

October 20, 2008

WARATAH BOARD RECOMMENDS SHAREHOLDERS REJECT MINERALOGY'S UNSOLICITED PARTIAL OFFER

Brisbane, Australia and Vancouver, British Columbia, Canada - In its Directors' Circular filed today, the Board of Directors of Waratah Coal Inc. ("Waratah" or the "Company") (TSX-V: WCI) unanimously recommends that holders of Waratah common shares ("Shares") reject the unsolicited partial offer from Mineralogy Pty Ltd. ("Mineralogy") and not tender their Shares to Mineralogy.

In reaching this recommendation and concluding that the Mineralogy partial offer is not in the best interests of Waratah or to shareholders, the Board of Directors carefully reviewed and considered Mineralogy's partial offer and the unanimous recommendation of Waratah's Special Committee of independent directors. The Board of Directors considered a number of factors, including an inadequacy opinion relating to the partial offer from Waratah's financial advisor, Merrill Lynch Canada Inc. ("Merrill Lynch"). The full text of Merrill Lynch's opinion is included in the Directors' Circular as Appendix A.

Reasons for the Recommendation

The Board of Directors has carefully reviewed Mineralogy's partial offer and believes the offer is inadequate, fails to compensate shareholders for the size, quality and strategic value of Waratah's assets, and disadvantages shareholders. The Board of Directors is pursuing plans to realize the potential of the Galilee Basin Project and pursuing other commercial opportunities which the Board of Directors believes may offer more attractive value alternatives to shareholders. Among the factors considered by the Board of Directors in concluding to recommend that shareholders reject Mineralogy's partial offer and not tender their shares include:

- **The Mineralogy partial offer is inadequate.** Merrill Lynch assessed the adequacy of the consideration offered to Waratah's shareholders pursuant to Mineralogy's partial offer and concluded that the offer is, as of the date of the opinion, inadequate from a financial point of view to shareholders. Mineralogy's partial offer fails to offer an adequate premium for control, is at a discount to comparable coal transactions, and does not reflect the value of effective control that Mineralogy would acquire if its partial offer is successful.
- **The Mineralogy partial offer does not compensate Waratah shareholders for the size, quality and strategic value of Waratah's assets.** The Galilee Basin Project will be one of the largest thermal coal projects to be undertaken in Australia and the Queensland Government



has declared it of “State Significance”. Since its initial port and rail proposal for the Galilee Basin Project was purportedly rejected by the Federal Minister for the Environment, Heritage and the Arts, Waratah has been working in conjunction with representatives of the Queensland Government to further examine various rail and port opportunities available for the development of the Galilee Basin Project. In addition to the Galilee Basin Project, Waratah is actively pursuing domestic power projects incorporating clean coal technology, carbon capture sequestration and underground coal gasification opportunities. Waratah also owns and is exploring a suite of strategic coal exploration tenements. Waratah’s assets are strategically located in a new region with the potential for significant growth in the global seaborne traded thermal coal market — a market with strong fundamentals. The Board of Directors believes that Mineralogy’s offer fails to adequately compensate shareholders for the strategic value and potential of Waratah’s large-scale assets.

- **The Mineralogy partial offer structure disadvantages Waratah shareholders and is opportunistic.** The Mineralogy offer is opportunistically timed to take advantage of a recent period during which share prices of exploration companies have declined as a result of macroeconomic factors generally, exacerbated by current fears in equity markets following a sustained period of redemptions and deleveraging by institutions. Mineralogy also seeks to take advantage of the Australian Federal Minister for Environment, Heritage and the Arts’ purported rejection of Waratah’s initial rail and port infrastructure proposal even though Waratah continues to work closely with the Queensland Government in this respect and is investigating five other development options in respect of port and rail infrastructure.

As Mineralogy’s offer is to acquire less than all of Waratah’s shares, it is by its very nature coercive because it forces shareholders to decide whether to accept the partial offer (and in respect of how many shares), whether to sell into the market, or maintain their investment in the face of some measure of uncertainty. This uncertainty is compounded by the fact that Mineralogy’s intentions with respect to the future of Waratah are unclear.

If Mineralogy’s partial offer is successful, it would reduce Waratah’s public float, which could adversely affect the market for, and trading price of, the shares.

- **The Waratah Board of Directors and management of Waratah are pursuing plans to realize the potential of the Galilee Basin Project and are committed to the growth of Waratah.** Waratah has been following a clear and methodical plan for the development of the enormous potential of its Galilee Basin holdings. Mineralogy’s partial offer



interrupts this process and seeks to deprive shareholders of the potential upside that could be derived from the development of the Galilee Basin Project. The Board of Directors and management team have advanced the Galilee Basin Project and provided significant value accretion for shareholders. Their plan to develop the Galilee Basin Project, included informing potential strategic partners who expressed an interest in the Galilee Basin Project that a formal process would commence in approximately December 2008. Since the announcement of Mineralogy's partial offer, the Board of Directors has expedited this process in order to bring more attractive value alternatives to shareholders. In addition, Waratah's Board of Directors and management team have more expertise and experience than Mineralogy, which has no comparable record of project development success, has not developed any of its core iron ore assets into producing mines and has not developed any coal assets.

- **Other commercial opportunities are being pursued which the Board of Directors believes may offer more attractive value alternatives to Waratah shareholders.** Over the last 12 months, Waratah has received a number of approaches from parties who have expressed an interest in investing in Waratah or partnering in the development of the Galilee Basin Project. Since the announcement Mineralogy's partial offer, the Board of Directors and the Special Committee have been aggressively pursuing a number of alternatives to Mineralogy's partial offer to provide more attractive alternatives to shareholders. Waratah has entered into confidentiality agreements with a number of interested parties and discussions are in progress to bring forward more attractive value alternatives. Tendering shares to Mineralogy's partial offer before the Board of Directors has had an opportunity to fully explore all available alternatives may preclude the possibility of a superior transaction emerging.

For these and other reasons set out in the Directors' Circular, the Board of Directors believes that Mineralogy's partial offer fails to provide full value for Waratah Shares and is an attempt by Mineralogy to acquire Waratah without offering adequate consideration to shareholders. The Board of Directors therefore unanimously recommends that Waratah shareholders reject Mineralogy's partial offer and not tender their Shares.

How to withdraw your shares from the Mineralogy Partial Offer

Waratah shareholders wishing to withdraw their shares from the Mineralogy offer are encouraged to contact Waratah's information agent, Laurel Hill Advisory Group, at 1-866-588-7127 (toll free in North American) or at 1-416-637-4661 (collect outside North America).



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