

27 January 2009

## **POLO RESOURCES LIMITED**

("Polo", the "Company" or the "Group")

### **Proposed Joint Venture with Peabody Energy Corporation**

Polo Resources Limited (AIM: PRL) today announced the execution of an agreement with Peabody Energy Corporation (NYSE: BTU) ("Peabody") pursuant to which Peabody would have the option to acquire up to a 50% interest in a joint venture formed to hold all of Polo's coal and mineral interests in Mongolia. The aggregate cash consideration to be paid, if all options are exercised, is US\$73.2 million.

The assets to be contributed to the joint venture include Polo's portfolio of Mongolian coal licenses, with a substantial number of these licenses being located in the South Gobi coal region which hosts some of the largest coking and thermal coal deposits in close proximity to China.

In addition, Peabody would be granted warrants to subscribe for up to 15% of the fully-diluted share capital of Polo. The transaction is expected to close during the first quarter of 2009 subject to the completion of Peabody's due diligence review or otherwise at Peabody's option. The key terms of the agreement are set out at the end of this announcement.

Stephen R. Dattels, Polo's Executive Chairman, commented that "Polo is excited about the opportunity to join forces with a company of the calibre of Peabody. This alliance will provide the mining expertise and funding required to develop our existing asset base and unlock the currently unrecognized value of Polo's Mongolian interests."

"A joint venture with Polo's existing platform will accelerate the development of Peabody's presence in one of the world's premier undeveloped coal regions," said Greg Boyce, Chairman and Chief Executive Officer of Peabody. "Because Polo has existing assets, coal resources and personnel in Mongolia, this transaction advances our goal of expanding our presence in high-growth, high-margin markets."

Peabody is the world's largest private-sector coal company. Its coal products fuel approximately 10 percent of all U.S. electricity generation and 2 percent of worldwide electricity.

Polo is an emerging energy company focused on acquiring and developing advanced stage coal and uranium properties in Asia and Australia. For complete details on Polo Resources Limited, management encourages investors and interested parties to view its public documents at [www.poloresources.com](http://www.poloresources.com).

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## **Establishment of a Joint Venture vehicle**

Polo shall contribute its Mongolian Mineral and Metal Interests to a newly incorporated Dutch BV company which will be the Joint Venture vehicle (Polo JV) such that Polo JV shall become the sole legal and beneficial owner of those assets.

## **Initial Investment**

Polo has granted to Peabody the right exercisable until 21 March 2009 to subscribe (subject to due diligence and definitive documentation or otherwise at Peabody's option) for 15.27% of the share capital of Polo JV for an initial investment of US\$10 million ("Initial Investment"). The proceeds from the Initial Investment are payable to Polo JV and may be applied towards further investments in Mongolia to be made by Polo JV and the reimbursement of certain costs incurred by Polo since 31 October 2008.

The Option Deed also grants to Peabody a put option in respect of the JV shares which it has acquired through the Initial Investment whereby Peabody can (at any time prior to the exercise of the Subscription Option or the expiry of the subscription option period) request that Polo acquires Peabody's Initial Investment shares in exchange for which Polo will issue to Peabody the equivalent value in Polo shares at the lesser of 3.5 pence per share and the 20 day VWAP price of such conversion (the "Put Option") as of the date the Put Option is exercised

## **Subscription Option**

Pursuant to the Option Deed, Polo has granted a further option to Peabody which is exercisable for a period of up to 6 months following the completion of the Initial Investment whereby Peabody may subscribe for a further 27.91% of the share capital of Polo JV for an aggregate amount of US\$53.24 million (the "Subscription Option") payable to Polo JV. The Subscription Option may be extended for two additional periods of 3 months each conditional upon Polo having completed certain other acquisitions which are currently under review.

## **Acquisition Option**

Pursuant to the Option Deed, Polo has granted a further option to Peabody which is exercisable for a period of up to 12 months following the completion of the Initial Investment and conditional upon the completion of the Subscription Option whereby Peabody may subscribe for a further 6.82% of the share capital of Polo JV for an aggregate amount of US\$10 million payable to Polo (the "Acquisition Option").

Both the Subscription Option and the Acquisition Option shall lapse if Peabody exercises the Put Option.

