2000 ranking of the world's leading public companies. The company continues to earn global recognition for leadership, earning more than 30 awards for safety, financial performance, environmental excellence and social responsibility in 2011.

Peabody's operations continue to create significant economic benefits, and Peabody invested $9.5 million in charitable giving to strengthen global communities.

This section highlights:

- Energy, Economic and Environmental Solutions
- Global Charitable Giving
- Corporate Governance
- Board of Directors
- Code of Business Conduct and Ethics
- Financial Disclosure and Sarbanes-Oxley Compliance
- Corporate Compliance and Training Programs

The Golden Bejing docks in Liuheng port in Zhejiang province, carrying coal from Peabody Energy's Burton Mine to fuel Chinese utilities. The fast-growing Pacific Rim is experiencing record coal use.

Energy, Economic and Environmental Solutions

Every second, five people are born and three people gain electricity access for the first time. Enough steel is consumed globally every month to rebuild the Golden Gate Bridge in San Francisco 1,500 times. Emerging economies continue to industrialize and urbanize, driving unprecedented energy growth as hundreds of millions of people are lifted to a better quality of life. In the next two decades, 60 percent of the global population will live in urban areas; by 2050, about 70 percent will call a metropolitan region home.[1] New urban infrastructure – houses, power, water and sanitation systems, roads, hospitals and schools, and commercial and production facilities – will need to be built more rapidly than before. Urbanization requires increasing rates of steel production that, in turn, requires more coal.

Global coal demand today amounts to about 7.5 billion tonnes per year.[2] Demand is expected to rise another 4 billion tonnes over the next 25 years, driven by Asian nations that are projected to account for about 90 percent of demand growth.[3] Coal-fueled generation is expected to grow 2.5 times in China and 3.5 times in India in a quarter century.[4]

Greater use of coal provides the best opportunity to achieve complementary goals of energy security, economic progress and environmental improvement, which Peabody advances as "The Three Es."

Energy Security

The International Energy Agency (IEA) has forecast a 65 percent increase in global coal use by 2035 under its current policies scenario.[5] Coal is expected to become the largest energy source in the world by 2035 – with growth 30 percent greater than the increase in gas consumption, double the growth in oil, and twice the current global use of nuclear, hydro and renewable sources combined.[6]

Affordable, widely dispersed, broadly available, easily transported and energy-dense, coal is the only sustainable fuel meeting the world's growing electricity needs. Coal's broad distribution across every continent provides an important measure of energy security. It is the world's most prevalent fossil fuel, in excess of 1 trillion tonnes of recoverable reserves.[7]

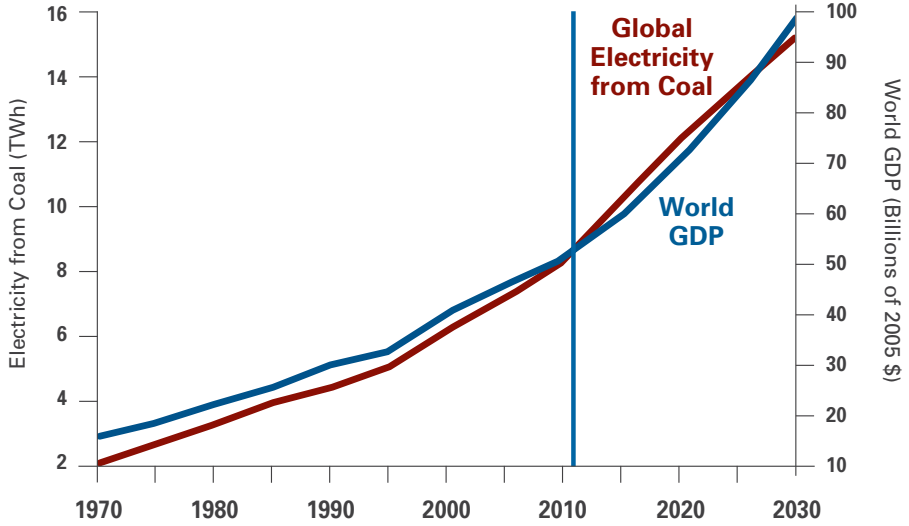
Other energy sources are too limited, strained or located in unstable regions to meet major demand. Oil has soared in price and is uneconomic for major power generation. Natural gas has seen significant price swings that hinder long-term reliability. Many major oil and natural gas supplies come from protectionist regions or volatile nations. More than half of the world's natural gas, for example, is held in Russia, the Middle East and Venezuela.[8]

In the United States, recent shale gas discoveries have increased supply, driving the price to artificial lows. Still, long-term challenges remain. Natural gas is expected to become a major seaborne export product and today is a major industrial and commercial feedstock fuel. These trends should tighten supplies, even as shale extraction techniques fall under increasing regulatory scrutiny and restraint.

Major nations are turning away from nuclear power due to the technology's high cost and unique physical and financial risks. Wind farms take up to 2,500 times the footprint of an efficient U.S. surface coal mine and are not located near electricity

The Economic Miracle Powered by Coal

Near Perfect Correlation Between Coal Use and GDP Growth



A rapid rise in the world's use of coal-fueled electricity closely mirrors the global rise in gross domestic product (GDP). Since 1970, coal use and GDP have more than tripled. The United Nations has linked life expectancy, educational attainment and income with per capita energy use.

Source: Developed from International Energy Agency, World Energy Outlook 2011; U.S. Department of Agriculture 2011.

demand centers, and solar has produced more headlines than power for more than half a century. Both wind and solar require baseload backup that would come from coal.

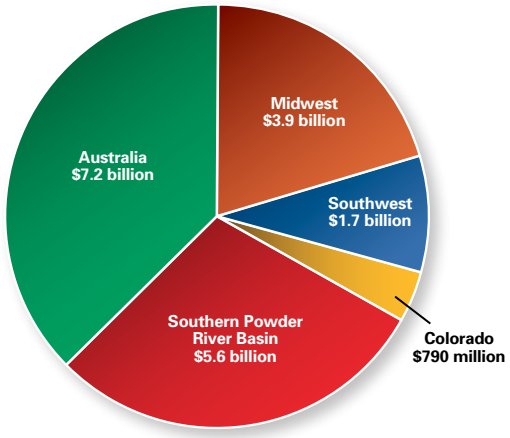
Economic and Social Progress

The foundational role that coal has had in societal progress dates back to the 1800s Industrial Revolution and extends to the modern day rapid economic development of contemporary China. The IEA has said, "Coal has underpinned China's massive and unprecedented growth in output, fueling an economic miracle that has helped to improve the standard of living."[9]

Coal provides affordable electricity access, and the United Nations and other groups have shown a tight correlation between longevity and greater access, which powers basic necessities such as air conditioning, food preservation, safe lighting, industrial growth and clean water. People are more apt to live longer and are better educated with electricity access, according to research by Dr. Frank Clemente of Pennsylvania State University. Consider that U.S. coal consumption has increased 300 percent since 1970 and that the Centers for Disease Control and Prevention finds the U.S. death rate now at "an all-time low," with the population living longer and healthier than ever before.[10]

Women and children are among the greatest beneficiaries. Energy deprivation disproportionately affects women and girls; upwards of 70 percent of people living in poverty are female.[11] The continuing "feminization of poverty" will be impossible to resolve unless those households have adequate access to electricity and other energy forms.

Peabody Energy Fuels $19 Billion in Economic Growth Globally



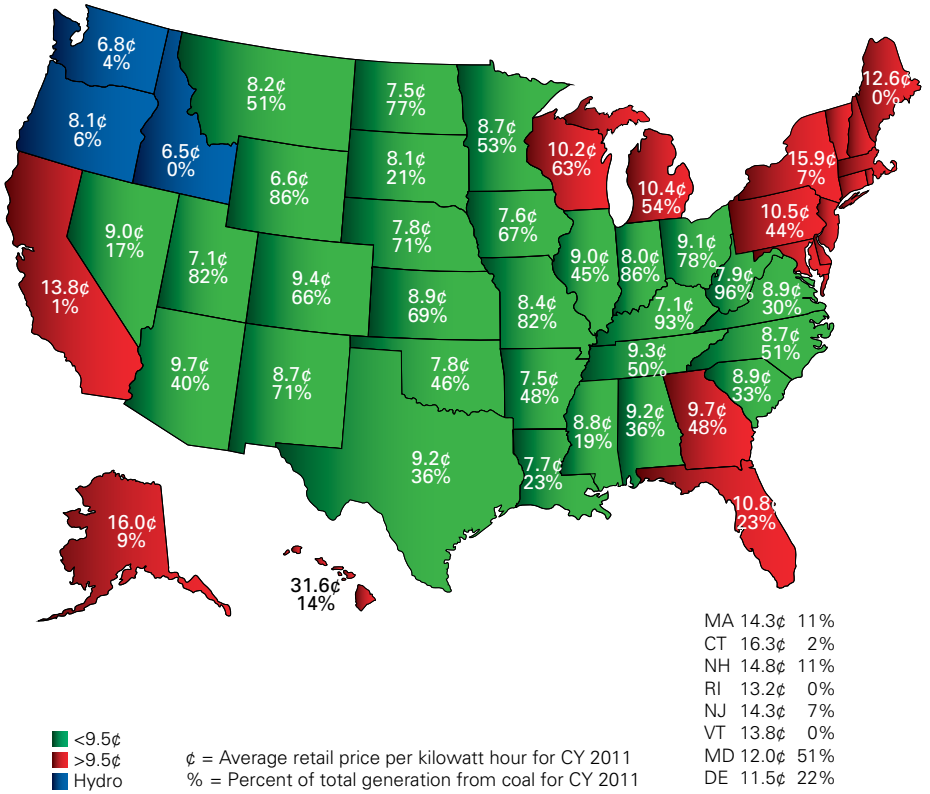
Peabody's operations created more than $19 billion in total economic benefits around the world in 2011, including $4.6 billion in direct economic contributions that include wages, taxes, royalty payments, capital investments and vendor contracts.

Lack of electricity perpetuates the poverty cycle by limiting manufacturing, communication and other foundations of modern lifestyles. Conversely, nations with available and affordable electric power have driven more rapid development.

Coal is a catalyst for economic growth, powering both the largest and best global economies. As U.S.-sized populations migrate to cities, a new middle class is emerging and requires modern conveniences like cars, air conditioning

Low-Cost Electricity in America Correlates With States That Use Coal

Retail Cost per kWh and Percent of Coal Generation



Source: U.S. Energy Information Administration, February 2012.

Coal fuels the lowest-cost electricity in the United States. The 10 states that use the highest percentage of coal enjoy electricity rates that are significantly lower than the cost of energy in states that rely heavily on other fuels.

and electronics that all need steel to make and power to run. Global growth for coal-generated electricity is expected at 700 gigawatts, requiring an additional 2 billion tonnes of coal and representing 15.3 million jobs and $2.4 trillion in economic benefits.[12]

Environmental Solutions

Advanced coal technology is the low-cost, low-carbon solution and has long provided environmental improvements. Tens of billions of dollars have been invested by utility companies in clean coal technologies to reduce emissions over the past several decades. Peabody is progressing partnerships and projects on three continents toward the ultimate vision of near-zero emissions through the commercialization of new clean coal technologies. Through the Peabody Plan, the company is advancing a series of technology-based steps to achieve economic growth and energy access for all.

Find more in the Public Responsibility section of this report.

Global Charitable Giving

Peabody provides significant support to charitable, health and educational organizations where the company operates and where employees live.

Peabody is focused on improving lives and livelihoods through four strategic aims:

- Empower communities
- Educate the next generation
- Restore, conserve and beautify the environment
- Engage employees to give back

This past year, $9.5 million was contributed across the company's operations – an increase of about 37 percent from $6.9 million the prior year. The company also worked in 2011 to align charitable contribution reporting practices, policies and data collection across the platform.

Global Community Investments

Peabody provides strong corporate citizenship and clean, affordable and abundant energy, which is vital for job creation and economic growth.

This begins from the company's headquarters in downtown St. Louis. In 2011, the company renewed a 15-year lease for its corporate headquarters, declining a

Peabody Energy employees gave in record numbers – both in employee participation and monies raised – to the 2011 workplace giving campaign for the United Way of Greater St. Louis, which helps one in three people in the community. Peabody Chairman and CEO Greg Boyce leads the 2012 United Way campaign for the St. Louis region.

Charitable Contributions and Scholarships

Dollars in Thousands	2011
Arts and Culture	$ 772.0
Civic	$ 336.0
Community Development	$ 980.0
Diversity	$ 95.0
Environmental	$ 278.0
Health Care	$ 671.0
Higher Education	$ 438.0
Human Services	$ 718.0
Mining/Coal Education Initiatives	$2,662.0
Youth Services/Education K-12	$ 770.0
Disaster Relief	$ 569.0
Scholarships	$ 923.0
Matching Gifts	$ 176.0
Other	$ 160.0
Grand Total	**$9,548.0**

The company invests in partnerships and organizations including those that advance health and human services, education, community development, youth services and arts and culture.

significant federal tax credit offered by the city and committing to invest $25 million to upgrade and expand its facilities.

Peabody also invests in nonprofit organizations and cultural institutions that strengthen the urban core:

- Chairman and Chief Executive Officer Greg Boyce currently leads the United Way of Greater St. Louis 2012 campaign to raise funds for 170 health and human services agencies.
- The company continues its $5 million grant toward the Consortium for Clean Coal Utilization at Washington University in St. Louis to advance low-carbon and green coal technology research.
- Peabody was recognized as Corporate Partner of the Year for its support of the nationally renowned Saint Louis Zoo and the zoo's conservation mission.
- In October 2011, a historic entertainment venue that was shuttered for more than 77 years reopened as the Peabody Opera House, once again lighting up downtown St. Louis and attracting patrons from all walks of life.

For the past five years, Peabody Energy Australia has cultivated a signature corporate partnership with the Queensland Youth Orchestra Council. The Brisbane-based council works to promote and foster scholarship, interest, enthusiasm and social welfare through learning, playing and the appreciation of music by youth.

Similarly, Peabody's mining operations and regional offices foster community partnerships. To promote environmental sustainability, the company's Midwest and Southern Powder River Basin operations have hosted mining and restoration field days, inviting community leaders, academics, local farmers and agricultural organizations to experience mining and land reclamation firsthand. A collaborative community effort to restore historic buildings on mine property is under way at Peabody's Colorado operations, while the New Mexico and Midwest operations have invested in community and school recycling programs.

Education is a primary focus, with funding that enhances high school industrial arts programs by providing mining-related equipment and a workforce partnership with Gillette College to train industrial electrical technicians. Numerous other programs support students pursuing mining technology, engineering and vocational paths at a number of higher education institutions as well as regional high schools.

Peabody Energy Australia has a robust community relations strategy in Queensland and New South Wales.

Community consultative committees at Australian mines serve as a key engagement channel. The committees constitute a diverse group of local community members and interest group representatives, and provide a forum for open discussion on the mine's operations, exploration and expansion plans. The committees also provide a forum for community initiatives. For example, the committee for Peabody's Metropolitan Mine in Helensburgh, New South Wales, identified the lack of an up-to-date media channel as a key issue for local entrepreneurs. The mine is helping the committee develop a community website that promotes local events, businesses and news as well as marketing opportunities for area business owners. Many of the Australian operations publish quarterly newsletters to keep the community and workforce informed on industry issues and mine expansion plans. Each mine site also has a community hotline to manage community inquiries.

In Australia, Peabody also invests in community safety initiatives and in programs that support arts and culture, education and health care. A flagship corporate partnership with the Queensland Youth Orchestra Council now is in its fifth year. This world-class organization, based in Brisbane, has 470 musicians in eight orchestras and ensembles. The company also is a major sponsor of the Central Queensland Rescue helicopter, which serves the mining industry and the broader community.

Disaster Relief

Peabody's global response to emergency relief in the wake of natural disasters remains steadfast, and the company has contributed more than half a million dollars in disaster relief this past year.

In early 2011, the worst flooding to hit Australia in 35 years destroyed thousands of homes, possessions and businesses. The company responded with an A$250,000 contribution to the Premier of Queensland's flood appeal. Employees donated A$33,570, which the company matched to enable A$70,000 in funding to the Salvation Army; the funds supplied two counselors to serve rural Queensland communities.

In addition, Peabody donated $250,000 through the International Red Cross following the earthquake and tsunami that devastated Japan in March 2011.

Peabody aided communities in the U.S. Midwest following severe weather in spring 2011 and in early 2012. The company donated $50,000 to the American Red Cross, and many employees volunteered in the aftermaths. When a tornado struck near Peabody's Southern Illinois operations, dozens of Peabody employees who serve in emergency medical technician and mine emergency response roles immediately assisted in the rescue and recovery.

Engaging Employees to Give Back

Peabody encourages employee charitable giving and volunteerism and has programs in place to convert each employee's good deeds into an even greater impact.

The company's Matching Gifts program was made available to non-U.S. employees, and the annual match limit increased to $5,000 per donor in 2011.

The company also launched a Dollars for Doers program that empowers employees to give back to their communities through donations of time and talent, providing a $250 company contribution to an eligible nonprofit for every 10 hours that an employee volunteers with that organization, up to $1,000 per year.

Recognition for Community Partnerships

In recognition of its commitment to power economic prosperity and drive community leadership, Peabody has earned multiple honors, including:

- The Missouri Growth Association selected Peabody as winner of its 2012 Community Betterment Award for extraordinary community commitment.
- Peabody was named a 2012 Business of the Year by the Grants Chamber of Commerce in New Mexico, which recognized the Lee Ranch and El Segundo operations for job creation, corporate citizenship and community involvement.

Corporate Governance

Good corporate governance is the foundation of Peabody's actions at every level, and the Board of Directors has adopted a robust corporate governance program it believes is in the best interests of the company and its shareholders.

The company's mission statement is prominently displayed in office locations and throughout mining locations. The company's working statement of principles receives constant care and attention. In 2011, the company's mission underwent slight modifications, notably adding the word "enable" where the word "power" once stood.

The company encourages employee charitable giving and volunteerism such as sponsorship and participation in Pedal the Cause, a cycling event to raise funds for Siteman Cancer Center and St. Louis Children's Hospital.

Cindy Erickson of the American Red Cross (center) thanks Warner Baxter (left), Chief Executive Officer and President of Ameren Missouri, and Rick Navarre (right), President - Americas for Peabody Energy, for continued support of programs and emergency response services in 2011.

This change recognizes that sustainable energy solutions make an improved quality of life possible.

The board regularly reviews corporate governance policies and procedures to ensure continued compliance with best practices, applicable laws and regulatory requirements.

Corporate Governance Ratings

Peabody's corporate governance program is extensive and subject to ongoing evaluation by independent, third-party rating agencies. The most prominent corporate governance rating firm, Institutional Shareholder Services, evaluates a company's key governance practices across four dimensions: Audit, Board Structure, Compensation and Shareholder Rights. The Governance Risk Indicators (GRId) ranking focuses on an absolute level of concern (low, medium, high) across each dimension, rather than ranking a company relative to industry or index peers. In its current GRId ranking, Peabody's Audit, Board Structure and Shareholder Rights were deemed to be of low concern – an improvement from the prior year – while Peabody's compensation was deemed to be of high concern.

