



PEABODY ENERGY AUSTRALIA COAL

15 June 2005

Mr Greg Smith
General Manager Operations
Prime Infrastructure Management Limited
Level 25 Waterfront Place
1 Eagle Street
BRIBANE QLD 4000

Dear Greg

Re: DBCT – Extension of Contracts

Thank you for Chris' informative letter on Extension of Users Contracts beyond their current completion dates. We note his comments that there are several requests by current and future shippers to participate in additional capacity which will be made available by your expansion plans. He is indeed correct that to this point Peabody Energy Australia Coal has not made any binding request for increased annual capacity.

[Redacted]

[Redacted]

[Redacted]

[Redacted]

Yours Sincerely

Ray Smith
Manager, Sales Contracts and Shipping



21 July 2005

Mr Ian Craig
Managing Director
Peabody Energy Australia Pty Ltd
Level 27 AMP Place
10 Eagle Street
BRISBANE QLD 4000

Dear Ian

We wrote to you on 19 April 2005 and again on 3 June 2005 with respect to your request for additional entitlements to coal handling services at DBCT. At that time, we foreshadowed our intention to allocate capacity to Users based on chronological order of receipt of binding indications. This seemed to us to be the most equitable approach and, following feedback from all Users, appears to have the support of the majority of Users.

We have now conducted our assessment of offers received from all Users and have finalised **provisional** allocations of entitlements for the expanded capacity at DBCT. Your provisional allocation is set out in the Annexure to this letter.

The allocation is at this stage provisional because entry into contracts binding on DBCT Management will depend upon several other issues being satisfactorily finalised.

These other issues include:-

- **QCA Approval:** Approval by the QCA to DBCT Management continuing down its current path of expansion must be obtained by DBCT Management. Such approval would obviously include DBCT Management obtaining sufficient assurance that all capital expended in the expansion will be included in the regulatory asset base. As you are no doubt aware, this needs an expedited outcome and we are grateful for the co-operative approach Users have adopted to date.
- **New User Contracts:** Entry by Users into long term contracts to support the expansion is obviously necessary. As you are aware, we are currently negotiating with representatives of the User Group in this regard and hope to have the form of contract concluded by 31 July 2005. DBCT Management believes that it is in all stakeholders' interests for all Users of DBCT to contract under similar terms and conditions and for this reason it is our intention to restate your existing contractual entitlements in the form of the new agreement and to add in any additional entitlement you have been allocated.
- **Completion of Expansion Phases and Delivery of Expected Capacity:** The provisional allocation advised here is based on assumptions regarding completion dates for the various expansion phases and also on our current expectations as to the capacity that will be delivered by the various expansion phases. Specifically, the provisional allocation assumes:

- an expansion of DBCT to 68 Mtpa under Phase 1, with completion by about the end of July 2007;
- an expansion to 85 Mtpa under Phases 2 and 3, with completion by about the end of August 2008.

The capacities and timings assumed are necessarily estimates at the moment, based on current information. One issue being considered in our current negotiations is the consequences of movements in these completion dates or in the capacity that is ultimately delivered under the expansion phases. These issues will obviously need to be addressed in the final contracts. It is therefore important to remember, however, that your provisional allocation is based on the above assumptions and may change, depending on how these assumptions are accommodated in the new agreements.

- **QR Rail Capacity:** We may seek confirmation from each User prior to awarding a contract that the User has sufficient rail entitlements so as to fulfil its obligations under its DBCT contract.

There is one other significant matter which may affect your preliminary allocation.

One User ("Option Holder") has a contractual entitlement from 2008, that it has the right to reduce to zero. The right must be exercised by 31 December 2006.

Under the contract with the Option Holder, DBCT Management may notify the Option Holder if it receives offers from other Users which offers, if accepted, would consume the Option Holder's capacity, were that capacity available to sell.

In those circumstances the Option Holder has a period of three months in which to advise DBCT Management whether it will exercise its right to reduce its entitlement.

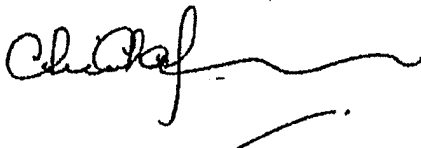
If it does not exercise that right, then it loses the right to reduce its entitlement and the entitlement becomes "firm".

DBCT Management has written to the Option Holder notifying it of other offers received in a cumulative sense (and obviously without revealing parties' names) and notified the Option Holder that it needs to decide whether it wishes to exercise its right to reduce its entitlement. Should the Option Holder exercise its rights to wholly or partially opt out of its contract, more capacity will clearly become available from 2008 for allocation to other Users.

We will keep you informed as to the progress of this matter.

Letters in a similar form to this have been provided to all Users.

Yours sincerely



Chris Chapman
Chief Executive