## **Peabody Warrant**

Polo has granted to Peabody a warrant to subscribe for up to 15% of the issued share capital of Polo adjusted for further issues to avoid dilution and exercisable for a period of 18 months from the date that the Initial Investment is completed. The warrant has an exercise price of 3.5 pence per share, representing a premium to the 20 day VWAP prior the signing of the Option Deed.

For the period of three years from the grant of the warrant Peabody shall have the right to participate in certain fundraisings carried out by Polo in order to avoid dilution.

## **Management of Polo JV**

Following the Initial Investment, Polo and Peabody shall each be entitled to appoint the same number of directors to the board of Polo JV and in addition, Peabody has the right to appoint the

Executive Director of Polo JV who shall have day to day control over the activities of the Mongolian subsidiaries of Polo JV. If Peabody does not exercise the Subscription Option, Peabody's rights to appoint directors to the board of Polo JV and to appoint the Executive Director shall expire and such appointments shall instead be made by Polo.

### **Management of Polo**

Polo has granted to Peabody the right to appoint, replace and remove one member of the Polo Board of Directors and Peabody shall have an additional right to appoint further members to the board of directors of Polo as are commensurate to its equity holding in Polo. In the event that the Warrant is not exercisable and Peabody does not hold either a 15.27% JV interest or Polo shares representing at least 5% of the issued share capital of Polo, then Polo shall be entitled to request the removal of any directors appointed by Peabody.

### **Takeover Offers**

In the event that following the Initial Investment a takeover offer is made for Polo, Polo has agreed to give Peabody the right to prepare its own bid for the Company for a period of seven business days during which period Polo has agreed not to discuss any proposed takeover with a third party.

### **Issue of Shares**

Polo has also agreed to issue up to 66,000,000 Polo shares to arms length consultants in consideration for services rendered in connection with the transaction and ongoing services.

### **Parent Company Guarantees**

Polo and Peabody have agreed to guarantee the performance and the financial obligations of their affiliates to each other.

### **Peabody Standstill**

Unless a person commences or announces any intention to commence, a transaction to acquire or attempt to acquire in excess of 9.9% of the then existing share capital of Polo or announces any intention to enter into the purchase or sale of, or joint venture with respect to, all or a substantial portion of Polo's or any one or more of its affiliate's assets, Peabody has agreed not to acquire an interest in any Polo shares for a period ending six months after the earlier of (i) closing or (ii) 21 March 2009 other than pursuant to the Warrant.

### **Exclusivity**

Polo has agreed that prior to 5:59 pm CST (Central Standard Time) on March 21, 2009 it will not (and that it will ensure that no other member of the Polo Group will) dispose of, encumber, continue or enter into negotiations regarding any shares in any member of the Polo Group or Polo's Mongolian interests.

### **Non Compete**

Polo has undertaken that it shall not and the members of the Polo Group shall not: (a) compete with Polo JV's business in Mongolia; or (b) solicit or attempt to solicit suppliers or customers of Polo JV in Mongolia; or (c) solicit or attempt to solicit Polo JV's employees, directors or officers whilst Polo holds shares in the joint venture and for a period of 12 months after Polo ceases to hold shares in Polo JV.

## **Sales and Marketing**

Upon closing of the Initial Investment and subject to certain exceptions, Polo JV shall enter into a sales and marketing agreement granting Peabody the exclusive world-wide right to market coal produced from Polo JV's assets for a commission. If Peabody does not exercise the Subscription Option the terms of the sales and marketing agreement shall be revised such that Peabody shall retain preferential rights to market not less than 15% of the production from Polo JV.

## **CAUTIONARY STATEMENT**

The AIM Exchange does not accept responsibility for the adequacy or accuracy of this release. No stock exchange, securities commission or other regulatory authority has approved or disapproved the information contained herein. All statements, other than statements of historical fact, in this news release are forward-looking statements that involve various risks and uncertainties, including, without limitation, statements regarding the future plans and objectives of Polo Resources Limited. There can be no assurance that such statements will prove to be accurate. Actual results and future events could differ materially from those anticipated in such statements. These and all subsequent written and oral forward-looking statements are based on the estimates and opinions of management on the dates they are made and are expressly qualified in their entirety by this notice. Polo Resources Limited assumes no obligation to update forward-looking statements should circumstances or management's estimates or opinions change.