The board reviews the company's corporate governance practices at least annually to ensure they continue to reflect best practices and promote the best interests of shareholders. During this process, the board solicits input from leading governance advisors who are independent of management. The board also considers views expressed by third parties, including independent governance ratings agencies.

The company maintains various shareholder protections, including a shareholder rights plan. These are viewed unfavorably by many shareholder activists and certain ratings agencies. Peabody recognizes these protections have a significant adverse impact on its governance ratings. The board periodically evaluates these protections with assistance from outside experts to confirm that they continue to provide significant benefits and serve the best interests of shareholders.

Board of Directors

Peabody is governed by a Board of Directors consisting of 11 members. Ten members of the board are independent under New York Stock Exchange (NYSE) rules.

The board appoints and oversees the Chief Executive Officer and other officers who are charged with the conduct of the company's business. Directors have full access to officers and employees of the company and its affiliates.

Additional detail of director biographies, including age, education, occupation, professional history and association with the company are detailed in Peabody Energy's annual proxy statement. Peabody also discloses director compensation details on an individual basis with a breakdown by remuneration categories in its proxy statement.

Board Committees

The board has appointed five standing committees from among its members to assist it in carrying out its obligations.

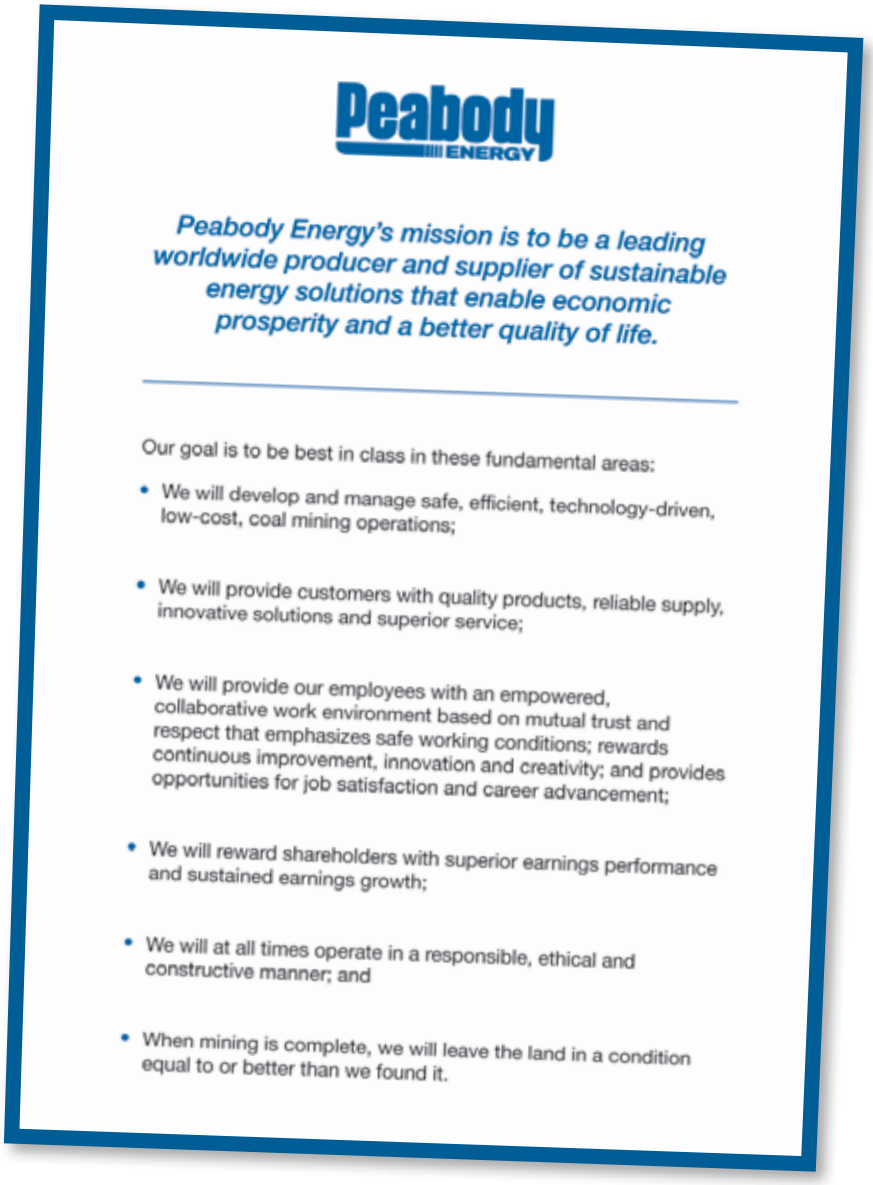
These are the Audit Committee; Compensation Committee; Executive Committee; Health, Safety, Security and Environmental Committee; and Nominating and Corporate Governance Committee. Each standing committee has adopted a formal charter that describes in detail its purpose, organizational structure and responsibilities.

Peabody Energy was a major sponsor of the Xinjiang coal exhibition in Western China, where the company showcased its leadership in safe, sustainable mining practices. Peabody has a framework agreement with the Government of the Xinjiang Uyghur Autonomous Region to develop a state-of-the-art 50 million ton-per-year surface mine.

Corporate Governance Principles

The Board of Directors operates under a set of governance principles covering such issues as the roles and responsibilities of the board and management, board composition and director qualifications, director election procedures, meeting procedures, committee functions, director orientation and continuing education, and management evaluation and succession. Key corporate governance practices adopted by the company include:

- At least a majority of the company's directors must meet the criteria for independence established by the NYSE. The independence of each director is reviewed at least annually and at other times when a change in circumstances could potentially impact a director's independence.
- The company's articles of incorporation provide for the annual election of directors.
- The company's bylaws provide for majority voting in uncontested director elections.
- The Audit; Compensation, Health, Safety, Security and Environmental; and Nominating and Corporate Governance Committees of the board are comprised entirely of independent directors.
- Non-management directors meet at least quarterly in an executive session without management.
- The board and its committees conduct annual performance reviews to evaluate whether they are functioning effectively and to determine what actions, if any, could improve their performance.
- Each director participates in an orientation program shortly after his or her election, and is required to attend, at company expense, an appropriate continuing education program at least once every three years.
- The board and each committee has the authority to hire independent legal, financial and other advisors without consulting or obtaining the advance approval of any officer.
- Each member of the Audit Committee has been determined by the board to be an "Audit Committee financial expert" for purposes of the Securities and Exchange Commission's (SEC) rules relating to audit committees.
- The Audit Committee must pre-approve all audit and non-audit services performed by the company's independent registered public accounting firm to ensure that such services do not impair that firm's independence.
- Directors may not serve on more than four other public company boards.


Peabody ENERGY

Peabody Energy's mission is to be a leading worldwide producer and supplier of sustainable energy solutions that enable economic prosperity and a better quality of life.

Our goal is to be best in class in these fundamental areas:

- We will develop and manage safe, efficient, technology-driven, low-cost, coal mining operations;
- We will provide customers with quality products, reliable supply, innovative solutions and superior service;
- We will provide our employees with an empowered, collaborative work environment based on mutual trust and respect that emphasizes safe working conditions; rewards continuous improvement, innovation and creativity; and provides opportunities for job satisfaction and career advancement;
- We will reward shareholders with superior earnings performance and sustained earnings growth;
- We will at all times operate in a responsible, ethical and constructive manner; and
- When mining is complete, we will leave the land in a condition equal to or better than we found it.

Peabody Energy's mission statement is displayed in every company location and serves as a constant reminder of the company's expectations for responsible decision making.

- Directors are required to submit their resignation to the board for consideration following a job change.
- Directors may not stand for election or be appointed to fill vacant or newly created board positions after reaching age 75.
- The company has adopted a "claw back" provision that allows the board, at its discretion, to require that current or former executive officers reimburse the company for all or any portion of cash or equity-based compensation under certain circumstances following an accounting restatement by the company.
- The company has adopted and disclosed stock ownership requirements for executive officers and directors.

Code of Business Conduct and Ethics

Directors, officers and salaried employees must adhere to a rigorous Code of Business Conduct and Ethics that is designed to avoid conflicts of interest, achieve compliance with laws and protect company assets.

The Code of Business Conduct and Ethics defines ethical standards to help establish and maintain our reputation as a world-class company on issues such as:

- Conflicts of interest
- Corporate opportunities
- Compliance with laws
- Commercial relationships
- Relationships with government officials and sovereign nations
- Anti-bribery and corruption
- Political contributions
- Financial reporting and record keeping
- Work environment
- Drugs and alcohol in the workplace
- Reporting of code violations
- Protection and proper use of company assets
- Confidentiality

Employees routinely certify their obligation to act in a responsible, ethical and constructive manner through workplace communications and training.

All salaried employees are required to take annual online training and provide written certification of compliance with the code.

Any exceptions or qualifications are investigated and reported to the Board of Directors. Any modification in or waiver of the code for executive officers or directors must be approved in advance by the board and promptly disclosed as required by law or stock exchange regulations.

Communications and Transparency

Shareholders, customers, employees and the public can communicate directly with the board by submitting their written comments to the Chairman, Peabody Energy, Peabody Plaza, 701 Market St., St. Louis, MO 63101.

These written communications are forwarded to each board member and reviewed by the full board whenever appropriate.

The company also has established procedures for the receipt, retention and investigation of reported violations of the Code of Business Conduct and Ethics. Employees who have concerns about business practices are asked to raise their concerns to their supervisors or human resources representatives.

If this type of communication is not a viable option based on the nature of the issue, the company has established a third-party hotline called Tell Peabody. Tell Peabody allows for confidential and anonymous communication of potential concerns, which are reported to the company's chief compliance officer who determines the appropriate action, including investigation. Report summaries are routinely distributed to executive management and discussed with the Nominating and Corporate Governance Committee.

Peabody ensures key corporate compliance and governance information and documents are accessible to shareholders and other stakeholders. Peabody's Corporate Governance Guidelines, board committee charters, Code of Business Conduct and Ethics and other information about governance practices are available

online at *PeabodyEnergy.com*. The company's annual proxy statement also includes detailed governance information regarding director candidates and board independence, board meetings and attendance, director compensation and the director nominating process.

Financial Disclosure and Sarbanes-Oxley Compliance

Peabody provides clear, complete, timely and accurate financial information for external reporting purposes.

The primary goal of the financial reporting process is to provide shareholders with financial information that is useful in making informed business and economic decisions. These objectives are consistent with the Sarbanes-Oxley Act of 2002, which also requires the company to maintain all necessary systems, policies and procedures, and documentation of internal controls to ensure its periodic financial reports are complete and accurate.

Peabody believes the company's written charters and governance guidelines, Code of Business Conduct and Ethics, robust internal policies and procedures and documentation of controls over financial reporting establish the proper "tone at the top" that facilitates compliance with Sarbanes-Oxley requirements.

Under Sarbanes-Oxley, the company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are required to certify the completeness and accuracy of financial statements included in public filings and to periodically assess the effectiveness of the company's financial controls over financial reporting.

Peabody Energy is the largest public company headquartered in the city of St. Louis and remains an economic anchor. This past year, the company invested millions of dollars in building upgrades such as the installation of low-flow water usage fixtures, new lighting and controls that allow for optimal energy performance, and paint using low-VOC (volatile organic compounds) paints.

To support the CEO and CFO certification responsibility, the company maintains a thorough sub-certification process and robust system of internal and disclosure controls that are regularly tested and monitored by management, Internal Audit and the company's registered independent public accountants. This process includes sub-certifications for disclosure controls and procedures for mine safety information.

The results of the sub-certification process and the ongoing assessments of disclosure controls are reviewed among executive management and discussed in detail with the Audit Committee.

Further quality assurance related to the company's public reporting of financial information is provided by the Disclosure Committee. The company maintains a multi-discipline Disclosure Committee, which reviews financial statements and certain SEC filings and advises the CEO and CFO regarding potential disclosure items. All earnings releases, quarterly reports and annual reports are reviewed with and approved by the Audit Committee prior to filing.

Corporate Compliance and Training Programs

To ensure legal and ethical compliance, the company conducts regular training sessions at appropriate levels on a variety of topics, including safety, environmental laws, anti-trust and competition laws, anti-bribery and corruption laws, securities and insider trading laws, equal employment opportunity matters, discrimination and sexual harassment.

Peabody also maintains robust corporate compliance policies and approval processes that are updated regularly and communicated throughout the organization.

While Peabody's current compliance program incorporates many effective elements, management believes this requires continuous attention. Peabody continues to supplement the risk management assessment to ensure that all significant legal risks affecting its businesses have been identified and that appropriate training programs and policies exist to mitigate those risks and detect violations.

[1] *International Energy Agency, "The Global Value of Coal," 2012.*
[2] *International Energy Agency data and Peabody Energy analysis.*
[3] *International Energy Agency World Energy Outlook, 2011; U.S. Energy Information Administration Annual Energy Outlook, 2011.*
[4] *International Energy Agency World Energy Outlook, 2011.*
[5,6] *International Energy Agency, Current Policies Scenario, World Energy Outlook 2011.*
[7] *International Energy Agency, "The Global Value of Coal," 2012.*
[8] *BP Statistical Review of World Energy, June 2011.*
[9] *International Energy Agency, "Cleaner Coal in China," 2009, Paris.*
[10] *U.S. Centers for Disease Control and Prevention, "U.S. Death Rate Falls for 10th Straight Year," March 16, 2011.*
[11] *CARE, "Ending Poverty: Why Empower Women and Girls?" 2010.*
[12] *Platts Worldwide Power Plant Database and Peabody Energy analysis.*

From left are Hopi Education Endowment Fund staff members Sam Tenakhongva, Marketing and Special Events Manager; LuAnn Leonard, Executive Director; Vernon Kahe, Resource Development Manager; and Oneita Tootsie, Office Manager.

Creating Self-Sustainability Through Scholarship

Peabody Energy Supports Hopi Education Endowment Fund

More than a decade ago, the Hopi Tribe in Northeastern Arizona had the wisdom to recognize its future was tied to the education of its youth.

In 2000, with $10 million from the Hopi Tribal Council and support from Peabody Energy, the Hopi Education Endowment Fund (HEEF) was created to provide "perpetual funding" for scholarships to Hopi students of all ages as well as fund educational research, programs and activities.

Peabody Energy donated $150,000 to help begin the fund, and pledged an additional $1,000 per year for 25 years to help it continue to grow. In addition, Peabody is a major sponsor of HEEF's annual art sale at the Phoenix Heard Museum Guild Indian Fair and Market, which this year alone raised $24,000. This support, as well as gifts from private donors and grants, has helped the fund expand to more than $18 million.

To date, the one-of-a-kind endowment has paid $6.3 million to fund 3,645 scholarships, which vary from Educational Enrichment Awards offering supplemental money to grade school children to Tuition and Books Awards of as much as $3,000. Tribal Priority Scholarships, competitive in areas that the tribe deems important such as natural resources, law and education, are awarded for as much as $10,000 a year.

Peabody also is the title sponsor of the Phoenix Heard Museum's Elegance from Earth: Hopi Pottery exhibit, which continues through next spring and showcases the richness of Hopi arts.

"We have a good partnership with Peabody Energy, which has always been very supportive," said LuAnn Leonard, HEEF Executive Director and member of the Arizona Board of Regents. "Peabody has taken time to learn about the tribe and see the land from a different viewpoint. They want to help increase the skills of our people so that we can sustain ourselves into the future."

Leonard noted many of those who attended college have returned to the reservation, using their skills as hydrologists, teachers, nurses, social workers, landscape architects and performing artists to encourage others. In 2006, the fund was one of seven programs nationwide bestowed with high honors by the Honoring Native Nations program of the John F. Kennedy School of Government at Harvard University.

As college tuitions rise, providing tribal support for education becomes even more important, and Peabody's partnership is critical. Each new graduate ensures another young Hopi will reach his or her potential through education.

Students from Kennard Classical Junior Academy in St. Louis (left) congratulate Principal Wanda LeFlore, who received the Peabody Energy Leaders in Education honor in April 2012. LaFlore was recognized in part for leading her school to achieve both the Missouri Gold Star and National Blue Ribbon School designations.

Kathy Stephens of Hillcrest Elementary School in Gillette, Wyo., was named the inaugural Peabody Energy Leader in Education in the Southern Powder River Basin for the 2011-2012 school year. The second grade teacher – whose son works at the company's North Antelope Rochelle Mine – works to build strong relationships with her students and creates personalized curricula to engage them.

Investing in Education to Build Stronger Communities

Peabody Energy Leaders in Education Program Expands Across U.S. Operations

Peabody Energy's Leaders in Education program begins with a simple premise: From the moment a child steps into the classroom, one of the most important factors influencing that child's success is the educator.

Peabody believes education is essential for a high quality life and the foundation of any thriving community.

Peabody created Leaders in Education to recognize exemplary education professionals from kindergarten through high school. To qualify, honorees must make an extraordinary difference in the lives of their students. Participants can range from principals to teachers to support staff in both public and private institutions, and are selected through a public nomination process by a board of civic leaders.

Winners are publicly recognized and receive a $1,000 gift, which in many instances is invested back in the classroom.

The Leaders in Education program debuted in the St. Louis region in 2009 with a handful of honorees. Since then, the initiative has expanded to serve U.S. communities surrounding Peabody's mining operations in Illinois, Indiana, Colorado and Wyoming.

To date in 2011-2012, the program has garnered nearly 400 nominations across more than 285 schools in 33 counties and four states. Every year, an Educator of the Year is selected from among the honorees in each region, and this individual receives a $5,000 gift.

A program like Leaders in Education is integral in preparing students to compete globally, and the program is an investment in the communities where Peabody employees live and work. High-quality education – just like sustainable energy solutions – will fuel the future.

Learn more at *PeabodyEnergyLeadersinEducation.org.*

Peabody Energy's culture is defined by mutual trust and respect, emphasizes safety and rewards continuous improvement and innovation.

Peabody's Safety Vision is to attain zero incidents of any kind. The company focuses on strong communications, training and prevention to drive its vision of a workplace without injuries, occupational illnesses, property damage or near-misses. Any individual who works at Peabody commits to the company's Safety Vision and governing principles, and accountability is reinforced throughout the organization.

Peabody also provides world-class training and career development and an environment that values inclusion and diversity, in addition to comprehensive benefits and competitive compensation.

This section highlights:

- Global Safety Results and Initiatives
- Emergency Preparedness
- Safety Awards and Recognition
- Employee Relations
- Employee Engagement
- Inclusion and Diversity
- Next Generation Workforce
- Health and Wellness

Global Safety Results

Safety is the foundation of operational excellence and the company's way of life, on and off the job site. The company's commitment begins with the Chairman and Chief Executive Officer, and extends to the front lines and across all organization levels.

In 2011, Peabody delivered its best global safety performance with an incidence rate of 1.92 per 200,000 work hours. This marks a 30 percent improvement over the company's 2010 performance and the fourth consecutive year of record results.

Peabody's recently acquired operations also realized a 22 percent improvement in safety performance from the prior year, and a much lower incidence rate during the two months of Peabody's ownership in November and December 2011.

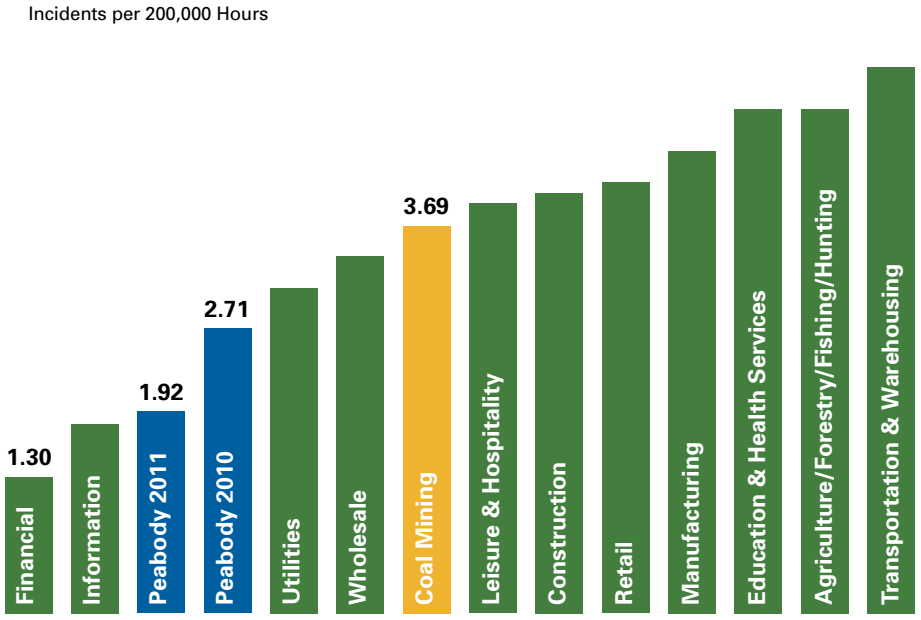
Leading the company's global surface operations in safety performance were the Rawhide Mine in Wyoming in the United States and the Eaglefield Mine in Queensland, Australia. Each operated the past year with zero reportable incidents.

Employees actively manage day-to-day safety processes and work together toward Peabody Energy's vision of zero incidents. All employees are encouraged to advance ideas and innovations that enhance safety.

The Rawhide Mine joined the Gateway Mine in Illinois as the company's safest 2011 surface and underground operations, respectively, within the company's portfolio. Both earned the company's President's Award, Peabody's highest recognition of safety excellence.

Rawhide operated 36 months – or more than 1.3 million hours – without a single incident causing an employee to miss work. By comparison, the 2011 U.S. average for surface peers was 1.69 incidents per 200,000 hours worked, according to latest available U.S. Mine Safety and Administration (MSHA) data.[1] Gateway Mine was recognized for achieving an incidence rate, along with the operations preparation plant, of 1.47 in 2011. Gateway's performance reflects a 70 percent improvement over the U.S. average for underground coal mines for the year.[2]

2011 Incidence Rate: Peabody Energy Safer than Most Industries



Source: Peabody 2011 data; U.S. Department of Labor, Occupational Safety and Health Administration, 2010 data; Mine Safety and Health Administration, 2011 data.

Peabody Energy again delivered its safest global performance in company history in 2011. On average, working at a Peabody operation remains far safer than U.S. business sectors including retail, agriculture, construction and manufacturing.

Global Safety Initiatives

Safety performance improvement remains a core focus with ongoing initiatives around the world. Efforts include increasing emphasis on a safe workplace environment and strengthening the culture through surveys and assessments, employee training and expanding safety dialogue. For example, Peabody's safety and engineering teams completed ventilation reviews at U.S. underground operations in 2011 and Australian underground operations in 2012. This involved the analysis of plans, measurement of all air qualities, and inspection of all airways, fans, seals, controls and air-monitoring devices.

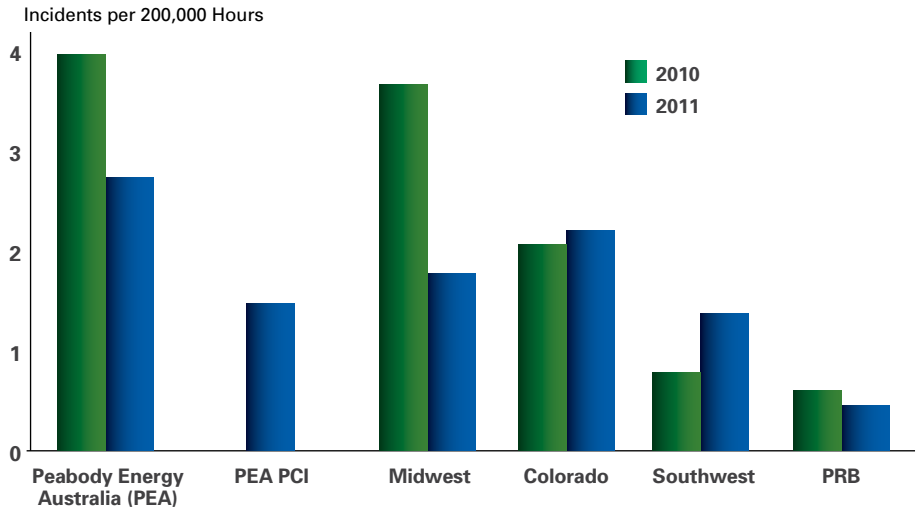
Peabody also completed the installation of underground communications systems. Radio frequency identification tags are carried by miners and attached to equipment, enabling remote tracking. Wireless technology facilitates the use of handheld phones. Data from these devices is transmitted to the surface, where it is managed from a central hub. In an emergency, the systems can help locate miners and give rescue teams a direct line of communication. Every day the systems allow the mines to more quickly direct teams and crews to the right locations and work assignments, based on conditions.

The company piloted proximity detection systems using underground section equipment at the Gateway Mine in Southern Illinois. The system, which was installed on a continuous mining machine and a battery-powered coal hauler, shuts down the equipment when it comes within close proximity of a person or another piece of equipment, providing protection for employees in high-congestion, low-visibility areas. The U.S. Mine Safety and Health Administration (MSHA) is currently advancing a rule requiring these systems on certain mining equipment; MSHA officials visited the Gateway Mine to observe equipment benefits and limitations. Operations in Australia also are pursuing similar technology for open-cut and underground mining.

Safety training supplements these advanced technologies. In addition to ongoing educational efforts, Peabody rolled out "Safety a Way of Life" training to the newly acquired Moorvale and Coppabella Mines, and to the Middlemount Coal joint venture, in Queensland, Australia. Teams across Peabody Energy Australia PCI sites are transitioning to the company's safety systems and processes.

Peabody's second annual Safety Innovation Awards program also captured and communicated the best safety methods and inventions at Peabody. Dozens of ideas and examples were evaluated, and submissions demonstrating the strongest results were recognized. Honored innovations included a hydraulic fluid injection detection system and a tool for a continuous miner that automatically and safely removes excess build-up without disrupting production.

Peabody Regional Safety Performance Reflects Improvement



Safety improvement in Peabody Energy Australia and in the Southern Powder River Basin and Midwest regions in the United States drove historic safety results worldwide in 2011. Peabody seeks to maintain its positive momentum in these regions while advancing retraining, best practices and technologies across the platform.

The incidence rate for Peabody Energy Australia PCI represents operations under two months of Peabody ownership, November and December 2011.

Americas

Peabody's 2011 U.S. incidence rate of 1.37 reflected a 31 percent improvement from the prior year, and the company outperformed the industry average by more than 60 percent, according to the latest available MSHA data.[3] U.S. surface operations achieved incidence rates that were half the industry average,[4] while U.S. underground operations outperformed peers and improved on prior-year performance by 50 percent.

The Midwest region led Peabody's U.S. operations in improvement performance, having bettered results 50 percent from 2010. The company's Southern Powder River Basin operations also achieved an improved incidence rate from the prior year.

Each operation's Mine Safety and Health team routinely reviews mine incidents and reportable injuries, evaluating near misses, assisting in development of preventive measures and communicating findings to the workforce. Teams also recommend job process improvements, identify and share safety best practices companywide and champion the "Safety a Way of Life" program at their sites.

Building on this progress is Peabody's cross-functional Central Safety and Health Team of operations subject matter experts who develop and benchmark tactical plans for best practices. This team completed audits of all U.S. mining regions in 2011. Safety audits, which also are conducted regularly on the local level, engage employees at all levels in documenting safe and potentially unsafe acts as well as improving processes and systems.

Employees observe coworkers performing routine job duties and discuss any safe or unsafe behaviors, suggesting corrective actions when necessary. Members of the mine management team regularly conduct safety observations each day at active mining areas. Front-line supervisors also participate in annual regional safety audits, perform weekly internal audits and conduct regular observations.

The company continues to drive safety improvement with SAFEmap, a global safety consultancy that offers supplementary training on leadership, culture change and human behavior. In the Midwest, more than 150 production and maintenance supervisors, operations managers, superintendents and mine general managers attended a rigorous, three-day training to implement the SAFEmap process. In addition, the hourly workforces at Midwest underground mines participated in site surveys, workshops and follow-up sessions.

Peabody's U.S. underground mines – like the Twentymile Mine in Colorado – now benefit from new underground communications systems that can track people, vehicles and equipment, and allow for two-way communication using wireless technology.

Midwest employees also benefited from hazard recognition training, while mine emergency response drills took place at all U.S. underground operations.

Australia

In each of the past four years, Peabody has significantly improved safety performance in Queensland and New South Wales. Peabody's Australian operations set a new 2011 safety record and achieved a performance improvement of more than 30 percent over 2010, with the combined Queensland and New South Wales operations accomplishing a 2.77 incidence rate per 200,000 work hours in 2011.

The company's underground mines achieved a 38 percent year-over-year improvement. This was led by the Metropolitan Mine, which improved reportable injuries by 30 percent, and the Eaglefield Mine, which operated for a second consecutive year free of reportable incidents. When compared to peers in New South Wales and Queensland in 2011, Peabody's lost-time incident frequency rate measured 27 percent better than the industry average in those states.

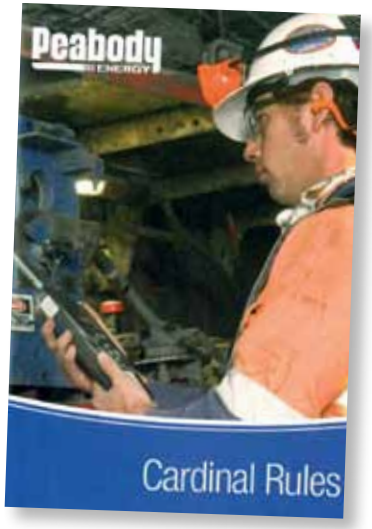
The company's Australian Safety Leadership Team and Corporate Safety Committee actively lead safety improvement, aligned with site-based safety leadership teams across the platform. These teams review high potential incident investigations and performance, provide direction for audits and develop safety improvement strategies. A set of Cardinal Rules guides operations in Australia. The Cardinal Rules set clear expectations about safety behaviors in the workplace and are directed at the principal areas of fatal risk.

Safety inductions, including the Cardinal Rules, are prerequisites before all employees, contractors and visitors go beyond the mine entrance. Every employee is held accountable, and any rules breach is considered a serious offense.

Safety teams across Australia also have adopted leading practices in proximity detection and fluid injection detection technology for surface and underground mines.

With a mining contractor, Peabody is advancing a comprehensive pilot of collision avoidance systems at the Burton Mine. Upon a successful trial, Peabody may introduce the technology at other operations in 2012. Safety personnel studied underground proximity detection systems from sites in South Africa and the United States. Underground trials are planned for 2012, pending statutory approvals for the technology in Australia. A designated fluid injection task force comprised of site subject matter experts completed a midyear workshop and is expected to report on progress.

Each Peabody Energy Australia operation also underwent root cause analysis coaching programs to enhance the outcomes from their use of the Incident Cause Analysis Method. Peabody also developed a risk management component for its Peabody Incident Management System so operations can document and analyze principal risks and design and manage critical controls.



Safety also ties into employee health and wellness. For example, an intense focus on health and safety at the Metropolitan Mine in New South Wales contributed to the site's 40 percent improvement in safety performance within the year. The multifaceted program, in partnership with Allied Health, offered on-the-job wellness education on such topics as the importance of stretching and fitness improvement.

Emergency Preparedness

Peabody has promoted mine rescue training and the practice of emergency drills and skill contests since its earliest days of operation, with the first company mine rescue team traced to 1898 in Southern Illinois.

More than a century later in early 2012, the skills and expertise of Peabody's employees proved to be a lifeline for Southern Illinois when the region was struck by severe tornadoes. Peabody employees from nearby operations were some of the first emergency medical technicians to respond.

Peabody's mine rescue and first aid teams are routinely called upon to use their skills and training to assist in medical and weather emergencies and serious motor vehicle accidents.

Well-trained people are at the root of the company's vigilance, and world-class safety systems and practices guide the company's underground operations. This includes the monitoring of ventilation and methane, among other gases common to mining. All continuous mining machines, shearing machines and roof bolters have methane monitors. The company uses handheld monitors near the coal face, and readings are taken every 20 minutes or more frequently as necessary. Supervisors also carry handheld monitoring devices; if there is any question of the readings, crew

members are immediately withdrawn from the area until the issue is resolved and appropriate readings obtained.

Peabody's safety measures often go beyond regulatory requirements. The company has approximately 65 safety chambers installed at Peabody's underground operations, placed in every working section and equipped with oxygen, food and water for up to 32 workers for 96 hours in an emergency. Mines also are equipped with thousands of self-contained self-rescue units, and inspections are performed in advance of every shift as well as during extensive regular audits.

The company's crisis management plans are regularly reviewed, updated and aligned. This past year, global teams also evaluated Peabody's fire protection standards.

Peabody Energy Australia is a major sponsor of the Central Queensland Rescue helicopter, which provides evacuation capacity for the industry and life-saving rescue for Queensland communities.

2011 Safety Awards and Recognition

Australia

- **Eaglefield Mine**
  Australian Mining Prospect Award for Excellence in Mine Occupational Health and Safety
- **Wambo Mine**
  Fourth Place
  49th Australian Mines Rescue Competition
- **North Goonyella Mine**
  Fourth Place and Chief Inspector's Trophy
  E.K. Healy Cup Memorial Competition
- **North Goonyella Mine**
  Fourth Place
  Queensland Mines Rescue Service Memorial Cup

Americas

Southern Powder River Basin

- **Rawhide Mine**
  President's Award as Safest Surface Mine
  Peabody Energy
- **North Antelope Rochelle Mine**
  Second Place
  31st International Mine Rescue Competition

Colorado

- **Twentymile Mine**
  First Place, Combined First Aid/Field Contest
  Colorado Mine Rescue Association – Four Corners Mine Rescue, First Aid and Bench Contest
- **Twentymile Mine**
  Second Place, First Aid
  Alabama Coal Association Mine Rescue Contest
- **Twentymile Mine**
  Second Place, Combined First Aid/Field Contests
  Alabama Coal Association Mine Rescue Contest

Eric Ford (center left), Peabody Energy President – Australia, and Rick Navarre (center right), Peabody Energy President – Americas, congratulate Rawhide Mine employees for leading safety performance. The Wyoming mine earned the President's Award, which recognizes the company's safest surface and underground operations.

- **Twentymile Mine**
  Excellence in Safety Awards, recognizing three individuals who each worked free of a lost-time incident for 30 years
  Colorado Mining Association

Midwest

- **Gateway Mine**
  Best Injury Frequency Rate Award, Underground Operations
  Illinois Department of Natural Resources Office of Mines and Minerals
- **Gateway Mine Preparation Plant**
  Best Injury Frequency Rate Award, Support Facilities
  Illinois Department of Natural Resources Office of Mines and Minerals
- **Gateway Mine**
  President's Award as Safest Underground Mine
  Peabody Energy
- **Willow Lake Mine**
  First Place and Third Place
  Robert Earl Jones Mine Rescue Contest
- **Willow Lake Mine**
  Third Place
  Kentucky State Mine Rescue Contests
- **Gateway Mine**
  Second Place
  Robert Earl Jones Mine Rescue Contest

Employee Relations

Many of the highest-paid and highest-skilled jobs in communities where Peabody operates are held by the company's employees.

An average U.S. coal miner earns more than $77,400 a year, compared to the average U.S. worker who earns $46,400.[5] In Australia, the average mining industry salary in 2010 came to A$108,000 – well above the A$66,594 average for all Australians, according to the Australian Bureau of Statistics.[6]

Around the world, Peabody provides employees with an entrepreneurial work environment that offers career growth opportunities and financial rewards aligned with safety and performance.

Employee Demographics

Peabody employed approximately 8,300 people in the Americas, Australia, Asia and Europe on Dec. 31, 2011. This includes about 400 employees at the acquired Peabody Energy Australia PCI operations in Australia.

Approximately 93 percent of Peabody Energy global employees worked at mine operations and regional offices. The remaining workforce is based at the global corporate headquarters in St. Louis. The typical employee has 9.5 years of tenure.

The company maintains a 91 percent voluntary retention rate through excellence in safety, strong leadership development initiatives and competitive compensation.

In late October 2011, Peabody Energy finalized its acquisition of the former Macarthur Coal, which was renamed Peabody Energy Australia PCI (PEA PCI) in early 2012. At the close of the calendar year, PEA PCI represented approximately 400 permanent employees.

Employee Engagement

Peabody Energy's inaugural 2011 Global Employee Engagement Survey sought the insights of the workforce to enhance effectiveness, drive safety and operational excellence, and improve how the company recruits, develops and retains employees.

More than 85 percent of employees provided feedback, characteristic of a high-performing organization.

The survey identified a number of strengths, such as the ability to:

- Make safety an integral part of company culture and foster a culture in which employees identify safety as an important core value.
- Work collaboratively, with a high level of trust that exists among teams.
- Build positive relationships with managers and supervisors.
- Provide employees with competitive compensation and other rewards.

Results also outlined opportunities for improvement in four primary areas:

- Enhancing talent recruitment, promotion and retention.
- Expanding communication of company plans, and strengthening communications down to the shift level.
- Growing involvement in day-to-day decision making.
- Ensuring consistent application of key management practices.

Peabody shared detailed survey results with employees for each region, function and site. The organization also is working to build on strengths and address opportunities for improvement. Action plans have been prioritized, reviewed across the company, and incorporated into 2012 business objectives.

Inclusion and Diversity

Peabody believes it is important to reflect the multicultural and multigenerational communities where the company operates and the global markets it serves. Diversity of experiences and ideas also provides competitive advantages that enhance the work environment, encourage greater creativity of thought, improve employee commitment and contributions, and ground Peabody within communities.

The company works to assist employees in developing the skills to manage a diverse workforce; to build the infrastructure to attract and retain a diverse employee population; and to increase the percentage of minority and female employees across all job levels.

The company's chief inclusion programs center on four focus areas: customers, employees, communities and business suppliers. These initiatives are supported by policies and practices, including Peabody's Equal Employment Opportunity Policy and Code of Business Conduct and Ethics. These efforts are supported through communications, training and development, staffing and organizational alignment as well as Peabody's minority supplier program.

In 2011, women represented approximately 10 percent of Peabody's global workforce, an increase of 1 percent when compared to the prior year. Peabody hired 1,200 U.S. employees in 2011. Approximately 9 percent of these new hires were women, and approximately 12 percent were non-Caucasian. Peabody also reported 19 percent of director and above roles at headquarters were occupied by women. Minorities represented about 10.5 percent of the U.S. workforce in 2011.

Tribal and Indigenous Employment and Engagement

Peabody is among the largest private U.S. employers of Native Americans on reservation lands in Arizona, operating in a region where one in two natives is unemployed. The Kayenta Mine creates more than 400 skilled jobs. Native Americans comprise more than 90 percent of the workforce and more than 70 percent of the mine management and supervisory team.

The company respects cultural ways and enables long-term use of the land and its resources. Lands are returned to a condition that is typically 10 times more productive for grazing than native areas, creating hardy pastures for wildlife and livestock and specialty plots for cultivation of plants that have cultural significance.

Peabody scientists and agricultural specialists have long collaborated with area residents to promote good range management practices. In a number of cases, residents gain access to reclaimed land under Peabody control even prior to bond release. This gives residents access to superior lands for running livestock and benefits Peabody by protecting the land that is under bond. Peabody also offers area residents free potable water and coal to heat their homes, and grades and gravels roads for area residents and local government units.

In Australia, great strides have been made to increase the employment of indigenous Australians. Peabody Energy Australia's Indigenous Employment and Engagement Strategy is aligned with Peabody Energy's overall commitment to diversity and has been developed to identify initiatives to attract, develop and retain skilled, flexible and motivated indigenous employees.

The strategy, which has been approved by the Australian federal government as well as the New South Wales and Queensland state governments, is designed to create a sustainable employment model and working partnerships with Aboriginal people and Torres Strait Islanders associated with the company's mining operations through Cultural Heritage and Native Title agreements.

The company has developed a successful working partnership to achieve both mining and Native Title objectives. In 2005, Peabody and the North East Wiradjuri signed the Wilpinjong Coal Project Native Title Agreement, after just three months of negotiation. Peabody works closely with North East Wiradjuri representatives to achieve lasting outcomes that build capacity and improve living standards. Peabody assisted the community with establishing corporate governance and best practice methodologies in business planning, legal advice, communication, infrastructure and execution of plans. Benefits include training, employment opportunities, a skilled workforce, business opportunities, property, protection of Aboriginal cultural heritage, progressive land remediation and replacement of artifacts to their original location.

Through its Indigenous Employment and Engagement Strategy, Peabody sets specific employment targets and conducts site- and corporate-level activities. It also provides information on initiatives aimed at preserving the economic, social and cultural rights of indigenous people and eliminating socio-economic gaps.

Programs and Partnerships

Current employees benefit from the company's inclusion and diversity programs and partnerships. Peabody participates in the U.S. Coro Women in Leadership program. This five-month, part-time training program provides an opportunity for women to refine their personal and professional leadership competencies, learn about the community and connect with other women from diverse backgrounds. Peabody also participates in the national Women in Mining program and the Diversity Initiative Fellows program, which supports employee development.

In Australia, Peabody is actively engaged in Women in Mining and Resources Queensland, an organization that provides a networking platform for women in a variety of roles in the mining sector. In New South Wales, Peabody is active in the Women in Mining Network NSW, an outreach initiative that is part of the New South Wales Minerals Council.

The gift of a didgeridoo – the wind instrument developed by indigenous Australians more than 1,500 years ago – to Peabody Energy Chairman and Chief Executive Officer Greg Boyce (holding the gift) served as an important symbol of the significant partnership that has been forged between the company's North Goonyella Mine and the Wiri tribe.

Peabody routinely seeks to encourage greater dialogue with students of diverse backgrounds who are pursuing advanced engineering and business degrees. Significant resources are committed to expanding community outreach and college recruiting activities to improve our access to qualified, diverse candidates. The company benefits from a partnership forged five years ago with the St. Louis-based Consortium for Graduate Study in Management.

The company also fosters ongoing relationships with the Congressional Black Caucus, the National Black MBA Association, the National Asian MBA Association, the National Urban League and the Hispanic MBA Association. In 2011, Peabody continued its partnership with INROADS, a non-profit organization that collaborates with corporations to provide internships to minority undergraduate students. Peabody also advanced its partnership with the Coro Fellows Program in Public Affairs, a training program for young adults that emphasizes ethical and diverse civic leadership through work experience in government, business, labor and not-for-profit community organizations.

Supplier Diversity

Peabody believes it is important that the company's supplier base reflects the customers and markets Peabody serves and the communities in which employees live.

Building capacity and expanding business opportunities for diverse suppliers are other ways Peabody promotes diversity and responsible economic development. The company aggressively pursues contracts with qualified minority- and women-owned enterprises, especially in areas such as staffing, tools, mine services, welding, security, electrical, information technology and radio communications.

Peabody has increased spending with minority businesses year-over-year since 2007 with purchases exceeding $50.3 million in 2011, a 56 percent growth rate over the prior year. The company also has grown its vendor base 54 percent in 2011. Peabody continued to expand supplier diversity events, conducting an event focused on Midwest operations support in Evansville, Ind., and another event with a focus on Native American vendors for the company's Southwest operations in Flagstaff, Ariz., in 2011. Four similar events are planned for 2012.

The company continues to explore legal parameters of a supplier diversity program in Australia, as well as other international opportunities.

Inclusion and Diversity Advisory Board

The company's Inclusion and Diversity Advisory Board guides the company, and inclusion and diversity goals are advanced through four focuses:

- **Employees:** Recruit and retain employees by promoting an environment of inclusiveness, and by ensuring that all employees are provided the full benefit of Peabody's educational and developmental programs.
- **Customers:** Increase Peabody's market penetration by advancing the company's credentials as the partner and supplier of choice.
- **Suppliers:** Increase Peabody's spending for qualified diverse suppliers.
- **Communities:** Provide financial support and employee participation in organizations that advance diversity and inclusion. This also includes supporting political minority organizations that advocate for a balanced U.S. energy policy and about matters related to Peabody's business interests. For instance, Peabody is a major annual sponsor and participant in the Congressional Black Caucus.

Inclusive business practices influence every aspect of operations, including customer and vendor relationships as well as recruitment and retention.

Next Generation Workforce

Peabody's long-term growth requirements, coupled with attrition and retirements, make planning for the next generation workforce a business imperative. Approximately 36 percent of the global workforce is age 50 or older; this breaks down to 39 percent of U.S. employees and 22 percent of employees in Australia.

Peabody believes learning and development are key to developing the workforce of the future. Planning for a next generation workforce is made even more challenging

by the competitive market for key mining positions and increasing retirements. To meet its staffing needs, the company's "Next Generation Workforce" campaign includes:

- University recruiting programs for two- and four-year degree graduates in mining engineering, skilled trades and related disciplines.
- Scholastic contributions to encourage mining school enrollments and grants for high-performing interns from two- and four-year degree programs.
- Partnerships with junior colleges, vocational and technical schools to develop mining technology programs and serve as a source for well-trained mining technicians.
- Succession planning and developmental programs to prepare employees for future management assignments.
- Training programs for new miners and employees in high-skill areas of electrical and mechanical maintenance, and machine operations.
- Recruitment of supervisory and management talent from the coal industry, providing them with opportunity for career advancement.

Americas

Peabody continues to grow its operations and management associate and internship programs. With three rotations of six-to-eight months each, operations associates gain hands-on experience at Peabody's mining operations. Students and recent graduates from mining, engineering, environmental, geology and related programs are candidates.

The company's management associate program is a three-year initiative for recent master of business administration (MBA) students and graduates who rotate through key departments to broaden their business acumen, develop analytical abilities and hone communication and leadership skills.

During the 2010-2011 recruiting season, Peabody hired 18 operations associates who joined the company in 2011. Peabody increased the hire plan to 21 operations associates for 2012. In addition, more than 60 operations associate interns were employed in 2011, up 20 percent over the year, with the same number set to begin internships in 2012.

The company contributed more than $1 million to support higher education initiatives in 2011, including $100,000 in scholarships for 25 of the company's operations interns, $305,000 to benefit 12 of the nation's top mining schools, $359,000 to fund scholarships for promising Navajo and Hopi students, and $68,000 in scholarships to 27 dependents of Peabody employees.

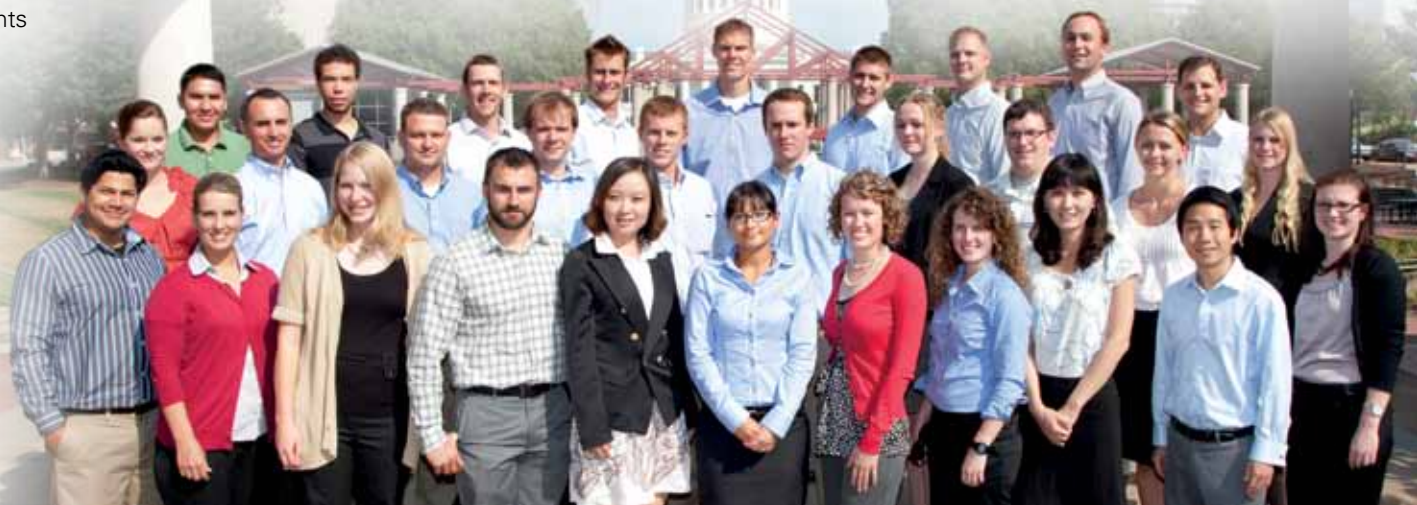
Australia

Similar educational programs are in place for the company's operations in Australia. The company's graduate, vacation student and apprentice programs help identify, develop and retain emerging leaders across mining, engineering, environmental, geology and accounting fields, among other business disciplines.

The company's programs integrate a combination of on-the-job learning, work with colleagues and classroom sessions.

The company offers a fully structured, two-year program for graduates. In 2011, Peabody Energy Australia added 11 graduates to the program, including four women. Graduates have a nominated sponsor who mentors them throughout the program. The Graduate of the Year recognition program offers one graduate a working visit to the United States to meet colleagues, visit sites and exchange lessons learned; he or she then shares lessons with colleagues in Australia.

More than 30 employees from the United States, Australia, China and Singapore gathered in September 2011 at a global employee development conference, one of a number of the company's expanding collaboration and learning and development opportunities.



The company also invests in a four-year apprenticeship program with an external learning partner to ensure apprentices are job-ready when they arrive on site. In addition, Peabody Energy Australia offers dependent scholarship grants and vacation student opportunities.

Australia's sustained prosperity and resources boom are expected to drive shortages of around 240,000 skilled workers by 2016, according to government estimates. By 2020, the Minerals Council of Australia predicts the mining industry will require an additional labor force of 58,000 to maintain current production.[7] As part of its extensive recruitment efforts, Peabody launched the company's first international recruitment campaign in Canada and South Africa.

Employee Learning and Development

Lifelong learning and skills development are important to employee satisfaction, advancement and performance. The company focuses on employee and organizational development in four primary areas:

- Feedback and coaching
- Training and education
- Work assignment opportunities
- Knowledge and best-practice sharing

Peabody's Training and Development approach integrates four key Leadership Pillars: Inspiration, Innovation, Collaboration and Execution. Effective leadership inspires others to achieve, collaborate and innovate. These elements together drive execution, creating a high-performance culture that delivers results and engages employees.

Every Peabody manager is required to provide timely feedback on career paths, personal strengths and developmental areas to help drive professional growth. This is fundamental to good management and practiced through the performance management process and ongoing guidance. In 2011, the company offered additional performance management resources and training to help strengthen the process.

Continuing education opportunities include:

- The Peabody Tuition Reimbursement program, which provides salaried employees 100 percent tuition reimbursement for achieving associate, undergraduate and graduate degrees. During 2011, more than 90 employees participated in the program, resulting in more than $850,000 in paid tuition.

The company's Western Training Center in the U.S. Southern Powder River Basin has become a global model, routinely hosting international visitors who seek to enhance safety and operational performance.

- Peabody-provided training, which targets specific job groups and includes skills and safety training for a variety of mining positions, orientation for new hires, management training for supervisors, and leadership development programs for middle and senior managers.

State-of-the-Art Training Facilities

The company operates two high-tech training centers in the Midwestern and Western United States. These centers prepare new miners, safety professionals, mobile and mine equipment operators, maintenance mechanics, electricians and welders as well as employees at the controls in preparation, load out and mine monitoring roles. Classroom instruction is combined with on-the-job training and technical courses.

In 2011, the U.S. training centers presented curriculum to more than 8,000 employees and vendors totaling more than 102,000 training hours. The Western Training Center graduated its first class of 12 electricians as part of an innovative workforce development partnership with Gillette Community College. The center also added new courses in maintenance, welding and safety and supervisor orientation. The company's Midwest Training Center mobilized mining equipment simulators to mine sites and initiated an acceleration development program for maintenance technicians and electricians.

In Australia, employees benefit from robust internal and external training in the leadership, operations and technical arenas. Peabody Energy Australia also operates

a well-structured leadership impact program to generate understanding and ownership aligned with Peabody's culture and strategy.

Health and Wellness

Peabody employees and retirees are provided with comprehensive benefits that are competitive within the U.S. industry and with the majority of large employers.

Wellness Programs

Peabody believes wellness is a natural extension of the company's focus on employee safety and health.

Prevention and physical fitness are the foundations, and Peabody encourages employees to be proactive. For example, to incentivize employees to obtain preventive care and to establish a relationship with a primary care physician, Peabody offers $150 to the employee and spouse (maximum $300) for completing a physical examination. The company's Healthy Smiles/Healthy Lives program in the United States provides extra preventive dental exams and cleanings during the year for pregnant participants as well as for those with certain chronic conditions.

In 2010, Peabody introduced a tobacco cessation program in the United States that includes telephonic and web-based counseling along with over-the-counter nicotine replacement therapy. Since the program launched, more than 230 employees and spouses have participated with a 46 percent quitting rate.

Other U.S. wellness offerings include:

- Annual worksite health screenings and flu shots
- Preventive services covered at 100 percent with no annual dollar limit
- Reimbursement for health club and Weight Watchers memberships in the United States, as well as a new health and fitness facility at the company's St. Louis global headquarters
- Birthday letters, which members receive during their birth months as a reminder of preventive services recommended based on age and gender
- Educational materials promoting healthy diet, regular exercise and the importance of preventive care

Peabody Energy opened its fitness center in 2011 for employees at its global headquarters in St. Louis. The center offers personal fitness plans and assessments, equipment orientation, access to degreed health and fitness professionals as well as state-of-the-art cardiovascular and strength equipment, and group exercise classes. Employees also receive health club and Weight Watchers reimbursements to encourage healthy lifestyles.

Peabody Energy Australia remains committed to providing employees with a whole-approach remuneration package that supports wellness and assists in keeping employees safe and healthy during and outside work hours.

The company also conducts an annual structured health awareness program for management. Participants undergo a physical examination and are provided a personalized program to enhance health and fitness as well as address concerns. Wellness benefits for Peabody Energy Australia employees also included:

- Discounted health club membership rates
- Health education workshops
- Organized fitness activities such as runs, walks and cycling events
- Subsidized fitness programs

Non-Health Care Benefits

In addition to a comprehensive range of health care benefits packages, Peabody provides welfare benefit plans that include:

- An Employee Assistance Program that provides counseling to help with family issues, substance abuse, legal or financial difficulties, and comprehensive life management services
- A U.S. adoption assistance benefit of up to $5,000 to help offset expenses
- Short- and long-term disability coverage
- Life insurance
- Accidental death and dismemberment coverage
- Business travel accident coverage
- Tax-free health care and dependent care reimbursement accounts
- Tuition assistance
- Employee stock purchase plans
- Global matching gifts program
- Scholarships
- Vacation and holidays

Professional Compensation

Peabody Energy's total rewards philosophy includes a competitive compensation package to recruit and retain talented employees. The level of pay is based on job responsibilities benchmarked with peer market data, and opportunities for pay growth are based on measured job performance.

Peabody's compensation programs include base salary, annual incentive and long-term incentives and are designed to:

- Attract, retain and motivate employees. Pay is determined based on market data, internal job worth and performance.
- Provide equitable and competitive compensation opportunities that recruit and retain key talent.
- Align interests of shareholders, management and employees.
- Motivate all employees to drive productivity, generate outstanding financial performance and demonstrate Peabody's leadership pillars.
- Create a direct, meaningful link between company performance and individual performance and rewards.

Performance is a cornerstone of Peabody's compensation program. Compensation levels will be linked closely with performance levels and observed potential, allowing for pay differentiation where appropriate. Employees and managers share accountability for setting performance expectations, monitoring performance outcomes and sharing feedback.

Retirement Savings

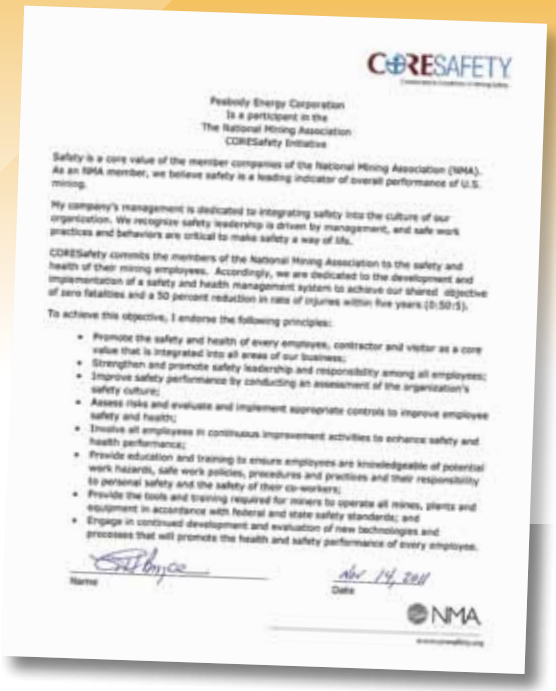
The company provides opportunities for employees to save for the future, aligning employee and shareholder interests to enhance performance. Both the 401(k) and Employee Stock Purchase Plans provide employees with avenues for ownership in Peabody Energy. The Employee Stock Purchase Plan offers a 15 percent discount on BTU shares, based on the closing price of the stock at the beginning or end of the six-month offering period, depending on which is lower.

Five-Year Employer Contribution to 401(k) Program

Year	Performance	Base	Annual Total
2011	6%	6%	12%
2010	6%	6%	12%
2009	6%	6%	12%
2008	6%	6%	12%
2007	3%	6%	9%

The 401(k) plan allows employees to contribute 1 percent to 60 percent of their regular pay based on U.S. Internal Revenue Service guidelines. For non-represented employees, the company match varies by region. On average, employees receive a 100 percent match on up to 6 percent of salary. Employees also may be eligible for an additional annual performance contribution equal to as much as 6 percent of salary, based on the company's performance against annual financial targets set by the Board of Directors. Peabody's 401(k) plan has more than 6,600 participants who maintain an average balance of about $104,000. The company's 401(k) participation levels exceed many peers.

[1,2] *U.S. Mine Safety and Health Administration (MSHA) Mine Injury and Worktime, Quarterly, January – December 2011 (Preliminary).*
[3,4] *U.S. Mine Safety and Health Administration (MSHA) Mine Injury and Worktime, Quarterly, January – December 2011 (Preliminary).*
[5] *National Mining Association Annual Coal Mining Wages vs. All Industries, 2010.*
[6] *Australian Bureau of Statistics.*
[7] *"Growing Gap in the Middle for Miners," The Australian, 29 January, 2011.*



*A pledge to the **CORE**Safety system commits industry leaders to integrating safety into their organizations' cultures, recognizing that safety leadership is driven by management, and that safe work practices and behaviors are critical to making safety a way of life.*

Safety at the Core of the Mining Industry

Peabody Energy Endorses Industrywide **CORE**Safety Safety and Health Management System

Peabody Energy Chairman and CEO Greg Boyce is chairman of the National Mining Association, which has launched **CORE**Safety – an industrywide safety and health management system.

The National Mining Association (NMA) is among the most significant national trade associations for U.S. mining companies, and **CORE**Safety unifies multiple member companies behind a single world-class safety system, according to Boyce.

"Companies employing more than 100,000 have come together and designed a system that provides a pathway for achieving breakthrough performance in safety," said Boyce. "I am proud to chair the NMA Board as we advance safety as a core value, a foundation of operational excellence and our way of life."

CORESafety is the result of nearly two years of collaboration among NMA member company safety professionals to achieve an industry goal established by chief executives at the nation's leading mining firms: to eliminate fatalities and reduce the rate of mining injuries by 50 percent within five years. The mining-specific system is built from the most effective global safety and health workplace practices to prevent accidents before they happen. Adaptable and designed to complement existing safety practices, **CORE**Safety incorporates leadership and cultural enhancement to instill a proactive approach toward assessing and managing risk. It centers on three key actions:

- **Lead:** Clear communications, accountability, personnel development and culture enhancement are all embodied in leadership.
- **Manage:** Risk identification, change management, incident reporting and investigation, training and emergency management ensure hazards and risks are minimized to the greatest extent.
- **Assure:** Assessments validate what is working and highlight improvement opportunities.

Peabody is in the beginning stages of implementing **CORE**Safety at its global operations alongside the company's established safety and health management practices.

Learn more at *CORESafety.org*.

ENVIRONMENTAL RESPONSIBILITY

Respect for the natural world and the communities in which we operate is core to Peabody Energy's approach to environmental responsibility. Peabody operations power a beneficial cycle that supports strong communities and a legacy of environmental stewardship and achievement.

This section highlights:

- Environmental Excellence
- Environmental Compliance and Oversight
- 2011 Environmental Performance
- Restoring Lands for Greater Community Benefit
- Land Restoration Bonding
- Recycling and Waste Management
- Carbon Intensity and Energy Efficiency
- Water Conservation

Peabody Energy believes energy and environmental objectives are compatible and achievable, and in 2011 the company marked another year of environmental excellence, earning nearly a dozen environmental and community awards worldwide.

A key principle of Peabody's mission is to "leave the land in a condition equal to or better than we found it." The company restored more than 5,100 acres of mined lands in 2011, creating rangeland, wildlife habitat, hardwood forests, prime farmland and wetlands that are often more productive than before mining occurred. In addition, Peabody recycled more than 16,000 tons of materials and initiated a three-year study of global energy and water use intensity as part of a long-term strategy to enhance environmental efficiencies across its global platform.

As part of this effort, Peabody operations adhere to a rigorous environmental management system designed to ensure strong environmental compliance. The company conducts regular internal environmental reviews, and each active operation is inspected and audited by various federal, state and local government agencies. This occurs at least once per month in the United States and regularly in Australia.

Environmental initiatives begin before mining activity starts. Detailed post-mining plans are researched, designed and approved. Contemporaneous land restoration ensures a small environmental footprint, and ongoing monitoring allows the company to swiftly measure results and adjust to changing conditions.

Environmental excellence is central to Peabody Energy's mission. The company is introducing state-of-the-art land restoration techniques and engaging with communities around the world.

Environmental Excellence

Peabody's environmental policies and programs are designed to ensure that coal mining and coal use benefit society, enhance environmental leadership and assure compliance with legal and regulatory requirements. Multiple federal, state, tribal and international environmental laws and regulations govern mining operations, and Peabody conducts regular monitoring to meet and often exceed compliance requirements.

The company conducts environmental impact assessments before beginning mining activities. These include comprehensive baseline studies of the local ecosystems and land uses; processes to reduce energy, emissions and water use intensity; and planning for carbon sequestration when possible. Last year, the company spent more than $290 million on land restoration and environmental activities.

Building lasting alliances in communities where the company operates is essential. Before mining, the company representatives meet with local stakeholders to understand and integrate social, cultural and traditional values and community needs in all aspects of mine planning, development, operations and land restoration processes. Committees and other civic partnerships help guide decisions and enable the company to rapidly return mined lands to productive community use.

Local farmers, landowners and agency personnel participated in Peabody Energy's field days in the U.S. Midwest and Southern Powder River Basin. The events showcased best practices and approaches to restoring soil, priming farmland and managing agriculture on mined lands.

Educational outreach supports this community engagement. In the United States, the company has highlighted the success of land restoration techniques through a series of annual field days across the Midwestern and Western United States. Members of neighboring communities are invited to attend presentations and demonstrations of successful techniques to restore mined land into prime farming properties and other uses. Numerous company-sponsored educational programs in Australia also reinforce essential lessons about sustainable mining practices and conservation.

Sustaining Cultural Heritage

Acknowledging and protecting cultural heritage is a critical element of any environmental assessment. This involves identifying sites and artifacts of significance and devising detailed plans to preserve these cultural treasures.

In Australia, employees work closely with indigenous communities to conduct heritage surveys at all greenfield sites ahead of any site works and to meet the unique cultural and economic needs of local residents.

For instance, the indigenous Wiri (Wiragjuri) people of Queensland have established a partnership with a local contractor to transform mined areas at Peabody's Burton Mine into native bush. The Wiri also are working with local resources companies to fund a keeping place or protected storage area for cultural relics. By establishing this space, the company can ensure future generations of indigenous and non-indigenous Australians have access to the nation's rich cultural history.

Environmental Compliance and Oversight

Peabody meets or overcomplies with state, national, tribal, indigenous and international environmental laws and regulations while seeking to achieve environmental excellence. In addition to conducting extensive internal benchmarking and monitoring at the highest levels, Peabody submits the results of regulatory sampling, monitoring, inspections and reviews to respective agencies, where the findings are available to the general public.

Active mining operations are inspected by regulatory authorities at least monthly and permits are audited by regulators, at a minimum during the midterm and at renewals, normally in 2.5- and five-year intervals, respectively, for environmental performance, compliance and potential updates. Peabody has never had a permit revoked or an application denied.

The company's employees participate in extensive environmental training. Peabody also holds contractors accountable, requiring compliance with stringent mine environmental standards in contractor work agreements.

Restoring Lands for Greater Community Benefit

Through Operation Green Earth, Peabody began restoration activities two decades before the U.S. Surface Mining Control and Reclamation Act became law in 1977, resulting in the planting of tens of millions of trees on restored lands. Peabody believes sustainability is achieved by developing and implementing environmental solutions that return lands for higher community benefit through best practices and stakeholder collaboration.

In 2011, Peabody restored more than 5,100 acres of land and planted more than 360,000 trees. Peabody's environmental leadership is advanced by a team of experts who continue to be honored by government officials and peers as among the best in the field. For example, Peabody Energy's former Big Sky Mine in Colstrip, Mont., is a national environmental model. The U.S. Department of the Interior's Office of Surface Mining recognized Peabody's restoration efforts at the mine with its 2011 Director's Award, a prize that is typically given to only one coal producer annually for outstanding achievement in land and habitat restoration. The honor recognizes dramatic improvements to erosion control, rangeland productivity, water supply and wildlife habitat at the 2,200-acre site.

In the United States, Peabody has accelerated community-based partnerships to promote environmental excellence. Over the past five years, for example, Peabody's North Antelope Rochelle Mine in Wyoming has collaborated with neighboring landowners to maintain, establish, enhance, or restore almost 30,000 acres of important habitat for the greater sage grouse and other sagebrush-dependent wildlife species. The company also reclaimed more than 15,000 acres of prime farmland for community use In 2011.

Peabody is building on this progress and setting a new standard for rehabilitation (reclamation) in Queensland and New South Wales, Australia. An area is classified as rehabilitated in Australia when grading, topsoiling and seeding have been completed. A total of 1,830 acres were rehabilitated during 2011, and the company is focusing on rapidly expanding the quantity and quality of future rehabilitation through the implementation of standardized best practices and new technologies.

The company has set an aggressive goal to reclaim or rehabilitate 90 percent of available land at its Australian operations by 2015. Peabody's work in the Surat Basin of southeast Queensland is representative of how the company partners with local landowners to achieve its objectives. The Surat region is rich in natural resources, and until recently agriculture has been responsible for most local economic activity. Rapid resources industry growth in the basin has strained relationships between the local community, agricultural users and industry. Intensive lobbying prompted the Queensland and New South Wales governments to independently develop strategic land use legislation that would limit resource development. With many farmers unconvinced their interests will be adequately protected by legislation, governments also are under pressure to introduce further limits on resource-industry projects.

When the Wilkie Creek Mine in the Surat Basin came across an area of uncharacteristically fertile black alluvial soils during mining preparation, the environmental team saw an opportunity to capitalize on Peabody's U.S. rehabilitation expertise. Employees forged a partnership with a local landholder and created and nurtured a two-hectare sorghum crop to a successful harvest, earning significant recognition in the community. Despite uneven rainfall, the team obtained a yield from the crop of 1.8 metric tons per hectare in 2011 – an impressive result by industry standards – and raised A$1,000 in sorghum sales. These funds were combined with royalties the mine received from timber and gravel sales and donated to the nearby Dalby Public Hospital for the purchase of much-needed medical equipment.

Environmental Performance

Dollars in Millions Except Where Indicated	2011	2010	2009	2008	2007
Reclamation Performance Bonds Approved	$1,721.3	$1,624.4	$1,594.2	$1,514.0	$1,073.4
Federal Coal Reclamation Fees	$59.9	$56.3	$55.4	$59.2	$61.2
Volumes of Hazardous Waste Recycled (Tons)	505	1,462	1,030	518	37
Total Volume Recycled Materials (Tons)	16,596	21,256	16,298	14,856	13,999
Water Treatment Costs (Dollars in Thousands)	$45.0	$96.0	$162.0	$160.0	$253.0
Disturbed Land (Acres)	6,618	8,114	6,550	6,183	7,570
Permanently Reclaimed Land (Acres)	5,113	5,212	3,695	3,767	7,945
Cumulative Developed (Acres)	152,658	144,485	134,931	136,646	107,511
Cumulative Permanently Reclaimed (Acres)*	92,616	86,047	80,742	83,194	72,271
Bond Release All Phases	$41.9	$54.6	$35.0	$26.1	$36.3
Number of Trees Planted	364,360	489,516	243,381	251,411	527,048
Forestland Established (Acres)	148	308	136	310	711

**The decrease in cumulative permanently reclaimed acres from 2008 to 2009 was due to selling the Baralaba Mine and repermitting some reclaimed areas at the Wild Boar and Bear Run mines.*

Peabody planted about 360,000 trees and established a variety of properties, including 148 acres of forested land, in 2011. The proportion of forest and farmland restored varies from year to year depending on community needs and previous use. In the United States, 100 percent of the company's reclamation targets were met in three out of four operating regions.

Other major 2011 awards received in the United States include:

- **The Excellence in Surface Mining** honor awarded to the North Antelope Rochelle Mine (NARM) for creating superior habitat and protection for multiple raptor species from the Wyoming Department of Environmental Quality.
- The annual **Reclamation Award** granted to NARM by the Interstate Mining Compact Commission for excellence in compliance, contemporaneous reclamation, drainage control, bond release and innovation.
- The **Environmental Stewardship Award** presented to the Twentymile Mine by the Colorado Mining Association for its innovative recycling program and overall environmental excellence.

  Colorado's most productive mining operation, Twentymile developed an employee awareness handbook to train employees in environmental stewardship and to encourage recycling best practices. The mine recycled more than 840,000 pounds of solid and 150,000 pounds of liquid waste in 2011.

Major awards received in Australia include:

- The **Environmental and Community Excellence Award** given by the New South Wales Minerals Council to the Metropolitan Mine for its innovative recycling of coal mine waste rock into disused underground workings.
- **The People's Choice Award** given by the New South Wales Minerals Council to the Metropolitan Mine for its innovative recycling of coal mine waste rock.

Major awards received in Asia include:

- The **Best Eco Mine Award** from the Mongolian Mining Journal honoring Peabody's partnership for establishing 16 hectares of hardy pastureland near the northern city of Bulgan, Mongolia, as part of the first coal mine restoration project in Mongolia's history.

  Through a joint venture, the company led a team of scientists, engineers and government specialists in transforming Ereen, a former mine site, into acres of productive grazing land. The company also created a community well and pond for livestock. The area is four times more productive than nearby native lands.
- The **"Distinguished Environmentalist"** designation given by Mongolia's Ministry of Nature, Environment and Tourism to Vern Pfannenstiel, Peabody Energy's Senior Manager of International Reclamation, for leadership to establish best scientific practices in land restoration to protect Mongolia's environment.

Peabody Energy's former Big Sky Mine in the U.S. West was recognized by the U.S. Department of the Interior for best practices to restore mined land and water features to a pristine condition.

Working with Mongolian officials, community leaders and academics, Peabody transformed the former Ereen Mine on Mongolia's remote northern steppes into 44 acres of grass-covered plains. During one year, an international team of more than 60 engineers, Peabody workers and officials worked to restore pastureland, develop a water well for the community and create a pond for livestock.

Land Restoration Bonding

Peabody's primary environmental objective is to restore land to a productive condition that provides lasting benefits to future generations. The company conducts extensive planning well in advance of any mining activity, and lands are restored contemporaneously as mining proceeds. This practice ensures the smallest active area for mining operations and enables timely bond release, returning lands to productive use by communities.

In the United States, the company has approximately 365,000 surface acres permitted and secured by land restoration bonds throughout its mining operations. During 2011, development activities were initiated on more than 8,100 acres; more than 5,100 acres were restored; and approximately 4,300 acres were released from bond. These results compare with 2010 development activities on nearly 8,100 acres with more than 5,200 acres restored and 5,500 acres released from bond.

The company has successfully completed final restoration on a broad array of properties, including 148 acres of forested land and 86 acres of lakes. The quantity of trees planted varies year to year based upon what proportions of farmland, pastureland and wooded areas the company restores. Bond releases also fluctuate depending on mining and restoration activities planned during a particular period. The company released $42 million in bond liability in 2011, down from $55 million in 2010.

Recycling and Waste Management

Peabody has introduced a recycling program that continues to increase the beneficial reuse of materials across multiple categories. For instance, the company increased the volume of recycled grease by more than 100 percent and tons of recycled computer equipment by more than 1,550 percent over prior-year levels.

Peabody continues to advance innovative technologies to better manage waste. For instance, the company successfully implemented a coal waste rock recycling project at its Metropolitan Mine in Australia. The operation is the first in the nation to recycle coal waste rock by processing it into a paste and storing it in abandoned underground workings.

The company also advances recycling and conservation activities worldwide by forging partnerships in local communities. For example, Peabody is a lifetime member of the New Mexico Recycling Coalition and a partner in Recycle Cibola!. This community recycling group was initiated by employees in Cibola County, home to Peabody's Lee Ranch and El Segundo mines. Until the organization was founded, residents drove an hour to transport recyclables to Albuquerque. The group has established convenient recycling stations around the Grants, N.M., area where residents can drop their waste, including five new stations in 2011.

Peabody beneficially reuses used tires from large mining equipment, often converting the tires into watering tanks for livestock and wildlife. The company even forged an agreement with the U.S. National Park Service to repurpose large used tires to construct an artificial barrier reef around a marina at Lake Powell.

New Mexico has a 14 percent recycling rate, while the U.S. average exceeds 30 percent. To help increase recycling in the communities surrounding Peabody's New Mexico operations, employees helped establish the Recycle Cibola! program.

Carbon Intensity and Energy Efficiency

Greenhouse Gas Intensity

Peabody is advancing clean coal technologies and concurrently pursuing a number of practices to maximize energy efficiencies and improve the company's carbon dioxide equivalent (CO_2e) intensity. Peabody's greenhouse gas emissions relate primarily to electricity and diesel fuel use during overburden handling, coal removal, mine ventilation, coal processing and land restoration. Coalbed methane, a natural component of the coal resource, is also present at mining operations.

The company tracks greenhouse gas following the benchmark of pounds of equivalent CO_2e (CO_2, CH_4 and N_2O) per ton of coal mined and cubic yards of overburden moved (units of production). With surface coal mining reaching to greater depths in many regions of the United States and Australia, the amount of resources expended to recover a ton of coal is growing. Despite these factors, Peabody's energy conservation and efficiency efforts have delivered relatively flat emissions intensity in the United States. Peabody's 2011 greenhouse gas emission intensity reflects the use of more accurate monitoring methods.

Since initiating its voluntary greenhouse gas reporting program in 2006, Peabody has partnered with the U.S. Geological Survey to undertake methane content and desorption testing at its large surface mines in Wyoming. The results of this testing program led Peabody to conclude that the method for estimating fugitive methane emissions supported by the U.S. Department of Energy substantially over-predicts mine methane emissions. The U.S. Environmental Protection Agency (EPA) supports this conclusion. In the Preamble to its Mandatory Reporting Rule of 2010, the EPA argues that the agency need not report methane emissions from surface coal mines because doing so was not effective or feasible: "… there are currently no robust facility-level monitoring methods to measure fugitive CH_4 emissions from surface mines. Measuring fugitive emissions at specific locations would not adequately capture the emissions from the entire mine, would be expensive and resource-intensive, and difficult for mine operators to implement on a periodic basis."

Peabody continues to use the methodology currently required for reporting under the U.S. Department of Energy Section 1605(b)'s voluntary reporting program for the sole purpose of maintaining an ongoing historical record of greenhouse gas emissions. However, methane measurement at surface mines is a highly subjective exercise leading to wide variations in assumptions and outcomes across global operations.

Peabody Energy Australia submitted 2011 public and government reports outlining greenhouse and energy emissions as required by the National Greenhouse and Energy Reporting Act of 2007. The public report is available at the Peabody Energy website and reflects an increase of emissions per ton produced during the 2010 to 2011 period, compared to levels in the 2009 to 2010 and 2008 to 2009 periods.

Peabody's Recycled Materials by Type

(In Tons)	2011	2010	2009
Used Oil	5,486	5,065	4,700
Used Grease	167	75	61
Used Oil Filters	354	352	277
Antifreeze	538	79	45
Spent Solvents	27	23	13
Tires	191	684	1,099
Batteries	193	221	171
Scrap Metals	8,882	11,426	7,798
Computer Equipment	33	2	5
Other (e.g. HID Bulbs, Used Paint, Paper)	725	3,329	2,129
Total	**16,596**	**21,256**	**16,298**

Peabody has a broad recycling program for a variety of materials, ranging from tires and batteries to paper and computers. The company recycled more than 16,000 tons of materials in 2011. The recovery and reuse of scrap metal from decommissioned facilities in the U.S. Midwest and U.S. Southwest were unusually high in 2010 and account for the year-over-year decline in recycling activity.

In the company's second full year of international data collection, Peabody's global emission intensity without methane was 4.08 pounds of greenhouse gas per unit produced, which compares closely with 3.98 pounds of greenhouse gas per unit produced calculated in 2011. When methane is included, the company's greenhouse gas intensity reached 13.84 pounds greenhouse gas per unit produced in 2011, up slightly from 13.37 pounds per unit produced in 2010.

Like the United States, no established procedures exist in Australia to effectively measure the release of fugitive methane at open-cut mining operations. The estimation of fugitive methane releases is currently based on a default factor established by Australian regulators that may overstate fugitive methane emissions from many operations in that nation.

Peabody Energy Australia PCI, the former Macarthur Coal, separately reported its carbon footprint for the 2011 fiscal year at 410,059 tons of carbon dioxide equivalent (CO_2e) on a 100 percent ownership basis based on a more expansive definition that

includes diesel combustion, fugitive methane, electricity use and transportation to and from mining operations. This represents a sharp decline from the 456,691 tons of CO_2e recorded in the previous year and can be attributed to weather-related production disruptions at the Coppabella and Moorvale mines. Peabody Energy Australia PCI's principal product, low-volatile pulverized coal injection coal, is used by the world's steelmakers because it enhances furnace productivity and lowers costs. A less acknowledged advantage is the product's lower emissions profile when compared to hard coking coal. Research suggests that about one ton of Coppabella PCI coal can replace 1.3 tons of hard coking coal during the steel-making process, and this substitution may save the equivalent of more than half a ton of CO_2e emissions through avoided coke oven emissions.

Existing methods for estimating methane emissions vary by nation and continue to contribute to incomplete and inconsistent data. Peabody is studying greenhouse gas emissions from its Australian operations and installing continuous emissions monitoring equipment at underground operations in Australia to improve the quality of methane emissions measurements. The company's ultimate objective is to devise a single, generally accepted methane measurement protocol that can be applied consistently across Peabody's global mining platform.

Engaging to Shape Effective Carbon Policy

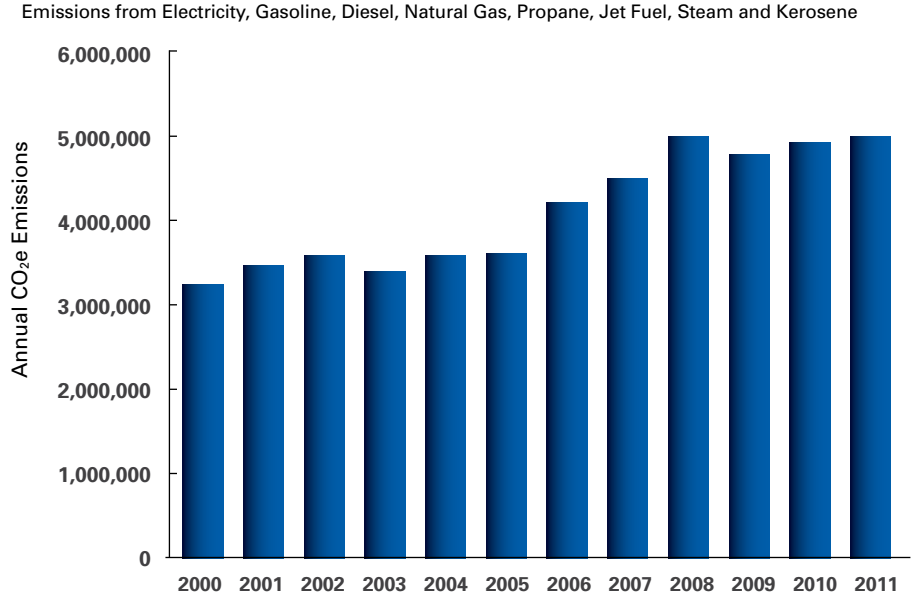
In July 2011, the Australian government announced details of a fixed price carbon tax commencing on July 1, 2012 to operate for three years before transitioning to a cap-and-carbon emissions trading scheme. The fixed price will commence at $23 per tonne of CO_2e indexed at 2.5 percent in real terms.

Peabody operations in Australia will be liable for fugitive methane emissions under the scheme. In addition, the company's surface operations will be subject to a 6 cent per liter reduction in the diesel fuel excise rebate. Transportation costs will also rise as port and rail operations pass through carbon costs. The company will pursue those fugitive methane abatement funds available from a federal $70 million technology support package.

The company has established a Peabody Carbon Working Group of operational and functional experts in Australia to investigate the carbon price mechanism; evaluate abatement technologies and measurement procedures to ensure data meets the company's standards for accuracy; and deliver solutions to manage the national carbon price. Subgroups have also been formed with more focused objectives, such as carbon trading and permit acquisition.

Peabody continues to advocate for realistic targets that achieve real emissions reductions. The company contends that policies designed to increase the cost of

Peabody Energy U.S. Annual CO_2-Equivalent (CO_2, CH_4 and N_2O) Emissions



Total U.S. greenhouse gas emissions have remained relatively stable during the past several years, even as Peabody Energy continued to expand operations in the United States.

Australian coal in a highly competitive global market simply drive customers to switch to less expensive but more carbon-intensive sources of supply, resulting in a net increase in global emissions. In the absence of binding international carbon agreements, the company calls for regulation that is broadly and fairly applied and simple to encourage compliance, with predictable outcomes and measures to ease the industry's transition.

Peabody participates in numerous global industry initiatives to advance the development of greenhouse mitigation technologies in mining. Areas of collaborative research include the beneficial reuse of methane, measurement of fugitive emissions, and capture and abatement of methane and other gasses.

Improving Energy Efficiency and Emissions Intensity

Peabody seeks to enhance its emissions profile through ongoing investments in efficiency and innovation. The company's greenhouse gas management activities

Technicians observe a thermographic camera that measures heat and heat differentials in equipment operating at the North Antelope Rochelle Mine in Wyoming. Advanced technologies enable the mine to analyze energy usage in equipment to ensure maximum environmental efficiencies and reduce equipment downtime.

begin before mine development, continue during overburden and coal removal, and are conducted as part of land restoration processes and during re-vegetation.

A number of initiatives help reduce the company's environmental footprint. Chief among them are efforts to maximize energy efficiencies. The U.S. Department of Energy's Lawrence Livermore National Lab estimates that about one-third of all energy is wasted in the United States alone. Peabody conducts ongoing energy audits and has established a variety of programs to minimize energy use and improve its emissions footprint.

In 2011, the company began a global study of its energy efficiency performance. This three-year assessment involves all major forms of energy use across global operations. In the company's initial year of study, Peabody determined that its:

- Diesel fuel use intensity was 3,731 kilo calories (kcal) per unit of production
- Electricity use intensity was 779 kcal per unit of production
- Total energy use intensity was 4,511 kcal per unit of production

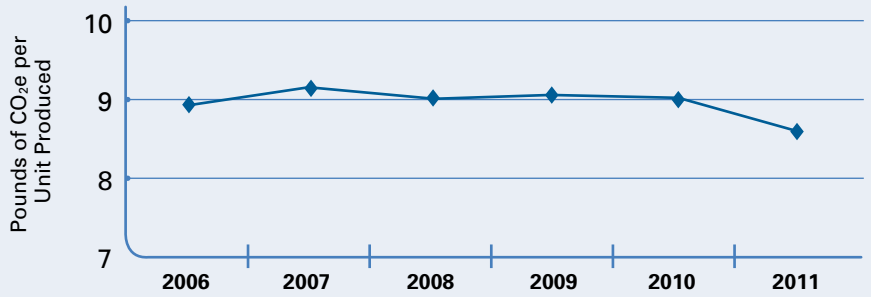
Moving forward, Peabody will evaluate the relative effectiveness of conservation and efficiency measures against these baselines.

Reducing diesel use offers perhaps the most immediate opportunity for energy savings. Many of Peabody's U.S. surface mines have diesel energy use intensity well below Peabody's global baseline. Fuel conservation and associated best practices from these operations are being documented as part of a new global fuel conservation initiative. Launched in 2011, the program seeks to save 5 million gallons of diesel – almost 19 million liters in a year – by identifying and implementing incremental improvements to processes and procedures across the company's global platform.

The company continues to invest in energy-efficient equipment such as the electrical-powered draglines and shovels that comprise the company's surface fleet. At U.S. surface operations in Wyoming, Peabody introduced a fleet of ultra-class haul trucks, each with a payload of approximately 400-plus tons, and repowered six existing haul trucks. The repowered trucks are 10 percent to 15 percent more fuel efficient, and the ultra-class equipment provides fuel efficiencies of 15 percent to 20 percent. Upgrades to these trucks and the large, highly efficient shovels they support, continue to reduce the amount of electricity and diesel fuel expended per unit of production.

Peabody Energy U.S. Annual Greenhouse Gas Intensity

Pounds of GHG Emitted (CO_2, CH_4, and N_2O) per Unit Produced (Including Mine Methane Emissions)



Greenhouse gas (CO_2, CH_4 and N_2O) intensity is calculated based on emissions of CO_2 equivalent per unit (defined as tons of coal produced plus cubic yard of overburden moved).

Peabody's U.S. operations have voluntarily reported greenhouse gas intensity (pounds of CO_2e per unit produced) for several years using U.S. Department of Energy requirements under Section 1605(b) of the Energy Policy Act of 1992. Greenhouse gas intensity, including methane, has remained relatively stable even as Peabody's U.S. mining operations have reached ever greater depths. This stability is related to ongoing energy efficiency efforts.

Peabody continues to invest in leading-edge technologies such as acoustic listening devices to help identify opportunities to reduce energy usage and enhance equipment performance.

Employees are using the modular mining dispatch system at the North Antelope Rochelle Mine in the Southern Powder River Basin to monitor and minimize equipment idling time. The technology has led to tenfold reduction in the number of alerts of idling times of 30 minutes or more per day, driving a corresponding improvement in fuel savings and the company's carbon footprint.

Operations also are retrofitting plants with energy efficient LED lights and installing timers to automatically shut down these facilities during daylight hours when they are no longer needed to support the mining operations. Other initiatives include:

- A drilling program at Australian surface mines to improve greenhouse gas measurement.
- Upgrades and standardization in ventilation metering and emissions reporting standards and the measurement of gas drainage, electrical installations, wastewater and non-combusted fuels at Australian underground mines.
- A voluntary partnership with Public Services of New Mexico and its "Peak Saver" initiative. The electrical demand management program is designed to relieve the utility's grid during periods of the greatest or peak electricity usage.
- Expanded use of coalbed methane wells prior to mining. Peabody made substantial investments at its North Antelope Rochelle Mine to develop the necessary infrastructure to produce, compress, meter, and transport methane to the nearest natural gas pipeline. Since 2002, a total of 47 wells were drilled within the mine lease boundary to capture methane from the coal prior to mining for use as fuel. This methane has been compressed and transported to a natural gas pipeline. Over the last nine years, it is estimated that this project has captured approximately 2.7 million metric tons of CO_2e.
- Increases in the grading efficiency of rangeland in arid and semi-arid regions. The company's techniques increase the energy efficiency of land restoration activities and result in more productive carbon sinks, or restored lands that can retain more water and sustain more vegetation, which provides for higher levels of carbon storage.
- Expanded use of no-till and minimum tillage systems for re-vegetation and cropping. Besides reducing the amount of fuel used during tillage operations, these technologies create natural carbon sinks. These techniques also reduce erosion potential while improving water holding capacity and overall water quality.

The company is pursuing a number of other carbon-reducing programs, including:

- Using in-pit conveying of overburden to reduce truck haulage and diesel use.
- Examining the feasibility of using limited wind power at Peabody's Southern Powder River Basin operations to supplement power supplies.
- Evaluating the benefits of biomass production on restored property in the Midwest.
- Expanding use of solar technology to power remote water and air monitoring sites as well as weather stations, traffic warning lights and radio repeaters at many operations.
- Assessing opportunities for capture and/or destruction of methane associated with ventilation from underground coal mining operations.
- Conducting energy audits to evaluate energy savings in Australia and at larger U.S. operations.

Water Conservation

Water is a core element of Peabody's environmental approach to coal mining and use. 2011 marked the first year in a three-year study of water intensity across Peabody Energy's global operations. The company seeks to establish baseline amounts of groundwater used on location or purchased from local sources such as water districts and local utilities. In the study's initial year, the company used an average of four gallons per unit of production.

Peabody's water management program complies with and often surpasses both U.S. and Australian standards, and the company regularly provides detailed water use

reports to federal, state and tribal regulatory agencies that are also publicly available. Within the past four years, Peabody has earned more than 30 major environmental honors, more than a third of which recognize excellence in restoration of streams and wetlands. Peabody has also won four of the highest national honors for wetland restoration granted by the U.S. Department of the Interior.

The company's approach to water management starts with use of surface basins or ponds to collect water from rain or snowfall. Use of these ponds is viewed as a best practice for maintaining water quality because the ponds also capture and settle rock, sand, silt and clay runoff, primarily from rain, snow and pumped water. Once the water is settled and sampled, it is typically reused for mining purposes. Peabody primarily uses water for activities that enhance employee health and safety, environmental protection, asset maintenance and coal preparation.

Besides collecting storm runoff, some Peabody mines also have developed the ability to use water associated with the production of adjacent and naturally occurring coalbed methane. This water is blended with collected storm runoff then delivered to mine facilities. Small volumes flow from the ponds into ditches, gullies and seasonal streams, where these supplies are ultimately recycled back into the hydrological system. Routine and continual monitoring of the water held in these ponds confirms that it typically is of equal or better quality than receiving streams.

Peabody's approach to water management on restored lands also is considered best practice by regulatory agencies and implemented in accordance with applicable permits. As part of the company's land restoration plans, Peabody routinely stabilizes area watersheds and contours water features with riffles and pools to create additional wildlife habitat. Other features include drop facilities, dry dams, terraces, upgraded streams, stream buffers, playas, wetlands and lakes.

Compared to pre-mined lands, restored properties feature two to three times the water features where development is compatible with existing water rights. These water facilities not only add to the available water resource but also provide for good surface water quality, increased groundwater flows and an overall reduction in soil erosion. In floodplains, these practices can result in added stability and flood protection.

Besides the design and construction of post-mine water structures, Peabody also uses state-of-the-art agricultural practices including no-till, minimum tillage, contour farming, rangeland rotation and high-residue vegetation to reduce storm water runoff and decrease soil erosion, both of which are critical to support water quality. For example, improvements to drainage works at rehabilitated lands around Peabody's Eaglefield Mine in Australia significantly reduced erosion and improved productivity.

Peabody seeks to engage the broader community in promoting healthy watersheds. The company accomplishes this locally through a wide range of initiatives to expand education and awareness as well as invest in infrastructure. For example, on reservation lands in Northeastern Arizona, the company is a partner and funder of the Manymules Water Pipeline Project, working in conjunction with the Navajo Nation. When complete, the project would create indoor plumbing for approximately 300 Native American families residing near Peabody's Kayenta Mine lease area who currently haul water for home use. Key project partners include the Navajo Department of Water Resources, the Black Mesa Review Board and the Kayenta, Forest Lake, Chilchinbeto and Shonto Chapters, which are tribal governmental structures similar to townships. The project includes a detailed cultural assessment of lands where pipeline infrastructure would be constructed. It also involves creating an electricity source at each home to run water pumps and establish sanitary water infrastructure. The Kayenta Mine simultaneously has implemented a water conservation plan. In 2011, the mine completed a detailed water use analysis and began a plan to reduce water production from all mine site water wells.

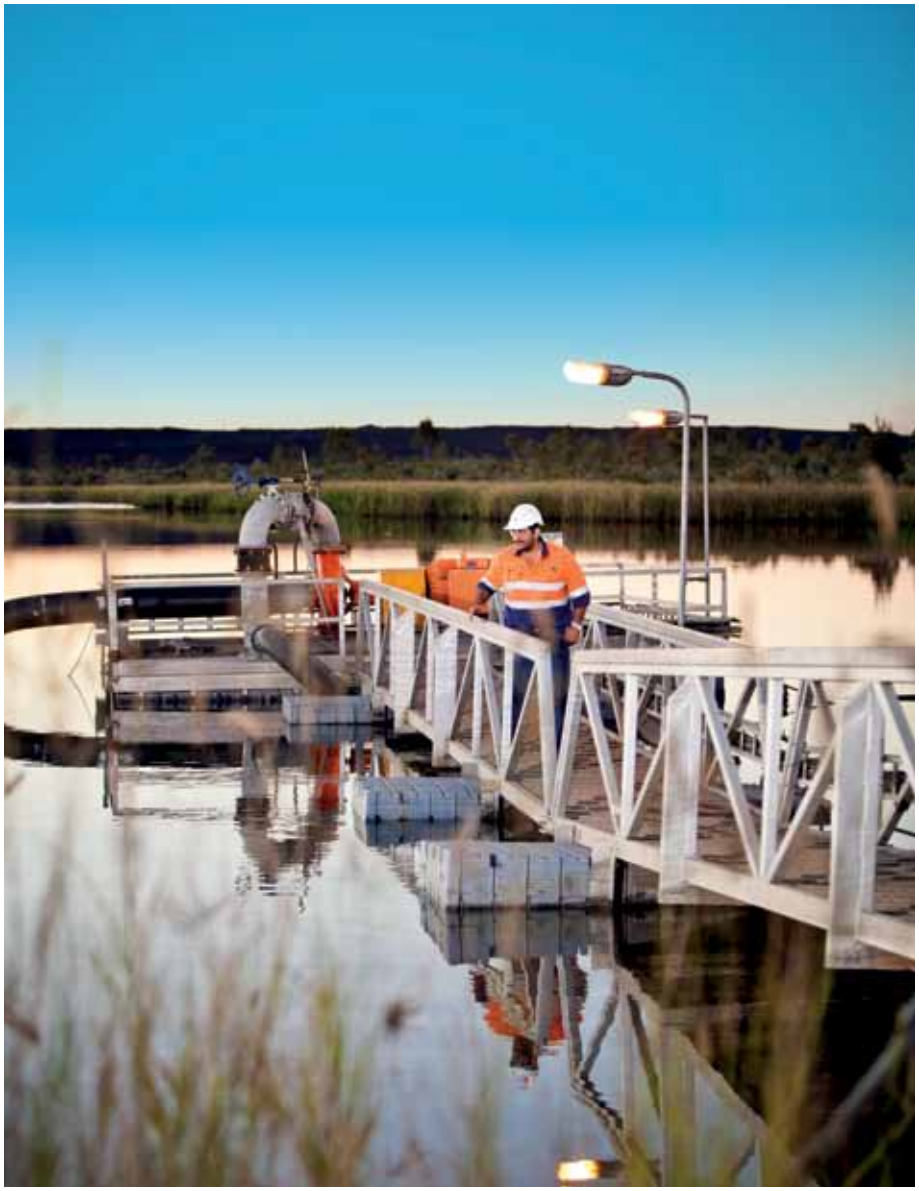
Even in a typical rainy season in Australia, excessive water is a challenge for mining operations. Peabody is exploring multiple technologies, including reverse osmosis,

Peabody's ultra-class haul trucks are recognized by the Guinness Book of World Records for their capacity to carry a record 447.3 tons – enough coal to fill an average size house from top to bottom or to fuel a power plant for 24 hours. Greater capacity results in reduced diesel use and emissions.

Peabody sponsors and partners with a range of community non-profits focused on environmental improvement, from Ducks Unlimited to Living Lands and Waters, an organization that works to clean rivers and watersheds.

desalinization and evapo-transpiration, to enable operations to respond to a one-in-3,000-year flood event. The company has joined many industry experts in advocating a change to Queensland's temporary environmental permitting process in the wake of the storms. The current permitting process severely restricts water treatment and release following the initial flooding event. In practice, these requirements call for companies to hold standing water in open mining areas for longer periods of time.

The company is a sponsor of Living Lands and Waters, a non-profit organization based in the U.S. Midwest that is dedicated to caring for the nation's major rivers and watersheds and hosts community river cleanups with the assistance of local volunteers. With trash bags and shovels in hand, volunteers scour rivers in search of plastic bottles, barrels, tires and appliances that are removed and either recycled or disposed of in a sustainable manner. Most recently, Peabody volunteers participated in a Living Lands and Waters event and returned a stretch of the Ohio River near Newburgh, Ind., to its natural beauty.



Water monitoring is a regular practice at Moorvale Mine's co-disposal return water dam in Australia's Bowen Basin. Peabody understands that its success depends on responsible stewardship of this vital and finite resource. The company is widely recognized for excellence in water management practices.

The Metropolitan Mine is expected to be the world's leading mine in capturing coal mine waste material without fly ash and placing it underground. It also will become the only Australian operation to adopt the paste process.

Pioneering Underground Recycling of Coal Mine Waste

Technology Should Significantly Minimize Truck Transportation of Rock

Nestled behind a thick canopy of gum trees in the base of a national park, Peabody Energy's Metropolitan Mine has operated in the southern New South Wales coalfields for nearly 125 years.

The setting is picturesque, yet space is limited. So the mine has pursued a novel method to convert discarded material from its preparation plant by transforming it into a high-density slurry paste. The paste then is injected back underground into abandoned mine workings.

When fully implemented by 2015, this high-technology recycling technique is expected to completely eliminate the transportation of the waste rock for surface emplacement. Annually about 10,000 fewer trucks will travel down the main street of Helensburgh, the township that neighbors the mine.

Over the life of the operation, this new method is estimated to eliminate the emissions, dust and noise from more than 350,000 vehicles, while improving safety on area roads.

While similar systems have been used in coal mines in Europe and in the concrete industry, Metropolitan is the only Australian mining operation to find an economic means to transform its waste into a paste and place the material underground. It also is believed to be the only mine in the world to inject 100 percent of its rejects material without fly ash in a contained area beneath the earth.

The New South Wales Minerals Council recognized this ingenious solution with one of its highest honors – the Environmental and Community Excellence Award. Peabody's approach also earned the council's People's Choice Award, given by delegates from the leading companies in the state.

During an unprecedented resources boom, Australia's leaders seek to balance community land needs and environmental concerns with the requirements of fast-growing, world-class energy developments. Solutions like the coal paste backfill process pioneered at the Metropolitan Mine assist the entire energy sector in managing waste even more safely and sustainably.

PUBLIC RESPONSIBILITY

This section highlights:

- The Peabody Plan
- Near-Zero Emissions and Carbon Management
- Btu Conversion Technologies
- Civic Engagement

Every day, more than 200,000 babies are born, and some 250,000 people gain access to modern electricity for the first time. Every day, 100,000 people migrate to cities in China and India… 650,000 people open Internet accounts… and 160,000 new cars are purchased. Every day, the world uses 19 million metric tons of coal.

More energy is needed to sustain the largest projected demand growth in modern history. A new middle class is emerging as populations migrate to urban centers and citizens embrace modern lifestyles with automobiles and electronics that require steel to make and power to run.

Growth comes at a time when nearly 3.6 billion people – about half the world's population – lack proper energy to reach the upper levels of the United Nations Human Development Index.[1] Another 2 billion people will require energy in two decades based on forecast population growth,[2] putting the world on course to have 5 billion to 6 billion people requiring electricity in as little as 20 years.

A secure, reliable supply of low-cost energy forms the foundation for a sustainable future, and coal is the fuel with the scale to meet enormous need. The world has hundreds of billions of tons of coal that make up 60 percent of global energy resources. Coal is found on every major continent and offers a 135-year supply.[3] Coal demand is also forecast to grow 65 percent by 2035, surpassing oil as the world's largest energy resource.[4]

Through the Peabody Plan, which was introduced at the 2010 World Energy Congress in Montreal, the company has developed a series of technology-based solutions to alleviate energy inequality by 2050 while advancing society's important goals of energy security, economic growth and environmental solutions through greater coal use.

Peabody Energy is a leader in clean coal solutions, with projects and partnerships on three continents, including GreenGen (above), the world's largest coal plant targeting near-zero emissions, and the Consortium for Clean Coal Utilization, which is advancing coal and energy research at Washington University in St. Louis.

The Peabody Plan

There is a strong correlation between access to electricity and improvement in the United Nations Human Development Index. Energy access drives improved literacy, higher education and healthier lives.

Beyond poor living conditions, lack of education and other obvious ills, the world loses 1.5 million people to the effects of energy poverty each year, according to The World Bank. These are tragic conditions that society cannot allow.

Peabody believes the greatest crisis confronted in the 21st Century is not an environmental crisis predicted by man-made computer models but a human crisis fully within our power to solve. For every person or agency who has voiced a 2050 greenhouse gas goal, the world needs 10 people and policy bodies working toward the goal of broad energy access to reduce global poverty. Peabody views this as society's first value.

In its study on energy poverty released in this past year, the International Energy Agency (IEA) warned that the lack of global energy access threatens to stop the world from reaching its United Nations Millennium goals for poverty reduction. The agency called for $41 billion in annual investments to create energy access.[5]

The power of the Peabody Plan to energize economies is perhaps nowhere more evident than South Africa. It is the largest economy in Africa. It gets 94 percent of its electricity from coal, and the nation uses 40 times more electricity than its Sub-Saharan counterparts.

But elsewhere in Africa the situation is dire: In Ghana, 10 percent of children die before they are five years old. In Rwanda, 52 percent of children are "stunted" from malnutrition. In Cameroon, life expectancy is only 50 years. These citizens deserve a much better life. Bringing the rest of Africa to parity with South Africa would require as much as 4 billion tons of coal annually by 2050.

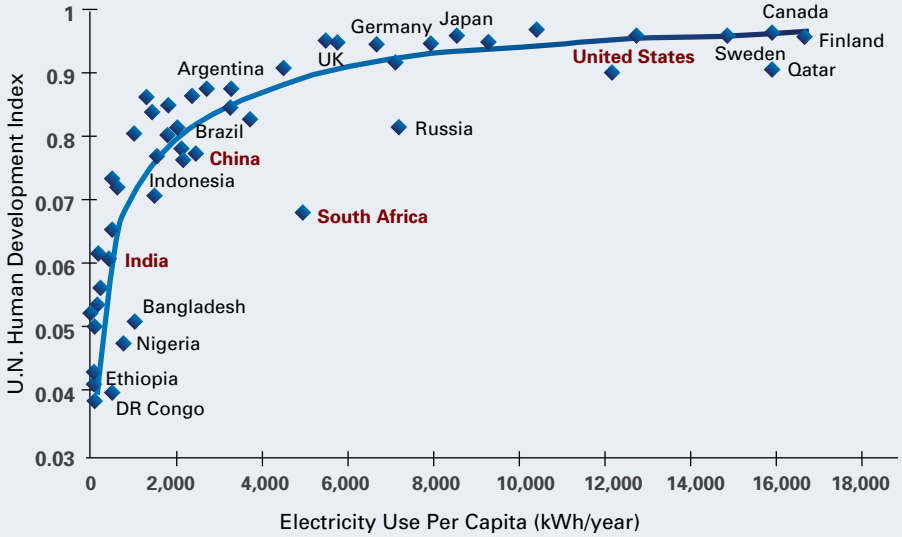
Peabody believes that solving energy inequality is the No. 1 job for energy, business and government leaders worldwide. The Peabody Plan defines the path:

1. **Work to eliminate energy poverty by ensuring that at least half of new generation is fueled by coal.**

   At the Copenhagen and Cancun summits, world leaders agreed that social development and poverty eradication are the overriding priorities of developing nations. Near term, global generation is expected to grow by 370 gigawatts by 2015, which would require more than 1.3 billion tonnes of coal per year.

Electricity Enables People to Live Longer and Better

United Nations Links Affordable Energy to Quality of Life



Source: CIA World Fact Book. United Nations Development Program's Human Development Report.

Citizens need electricity for the most basic needs, such as fresh water, heat and sanitation to achieve the upper levels of the United Nations Human Development Index. Even at a minimum threshold of 4,000 kWh per capita per year, this usage is 50 percent lower than the per capita average in the European Union.

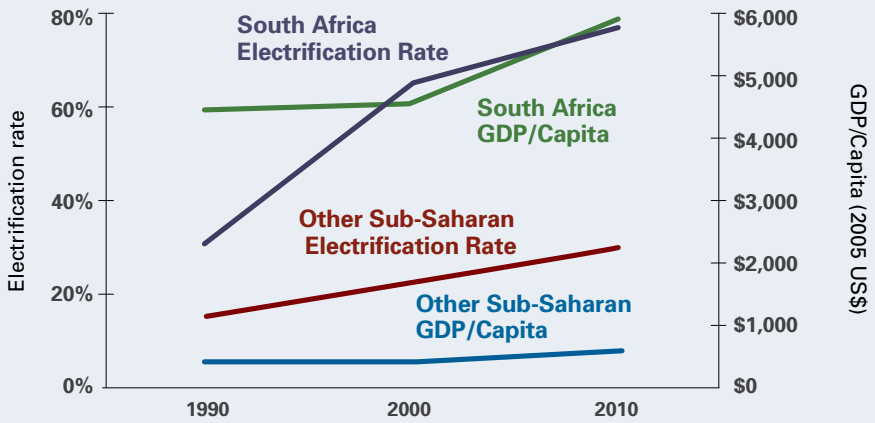
2. **Replace older traditional coal plants with advanced coal technologies.**

   Upgrading the older coal fleet with advanced supercritical technologies would achieve major economic and environmental benefits, globally delivering $4.3 trillion in economic benefits and 21 million new jobs over a four-year construction process, according to a study by Management Information Services.

   Avoided carbon dioxide (CO_2) emissions would have the same effect as removing 325 million cars from the road, essentially the entire U.S. passenger car fleet.[6] All of this can be achieved without carbon capture and storage (CCS), and these plants would be carbon capture ready when the technology is commercially deployable.

South Africa: A Case Study for the Peabody Plan

South Africa's Gross Domestic Product (GDP) 10 Times Higher Than Other African Nations



South Africa derives more than 90 percent of its electricity from coal. It is Africa's largest economy, with a GDP that is 10 times higher than other African nations.

In the United States, replacing the aging coal fleet with advanced coal generation would result in $1.2 trillion in economic benefits and 6 million jobs during construction, while avoiding 440 million tonnes of CO_2 emissions.

Once the fleet is operational, the annual global economic benefits of these plants include nearly 360,000 jobs for plant operations and the supply chain, and $120 billion in annual economic benefits.

3. **Develop at least 100 major CCS projects around the world within 10 years.**

   Advancing CCS development on a broad scale would lead to commercial deployment of next generation technologies to achieve near-zero emissions and is consistent with the IEA's goal of commissioning 2,000 projects by midcentury.

4. **Deploy significant coal-to-gas, coal-to-chemicals and coal-to-liquids projects globally in the next decade.**

   Coal being converted to natural gas, chemicals and liquids, and greater use of coal for Btu Conversion help build energy security. This is particularly important at a time when alternative fuels are centered in unstable regions, subject to cartels to control price and supply, or too small to be meaningful for baseload power.

5. **Commercialize next generation clean coal technologies to achieve near-zero emissions.**

   China has more than 40 percent of the world's advanced coal fleet and is pioneering the world's largest near-zero emissions coal-fueled power plant through its GreenGen power plant and carbon research center in Tianjin. GreenGen is expected to begin Phase 1 generation this year, and Peabody is the only non-Chinese equity partner in this initiative.

The Peabody Plan puts people first by putting energy first. This is critical at a time when the world will need as much as 15 times the current power generation of the European Union by midcentury.[7]

Near-Zero Emissions and Carbon Management

Hundreds of millions of dollars of investments in clean coal technologies are driving major environmental improvement and will continue to advance the ultimate goal of coal-fueled power that is virtually free of emissions.

Significant strides have been made to reduce sulfur dioxide, nitrogen oxides and other criteria emissions. In the U.S. alone, coal used for electricity has nearly tripled since 1970 as emissions per megawatt hour have been reduced by 87 percent, based on data from the U.S. Energy Information Administration and the U.S. Environmental Protection Agency.

To address concerns about carbon and climate, development of CCS technologies is under way around the world, though deployment has been limited by cost challenges. Carbon capture technologies involve injecting CO_2 into oil fields, deep saline reservoirs or other geology that has stored methane, coal and oil through the millennia. Both the science and technologies for CO_2 capture are well understood and have been widely used by the petroleum industry for a half century to recover oil. Injecting CO_2 into previously inaccessible oil reserves allows greater capture of the stranded resource.

The National Coal Council, a federal advisory committee to the U.S. Secretary of Energy, estimates the United States could produce an additional 2 million to 3 million barrels of oil daily through greater deployment of CCS.[8]

If the worldwide average oil recovery rate rose just 10 percent through use of CCS, the increase would be equivalent to new reserves larger than those of Saudi Arabia, according to IEA estimates. The world has centuries of potential carbon storage capacity.

Peabody Plan Would Drive Major Reindustrialization

2050 Energy Access

- Eliminate Energy Poverty
- Build Electricity Access for 3.6 Billion People
- Fuel 50% of New Generation with Coal

Economic Growth

- Replace Older Coal Plants with Supercritical Technology
- Deploy Significant Coal-to-Gas, Coal-to-Chemicals and Coal-to-Liquids by 2020
- Achieve $4.3 Trillion Benefits, 21 Million Jobs During Build

Environmental Solutions

- Avoid 1.5 Billion Metric Tons of Carbon Dioxide (CO_2) Annually
- Develop 100 Carbon Capture and Storage Projects by 2020
- Commercialize Near-Zero Emissions Technology

There are as many as 80 large-scale integrated projects at various stages of development worldwide, and the IEA has urged government and industry to accelerate the pace of development to achieve broad CCS deployment by 2020.[9]

Peabody identifies four key benchmarks on the path to near-zero emissions:

- First, build supercritical and ultrasupercritical advanced plants that drive down both EPA criteria and carbon dioxide emissions.
- Second, demonstrate carbon capture and storage. The technology is proven: Statoil's Sleipner project in the North Sea, for example, has been storing 1 million tons of CO_2 annually for 15 years.

Advanced technology enables a lab technician to precisely analyze moisture, ash and chemical components of coal. This evaluation helps ensure that Peabody continues to produce the cleanest as well as the highest quality coal in the world.

- Third, deploy commercial-scale CCS after successful demonstrations. CCS is also essential for natural gas, which will require technology to meet any serious greenhouse gas goals.
- Fourth, retrofit supercritical coal plants with CCS technologies.

Near-Zero Emissions and Low Carbon Projects

Peabody is a global leader in advancing clean coal solutions, with projects and partnerships in the United States, China and Australia. These initiatives promote development of next generation clean coal technologies through supercritical coal generation, coal gasification and Btu Conversion.

GreenGen, Tianjin, China

The GreenGen power plant and research center in Tianjin, China, is moving through final testing and commissioning for Phase 1 generation on the Chinese grid, expected in 2012. The project is characterized as China's signature carbon initiative. At its full build of 650 megawatts, GreenGen will be the world's largest near-zero emissions coal-fueled power plant, using carbon capture for enhanced oil recovery. The project is designed with integrated gasification combined cycle (IGCC) technology that would produce hydrogen and marketable byproducts.

GreenGen is recognized as a model for 21st Century coal by Presidents Barack Obama and Hu Jintao. Peabody is the only non-Chinese equity partner in the project.

China and United States Energy Cooperation Program, Beijing

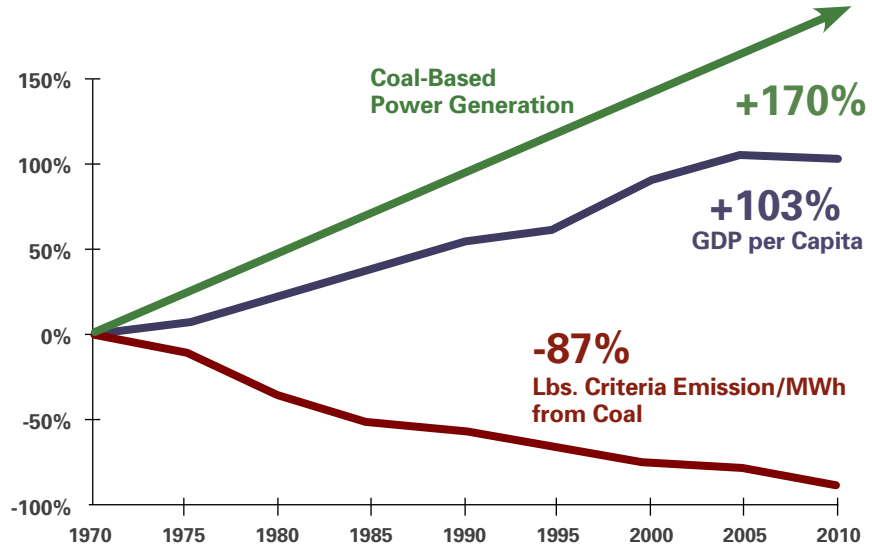
Peabody is a founding member of the U.S.-China Energy Cooperation program, which includes *Fortune* 500 companies pursuing clean energy projects working with key government agencies of both countries. Participants are advancing initiatives that include coal-based power generation with CCS, smart power grid development and clean transportation. Peabody's partnerships with Yankuang Group Ltd. and China Huaneng Group demonstrate the spirit of the program.

FutureGen, Illinois, U.S.

Peabody is a founding member of the FutureGen Alliance, a consortium of energy and coal companies cooperating with the U.S. Department of Energy to develop the first commercial-scale oxy-combustion power plant with CCS.

Advanced Coal Technologies Drive Major Environmental Improvement

U.S. Emissions Decline 87% Since 1970 as Coal Use Nearly Triples



Source: USDA 2011: Energy Information Administration 2012; U.S. EPA Air Trends Data, 2012; Peabody analysis 2012. GDP in 2005 U.S. dollars.

Coal's environmental efficiency continues to improve through use of advanced technologies. Criteria emissions have been reduced 87 percent per megawatt hour in step with nearly triple the coal use and double the gross domestic product (GDP) per capita since 1970.

Major Carbon Capture and Storage Projects Advance Globally

80 Large-Scale Projects Under Way

Greater deployment of carbon capture and storage will enable nations to meet increasing electricity demand and strengthen national security through enhanced domestic oil production.

The alliance will have primary management responsibility to site, develop and operate the long-term CO_2 storage program. FutureGen is targeting a power purchase agreement and completion of permits by 2013, which would allow construction to start in early 2014.

Consortium for Clean Coal Utilization, St. Louis, U.S.

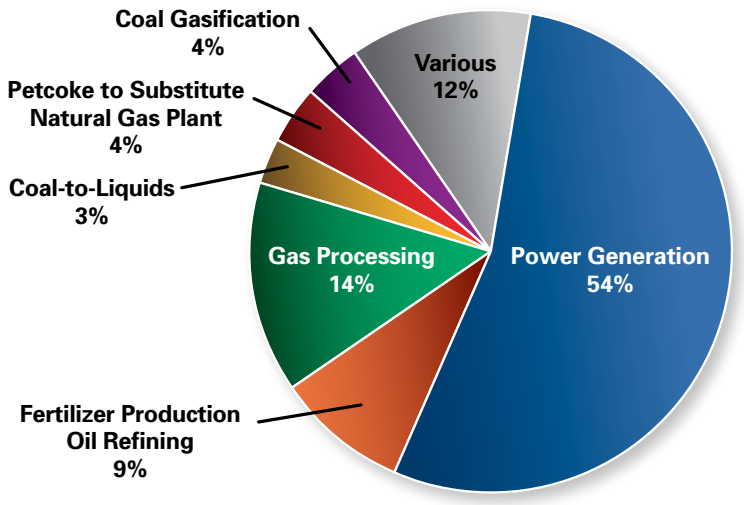
Peabody is a founding member of the consortium, which is advancing coal and energy research at Washington University in St. Louis. The center is testing oxy-coal combustion and use of CO_2 to grow certain species of algae.

As part of the International Center for Advanced Renewable Energy and Sustainability, the consortium belongs to a partnership of universities, industry leaders and foundations progressing clean coal technologies.

National Carbon Capture Center, Alabama, U.S.

Peabody is a founding member of the carbon research center, a public-private partnership with the U.S. Department of Energy to advance low-carbon technologies.

Carbon Capture and Storage Projects Serve Diverse Purposes



Source: International Energy Agency, "Global Value of Coal," 2012.

Power generation accounts for more than half of the carbon capture and storage projects in construction or development around the world. The IEA calls for deployment of 100 large-scale CCS projects by 2020 and more than 3,000 by 2050.

The center brings scientists and technology experts together to analyze technologies in a coal-fueled power plant setting.

Western Kentucky Carbon Storage Foundation, Kentucky, U.S.

Peabody is a founding member of this non-profit foundation studying CO_2 management in Hancock County, Ky. The study is directed by the Kentucky Geological Survey, which has injected CO_2 into test wells to evaluate the geology for long-term storage. Monitoring will continue for several years.

COAL21 Fund, Canberra, Australia

Peabody is a founding member of the COAL21 Fund, an industrywide effort to pursue a collection of low-carbon technologies, that include a 30-megawatt oxyfuel project in Queensland. Power generation with sequestration is expected to begin in 2012.

Global Carbon Capture and Storage Institute, Canberra, Australia

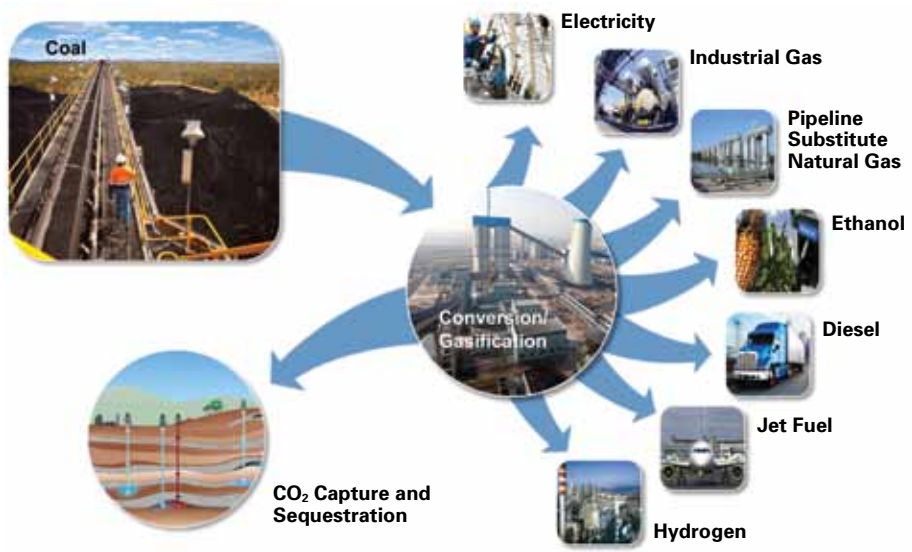
Peabody is a founding member of the Global Carbon Capture and Storage Institute, which is hosted by the Australian government and has a mandate to develop 20 integrated industrial-scale carbon storage projects in 10 years.

The institute has a number of strategic partners that include the Carbon Sequestration Leadership Forum, IEA, World Coal Institute, International Aluminum Institute, Carbon Capture and Storage Association, Asian Development Bank, World Bank, Climate Group, Clinton Climate Initiative and Coal Industry Advisory Board.

Btu Conversion Technologies

Transforming the energy stored in coal into other high-demand forms of energy, including natural gas, transportation fuels and hydrogen is what Peabody calls Btu Conversion.

Btu Conversion Transforms Coal Into Multiple High-Demand Energy Forms



Technologies allow the energy stored in coal to be converted into electricity, chemicals, pipeline-quality natural gas, liquid transportation fuels, hydrogen and more.

Peabody is pursuing development of a major campus in Western China in conjunction with Yankuang Group Co. Ltd. Dedicated to this type of transformation, this Xinjiang site would include a 20-million ton-per-year surface coal mine that would fuel a 2,000-megawatt supercritical power plant and other downstream facilities.

Peabody also has minority equity interests in various green energy start-up companies. For instance, the company is an investor in Massachusetts-based GreatPoint Energy, which is advancing proprietary technology to produce low-cost substitute natural gas from coal.

Civic Engagement

Peabody believes it is essential to participate constructively and responsibly in the political process to help provide the proper policy framework to meet the energy, environmental and economic needs of the future.

All Peabody contributions comply with state and federal election laws. Peabody remains particularly focused on advancing the worldwide use of coal as the primary energy resource that can be deployed in a sustainable manner to alleviate energy poverty and elevate the living standards of millions of people in emerging economies to the quality of life enjoyed by the developed world.

Peabody actively engages with global legislative and regulatory bodies on a number of important public policy issues such as access to resources, taxes, energy policy, trade and environmental legislative and regulatory policies.

Peabody Energy is advancing projects and partnerships in the United States, China and Australia toward the ultimate goal of near-zero emissions from coal. Chief among these is the GreenGen power plant and carbon research facility that is expected on line in the first half of 2012. Peabody is the only non-Chinese equity project partner.

Pursuant to the Lobbying Disclosure Act, the company publicly reports its U.S. federal lobbying expenses on a quarterly basis, including the issues lobbied, which are accessible to the general public on the U.S. Senate's website. The portion of dues paid to trade associations that is used for U.S. federal lobbying is included in the amounts reported in public Lobbying Disclosure Act filings. Peabody files similar periodic reports with U.S. state agencies reflecting state lobbying activities, which also are publicly available.

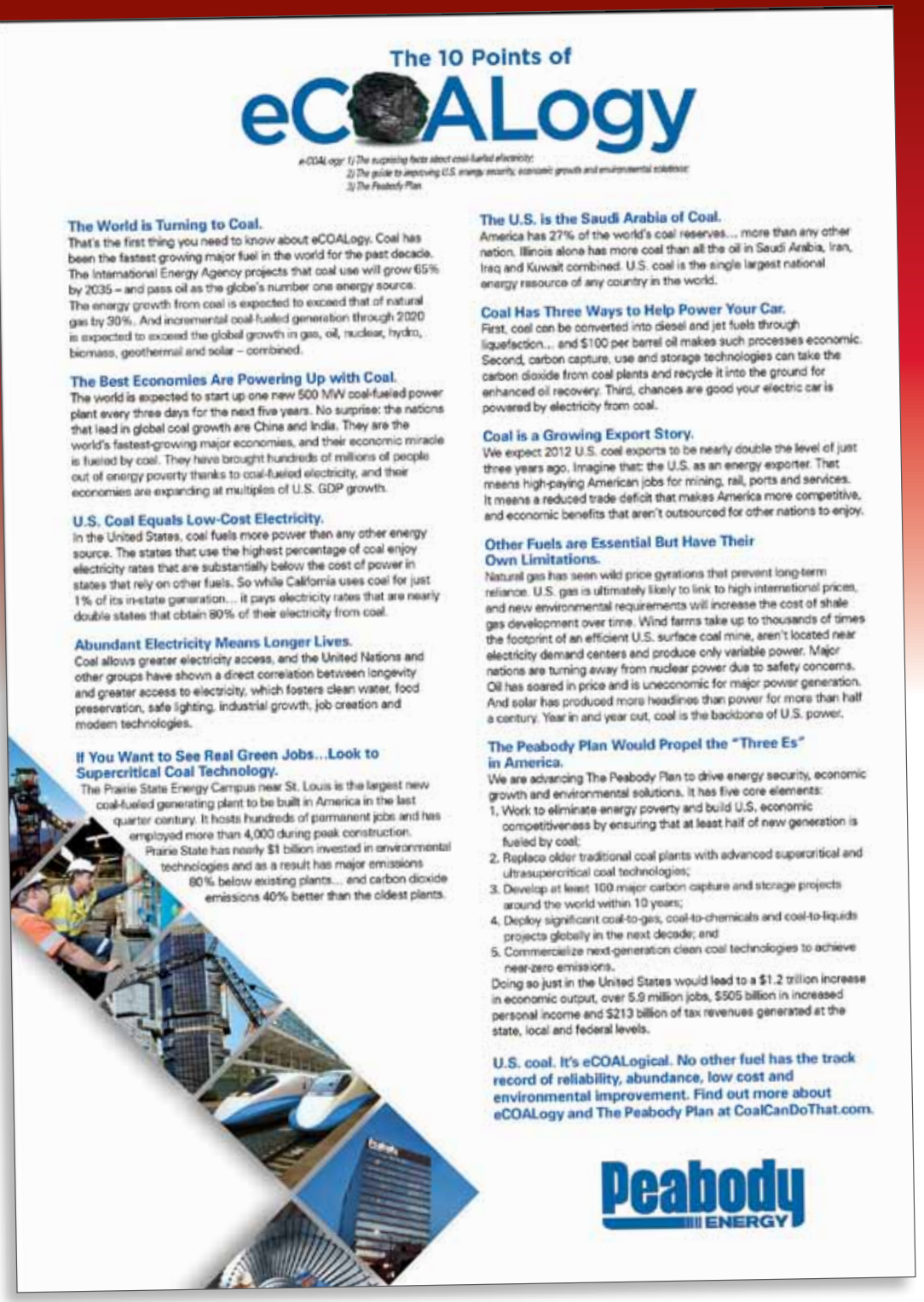
The company also makes extensive public disclosure of its substantive positions on legislation through a variety of media, including Peabody's annual report to shareholders, our annual corporate and social responsibility report, external websites such as *PeabodyEnergy.com*, *PeabodyEnergy.com.au* and *CoalCanDoThat.com*, testimony before legislative bodies and through multiple public presentations.

Peabody Energy Chairman and Chief Executive Officer Gregory H. Boyce and Xinjiang Uyghur Autonomous Region Vice Governor Kurexi Maihasuti signed a framework agreement in July 2011 to pursue development of a world-class large-scale surface mine in China. Peabody would construct, manage and operate the mine using best practices in safety, training, productivity, resource recovery, environmental standards and land restoration.

[1] *International Energy Agency World Energy Outlook, 2011; The World Bank World Development Indicators, 2011.*
[2] *The World Clock.*
[3] *BP Statistical Review of World Energy, June 2011.*
[4] *International Energy Agency, Current Policies Scenario, World Energy Outlook 2011.*
[5] *International Energy Agency World Energy Outlook, 2011.*
[6] *Management Information Services Inc., Washington, D.C., September 2010.*
[7] *The U.S. Energy Information Administration and Peabody analysis.*
[8] *National Coal Council, "Low Carbon Coal," December 2009.*
[9] *International Energy Agency, "Global Value of Coal," 2012.*

Advancing Vision for a Global Energy Future

Greater Coal Use Delivers Energy Security, Economic Growth and Environmental Solutions



The 10 Points of eCOALogy

eCOALogy: 1) The surprising facts about coal-fueled electricity; 2) The guide to improving U.S. energy security, economic growth and environmental solutions; 3) The Peabody Plan

The World is Turning to Coal.
That's the first thing you need to know about eCOALogy. Coal has been the fastest growing major fuel in the world for the past decade. The International Energy Agency projects that coal use will grow 65% by 2035 – and pass oil as the globe's number one energy source. The energy growth from coal is expected to exceed that of natural gas by 30%. And incremental coal-fueled generation through 2020 is expected to exceed the global growth in gas, oil, nuclear, hydro, biomass, geothermal and solar – combined.

The Best Economies Are Powering Up with Coal.
The world is expected to start up one new 500 MW coal-fueled power plant every three days for the next five years. No surprise: the nations that lead in global coal growth are China and India. They are the world's fastest-growing major economies, and their economic miracle is fueled by coal. They have brought hundreds of millions of people out of energy poverty thanks to coal-fueled electricity, and their economies are expanding at multiples of U.S. GDP growth.

U.S. Coal Equals Low-Cost Electricity.
In the United States, coal fuels more power than any other energy source. The states that use the highest percentage of coal enjoy electricity rates that are substantially below the cost of power in states that rely on other fuels. So while California uses coal for just 1% of its in-state generation… it pays electricity rates that are nearly double states that obtain 80% of their electricity from coal.

Abundant Electricity Means Longer Lives.
Coal allows greater electricity access, and the United Nations and other groups have shown a direct correlation between longevity and greater access to electricity, which fosters clean water, food preservation, safe lighting, industrial growth, job creation and modern technologies.

If You Want to See Real Green Jobs…Look to Supercritical Coal Technology.
The Prairie State Energy Campus near St. Louis is the largest new coal-fueled generating plant to be built in America in the last quarter century. It hosts hundreds of permanent jobs and has employed more than 4,000 during peak construction. Prairie State has nearly $1 billion invested in environmental technologies and as a result has major emissions 80% below existing plants… and carbon dioxide emissions 40% better than the oldest plants.

The U.S. is the Saudi Arabia of Coal.
America has 27% of the world's coal reserves… more than any other nation. Illinois alone has more coal than all the oil in Saudi Arabia, Iran, Iraq and Kuwait combined. U.S. coal is the single largest national energy resource of any country in the world.

Coal Has Three Ways to Help Power Your Car.
First, coal can be converted into diesel and jet fuels through liquefaction… and $100 per barrel oil makes such processes economic. Second, carbon capture, use and storage technologies can take the carbon dioxide from coal plants and recycle it into the ground for enhanced oil recovery. Third, chances are good your electric car is powered by electricity from coal.

Coal is a Growing Export Story.
We expect 2012 U.S. coal exports to be nearly double the level of just three years ago. Imagine that: the U.S. as an energy exporter. That means high-paying American jobs for mining, rail, ports and services. It means a reduced trade deficit that makes America more competitive, and economic benefits that aren't outsourced for other nations to enjoy.

Other Fuels are Essential But Have Their Own Limitations.
Natural gas has seen wild price gyrations that prevent long-term reliance. U.S. gas is ultimately likely to link to high international prices, and new environmental requirements will increase the cost of shale gas development over time. Wind farms take up to thousands of times the footprint of an efficient U.S. surface coal mine, aren't located near electricity demand centers and produce only variable power. Major nations are turning away from nuclear power due to safety concerns. Oil has soared in price and is uneconomic for major power generation. And solar has produced more headlines than power for more than half a century. Year in and year out, coal is the backbone of U.S. power.

The Peabody Plan Would Propel the "Three Es" in America.
We are advancing The Peabody Plan to drive energy security, economic growth and environmental solutions. It has five core elements:

1. Work to eliminate energy poverty and build U.S. economic competitiveness by ensuring that at least half of new generation is fueled by coal;
2. Replace older traditional coal plants with advanced supercritical and ultrasupercritical coal technologies;
3. Develop at least 100 major carbon capture and storage projects around the world within 10 years;
4. Deploy significant coal-to-gas, coal-to-chemicals and coal-to-liquids projects globally in the next decade; and
5. Commercialize next-generation clean coal technologies to achieve near-zero emissions.

Doing so just in the United States would lead to a $1.2 trillion increase in economic output, over 5.9 million jobs, $505 billion in increased personal income and $213 billion of tax revenues generated at the state, local and federal levels.

U.S. coal. It's eCOALogical. No other fuel has the track record of reliability, abundance, low cost and environmental improvement. Find out more about eCOALogy and The Peabody Plan at CoalCanDoThat.com.

Peabody ENERGY

Peabody Energy continues industry leadership to advance a vision for the world's energy future with greater use of coal. Coal has a significant cost advantage and a strong and improving environmental track record. Coal with carbon capture and storage is the low-cost, low-carbon solution.

Peabody's Coal Can Do That® program uses an electronic communications platform to serve as a virtual think tank, advancing intellectual capital around coal-fueled energy. The award-winning program delivers messages through multiple channels including direct stakeholder contact, earned media, and interactive web and social media, including Twitter and YouTube.

Find out more at *PeabodyEnergy.com* and *CoalCanDoThat.com*.

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